Table of Contents

As filed with the Securities and Exchange Commission on March 31, 2008

Registration No. 333-147388

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2 to

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

MAGNACHIP SEMICONDUCTOR CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware	3674	26-1815025
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

MAGNACHIP SEMICONDUCTOR LLC

(Exact name of Registrant as specified in its charter)

Delaware	3674	83-0406195
(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.
74, rue de Merl, B.P. 709, L-2017
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 McFarland
Senior Vice President, General Counsel and Secretary
c/o MagnaChip Semiconductor, Inc.
787 North Mary Avenue
Sunnyvale, California 94085
Telephone: (408) 636-5200
Fax: (408) 213-2450

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Micheal J. Reagan
Khoa D. Do
Peter M. Astiz
DLA Piper US LLP
2000 University Avenue
East Palo Alto, California 94304
Telephone: (650) 833-2000
Fax: (650) 833-2001

Eva H. Davis
Kirkland & Ellis LLP
777 S. Figueroa Street, Suite 3700
Los Angeles, California 90017
Telephone: (213) 680-8400
Fax: (213) 680-8500

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: ☐

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

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

If 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	Proposed maximum aggregate offering price(1)	Amount of registration fee
Common Stock, par value $0.01 per share	$575,000,000	$17,652.50(2)

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o).
(2) Previously Paid.

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

Table of Contents

EXPLANATORY NOTE

This registration statement contains a prospectus relating to the initial public offering of shares of common stock of MagnaChip Semiconductor Corporation. Prior to the closing of this offering, a corporate reorganization will occur pursuant to which a wholly owned subsidiary of MagnaChip Semiconductor Corporation will be merged with and into MagnaChip Semiconductor LLC, after which MagnaChip Semiconductor LLC will become a wholly owned subsidiary of MagnaChip Semiconductor Corporation. As described further in this registration statement, pursuant to the corporate reorganization, all of the outstanding common units of MagnaChip Semiconductor LLC will be exchanged for shares of MagnaChip Semiconductor Corporation common stock, all of the outstanding Series B preferred units of MagnaChip Semiconductor LLC will be exchanged at the option of the holder for either shares of MagnaChip Semiconductor Corporation Series B preferred stock or common stock, and all of the outstanding options to purchase common units of MagnaChip Semiconductor LLC will be exchanged into options to purchase shares of MagnaChip Semiconductor Corporation common stock. Prior to the corporate reorganization, MagnaChip Semiconductor Corporation will have no outstanding securities and will not have conducted any business other than that incidental to its organization and preparation for this offering. Accordingly, the historical financial statements contained in this registration statement relate solely to the business, activities and financial condition of MagnaChip Semiconductor LLC, the predecessor entity.

Table of Contents

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated March 31, 2008

Shares

MagnaChip Semiconductor Corporation

Common Stock

This is the initial public offering of common stock of MagnaChip Semiconductor Corporation. MagnaChip Semiconductor Corporation is selling shares of common stock. The selling stockholders identified in this prospectus, including some of our executive officers, may sell up to an additional shares pursuant to the underwriters' exercise of their option to purchase additional shares. We will not receive any of the proceeds from the sale of the shares by the selling stockholders.

Prior to this offering, there has been no public market for our common stock. It is currently estimated that the initial public offering price per share will be between $ and $. We intend to list the common stock on the New York Stock Exchange under the symbol "MX".

See "Risk Factors" beginning on page 9 to read about factors you should consider before buying shares of the common stock.

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

	Per share	Total
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses to MagnaChip Semiconductor Corporation	$	$

To the extent that the underwriters sell more than shares of common stock, the underwriters have the option to purchase up to an additional shares from the selling stockholders at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on , 2008.

Goldman, Sachs & Co. **UBS Investment Bank** **Credit Suisse**

Citi **Lehman Brothers**

Jefferies & Company **JMP Securities**

Prospectus dated , 2008

Table of Contents

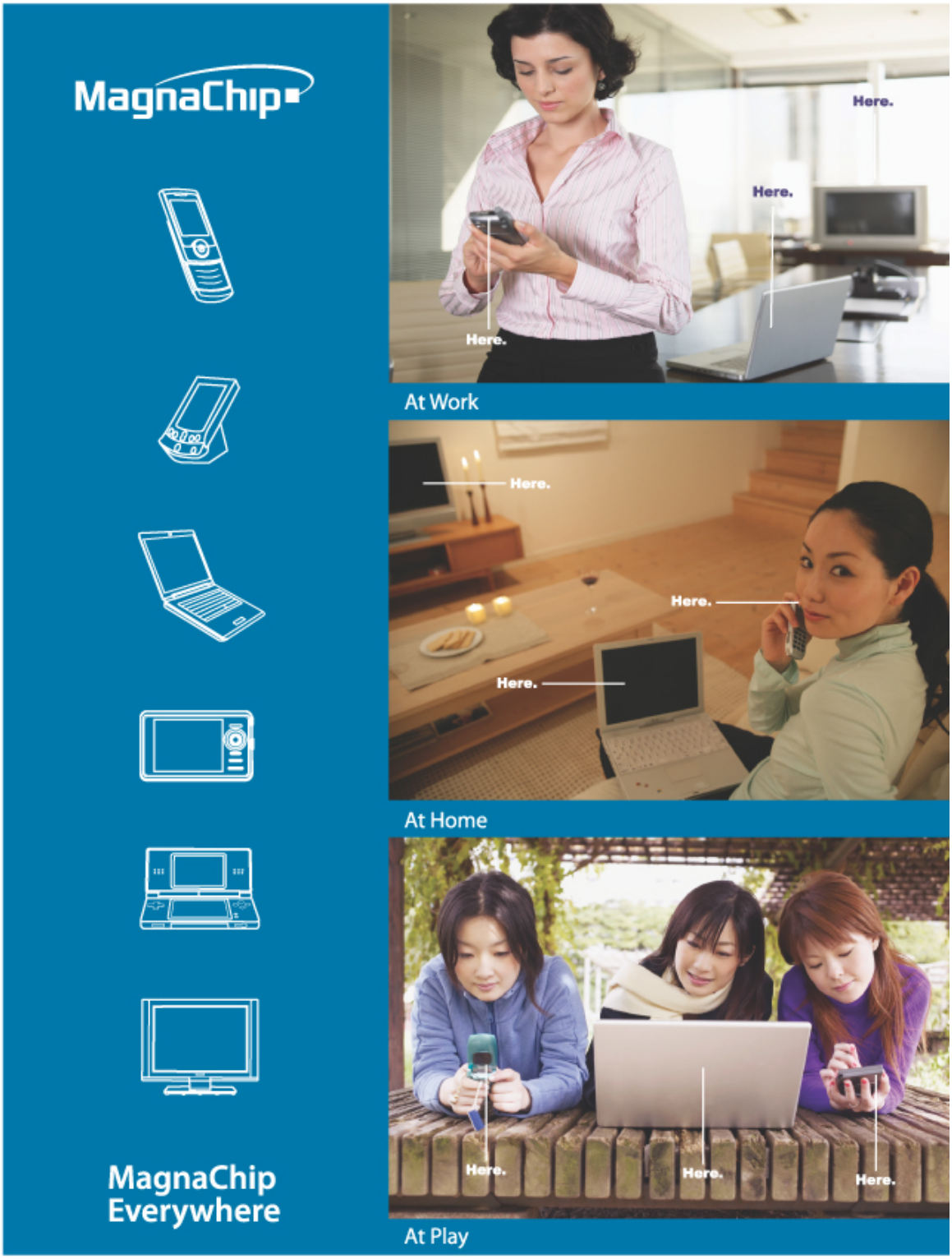

Table of Contents

Through and including , 2008 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered by this prospectus, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before deciding to invest in our common stock. You should read this entire prospectus carefully, including the "Risk Factors" section contained in this prospectus and our consolidated financial statements before making an investment decision. In this prospectus, unless the context otherwise requires, the terms "we," "us," "our" and "MagnaChip" refer to MagnaChip Semiconductor LLC and its consolidated subsidiaries for the periods prior to the consummation of the corporate reorganization (as described below), and such terms refer to MagnaChip Semiconductor Corporation and its consolidated subsidiaries for the periods after the consummation of the corporate reorganization. The term "Korea" refers to the Republic of Korea or South Korea.

Immediately prior to the effectiveness of the registration statement of which this prospectus is a part, we will complete a number of transactions pursuant to which MagnaChip Semiconductor Corporation will succeed to the business of MagnaChip Semiconductor LLC and its consolidated subsidiaries and the members of MagnaChip Semiconductor LLC will become stockholders of MagnaChip Semiconductor Corporation. In this prospectus, we refer to such transactions as the "corporate reorganization." Unless otherwise indicated, the disclosure in this prospectus gives effect to the corporate reorganization.

Overview

MagnaChip is a Korea-based designer and manufacturer of analog and mixed-signal semiconductor products for high volume consumer applications, such as mobile phones, digital televisions, flat panel displays, notebook computers, mobile multimedia devices and digital cameras. We believe we have one of the broadest and deepest analog and mixed-signal semiconductor technology platforms in the industry, supported by our 28-year operating history, large portfolio of approximately 6,100 novel registered and pending patents and extensive engineering and manufacturing process expertise. Our wide variety of analog and mixed-signal semiconductor products and services combined with our technology platform allows us to address multiple high growth end markets and to develop and introduce new products quickly. Our substantial manufacturing operations in Korea and design centers in Korea and Japan provide us with proximity to the global consumer electronics supply chain. We believe this enables us to quickly respond to our customers' needs and allows us to better service and capture additional demand from existing and new customers.

We have a long history of supplying and collaborating on product and technology development with leading innovators in the consumer electronics market. Our largest semiconductor manufacturing services customers include some of the fastest growing and leading semiconductor companies that design products for the consumer, computing, wireless and industrial end markets. Some of our largest customers by revenue include LG.Philips LCD Co., Ltd., Sharp Corporation and members of the Samsung group. As a result, we have been able to strengthen our technology platform and focus on products and services that are in high demand by our customers and end consumers.

Industry Background

The consumer electronics market is large and growing rapidly. This growth is being driven by consumers seeking to enjoy greater availability of rich media content, such as digital and high definition audio and video, mobile television, games and digital photography. In order to deliver the desired user

experience, many electronic devices now display high-resolution content, capture images, play digital audio and video and consume less power. According to iSuppli Corporation, the market opportunity for semiconductors used in consumer electronics, wireless communications and data processing applications is expected to rise to $260 billion in 2010, of which we believe that we will have an addressable market opportunity of $63 billion. Although our net sales in 2007 increased compared to 2006, our net sales in 2006 and 2005 decreased relative to the prior-year periods in spite of the general market growth.

Our Products and Services

Our analog and mixed-signal semiconductor products and services enable the high resolution display of images and video, conversion of analog signals, such as light and sound, into digital data, as well as manage power consumption. Our display driver solutions cover a wide range of display sizes used in high definition liquid crystal display, or LCD, televisions, flat panel displays, notebook computers and mobile communications and entertainment devices. Our display driver solutions incorporate the industry's most advanced display technologies, such as low temperature polysilicon, or LTPS, and active matrix organic light emitting diode, or AMOLED, as well as high volume display technologies such as thin film transistor, or TFT. Our image sensor solutions are highly integrated and designed to provide brighter, sharper and more colorful image quality in a variety of light conditions for use primarily in mobile handset, PC and notebook computer, camera applications and security systems. We have also utilized our technology platform and manufacturing process expertise to design power management solutions in order to expand our market opportunity and address more of our customers' needs.

We also offer manufacturing services to providers of analog and mixed-signal semiconductors that require differentiated, specialty analog and mixed-signal process technologies such as high voltage complementary metal oxide semiconductor, or CMOS, embedded memory and power. Our manufacturing facilities and processes do not require substantial investment in leading edge process equipment and can be utilized over an extended period of time. Our manufacturing base serves both our solutions products and manufacturing services customers, allowing us to optimize our asset utilization and leverage our investments across our product and service offerings.

Our Competitive Strengths

We believe our strengths include:

- Ÿ Leading analog and mixed-signal semiconductor technology platform that allows us to develop new products and meet market demands quickly;
- Ÿ Long history of established relationships and close collaboration with leading global consumer electronics companies, which enhances our visibility into new product opportunities, markets and technology trends;
- Ÿ Comprehensive product and service offerings that support our business through fluctuations in end-market demand and allow us to cross-sell our products and services to our customers;
- Ÿ Distinctive process technology and manufacturing expertise, supported by our belief that the majority of our top twenty manufacturing services customers use us as their primary manufacturing source for the products that we manufacture for them;
- Ÿ Longstanding presence of our management and manufacturing base in Asia and proximity to our largest customers and to the core of the global consumer electronics supply chain, which allows us to respond rapidly to our customers' needs; and

- Ÿ Manufacturing facilities with specialty processes and a low cost operating structure, which allows us to maintain price competitiveness across our product and service offerings.

Our Strategy

Our objective is to grow our business and enhance our position as a leading provider of analog and mixed-signal semiconductor products and services for high volume consumer applications. Our business strategy emphasizes the following key elements:

- Ÿ Leverage our leading analog and mixed-signal technology platform to deliver products with high levels of performance and integration, as well as to expand our technology offerings within our target markets, as we are doing with our power management products;
- Ÿ Continue to innovate and deliver new products, such as AMOLED display drivers, and specialized analog and mixed-signal semiconductor manufacturing services;
- Ÿ Increase business with our global customer base of leading consumer electronics original equipment manufacturers, or OEMs, by collaborating on critical design and product development;
- Ÿ Broaden our customer base by expanding our global design centers and local application engineering support and sales presence, particularly in China and other high growth regions;
- Ÿ Drive execution excellence in new product development, manufacturing efficiency and quality, customer service and personnel development; and
- Ÿ Optimize asset utilization and return on capital investments by maintaining our focus on specialty process technologies that do not require substantial investment in leading edge manufacturing equipment and by utilizing our manufacturing facilities for both our solutions products and manufacturing services customers.

Risks Related to Our Company

Investing in our company entails a high degree of risk, including those summarized below and those more fully described in the “Risk Factors” section beginning on page 9 of this prospectus. You should consider carefully such risks before deciding to invest in shares of our common stock.

- Ÿ The cyclical nature of the semiconductor industry may limit our ability to maintain or increase net sales and profit levels during industry downturns;
- Ÿ The average selling prices of our semiconductor products have at times declined rapidly and will likely do so in the future, which could harm our revenue and gross profit;
- Ÿ We have a history of losses and may not become profitable in the future;
- Ÿ Our ability to compete successfully and achieve future growth will depend, in part, on our ability to protect our proprietary technology and know-how, as well as our ability to operate without infringing the proprietary rights of others;
- Ÿ Our level of indebtedness is substantial, and we may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful; and
- Ÿ Control by our principal stockholders could adversely affect our other stockholders.

Corporate Information

Prior to the closing of this offering, we will complete the corporate reorganization pursuant to which MagnaChip Semiconductor Corporation will succeed to the business of MagnaChip Semiconductor LLC and its consolidated subsidiaries, and the members of MagnaChip Semiconductor LLC will become stockholders of MagnaChip Semiconductor Corporation. Unless otherwise indicated, the disclosure in this prospectus gives effect to the corporate reorganization.

Our principal executive offices are located at: c/o MagnaChip Semiconductor S.A., 74, rue de Merl, B.P. 709, L-2017, Luxembourg, Grand Duchy of Luxembourg, and our telephone number is (352) 45-62-62. Our website address is *www.magnachip.com*. You should not consider the information contained on our website to be part of this prospectus or in deciding whether to purchase shares of our common stock.

Our business was named MagnaChip Semiconductor when it was acquired from Hynix Semiconductor, Inc., or Hynix, in October 2004 by Citigroup Venture Capital Equity Partners, L.P., Francisco Partners L.P., certain investment funds advised by CVC Asia Pacific Limited or its affiliates, certain members of management and other investors. In this prospectus, we refer to these entities as Court Square, Francisco Partners and CVC Asia Pacific and, collectively, as the "sponsors" and to this acquisition as the "Original Acquisition."

After the closing of this offering, pursuant to the terms of our amended and restated bylaws and an agreement among our sponsors and other stockholders, which we also refer to as the securityholders' agreement, the sponsors, or their respective affiliates, have agreed to elect their respective designees to serve as members of our board of directors. Under our amended and restated bylaws and securityholders' agreement, our board of directors will consist of ten members, including three representatives of Court Square, three representatives of Francisco Partners, one representative of CVC Asia Pacific, our chief executive officer, our chief financial officer and one independent director chosen by Court Square, Francisco Partners and our chief executive officer.

On a pro forma basis after giving effect to the corporate reorganization, this offering and the application of proceeds therefrom, as of December 31, 2007, our sponsors would have owned shares of our common stock representing approximately % of the total amount outstanding, assuming no exercise of the underwriters' option to purchase additional shares. In addition, under the "controlled company" exception to the independence requirements of the New York Stock Exchange, we will be exempt from the rules of the New York Stock Exchange that require that our board of directors be comprised of a majority of independent directors, that our compensation committee be comprised solely of independent directors and that our nominating and governance committee be comprised solely of independent directors.

The Offering

Shares of common stock offered by us	shares
Shares of common stock offered by the selling stockholders pursuant to the underwriters' option to purchase additional shares	shares[(1)]
Shares of common stock to be outstanding after this offering	shares
Use of proceeds	We intend to use the net proceeds received by us in connection with this offering to reduce our indebtedness, to repurchase all of our Series B preferred stock, to pay certain employee incentive payments, to pay certain amounts related to the termination of our sponsors' advisory agreements and for general corporate purposes.
Risk Factors	See "Risk Factors" and the other information included in this prospectus for a discussion of the factors you should consider carefully before deciding to invest in shares of our common stock.
Dividend policy	We do not anticipate paying any cash dividends on our common stock.
Proposed New York Stock Exchange symbol	MX

(1) The selling stockholders, including some of our executive officers, have provided the underwriters an option to purchase up to additional shares of our common stock. If the underwriters exercise their option to purchase additional shares, we will not receive any of the proceeds from the sale of our common stock by the selling stockholders.

The number of shares of our common stock outstanding after this offering is based on common units of MagnaChip Semiconductor LLC outstanding as of the date of this prospectus and:

- reflects the consummation of the corporate reorganization, pursuant to which all of the outstanding common units of MagnaChip Semiconductor LLC will be exchanged for shares of our common stock at a ratio of , and is based on the assumption that all of the Series B preferred units of MagnaChip Semiconductor LLC will be exchanged for shares of our Series B preferred stock at a ratio of 1:1;
- excludes shares of our common stock reserved for issuance upon exercise of stock options outstanding as of at a weighted average exercise price of per share;
- excludes shares of our common stock reserved as of for issuance pursuant to future grants under our 2008 Equity Incentive Plan and 2008 Employee Stock Purchase Plan, which does not include the additional shares which may become available for issuance pursuant to the automatic share reserve increase provisions of such plans described below; and
- assumes that all holders of Series B preferred units elect to have their units repurchased at the closing of this offering.

The number of shares authorized for future issuance under our 2008 Equity Incentive Plan and our 2008 Employee Stock Purchase Plan reflected above does not include additional shares that may become available for future issuance pursuant to the automatic share reserve increase provisions of these plans. On January 1 of each year from 2009 through 2017, up to 2.5% and 1.0%, respectively, of the shares of our common stock issued and outstanding on the immediately preceding December 31 may be added automatically to the number of shares remaining available for future grants under the 2008 Equity Incentive Plan and the 2008 Employee Stock Purchase Plan.

Unless specifically stated otherwise, the information in this prospectus:

- assumes the consummation of the corporate reorganization and the effectiveness of our amended and restated certificate of incorporation prior to the closing of this offering;
- assumes no exercise of the underwriters' option to purchase up to an additional shares from our selling stockholders; and
- assumes an initial public offering price of $ per share, which is the midpoint of the range set forth on the front cover of this prospectus.

Summary Historical and Pro Forma Financial Data

The following tables set forth summary historical and pro forma financial data of MagnaChip Semiconductor LLC on or as of the dates and for the periods indicated. The summary historical and pro forma financial data presented below should be read together with "Selected Historical Consolidated Financial and Operating Data of MagnaChip Semiconductor LLC," "Unaudited Pro Forma Consolidated Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements, including the notes to those financial statements appearing elsewhere in this prospectus.

We have derived the summary consolidated financial data as of and for the years ended December 31, 2007, 2006 and 2005 from the historical audited consolidated financial statements of MagnaChip Semiconductor LLC. The unaudited summary consolidated historical and pro forma financial data include, in the opinion of our management, all adjustments, consisting only of normal recurring adjustments, that are necessary for a fair presentation of our financial position and results of operations for these periods. The historical results of MagnaChip Semiconductor LLC for any prior period are not necessarily indicative of the results to be expected in any future period, and financial results for any interim period are not necessarily indicative of results for a full fiscal year.

We have prepared the summarized unaudited pro forma financial data for the year ended December 31, 2007 and as of December 31, 2007 to give pro forma effect to (1) the corporate reorganization and (2) the sale of shares in this offering and application of the net proceeds from this offering, in each case as if they had occurred at the beginning of the period presented with respect to statement of operations data and as of the end of the period presented with respect to balance sheet data. The summary unaudited pro forma financial data set forth below and under "Selected Unaudited Pro Forma Consolidated Financial Information" are presented for informational purposes only, should not be considered indicative of actual results of operations that would have been achieved had the corporate reorganization and this offering been consummated on the dates indicated, and do not purport to be indicative of balance sheet data or results of operations as of any future date or for any future period.

	Pro Forma[1]	Historical		
	Year ended December 31,	Years ended December 31,		
	2007	2007	2006	2005
	(Unaudited)	(Audited)		
	(in millions, except per common unit/share data)			
Statement of Operations Data:				
Net sales	$ 792.4	$ 792.4	$ 744.4	$ 937.7
Cost of sales	654.8	654.8	644.9	729.0
Gross profit	137.6	137.6	99.4	208.7
Selling, general and administrative	93.0	93.0	87.7	123.2
Research and development	138.9	138.9	131.3	107.6
Restructuring and impairment charges	12.1	12.1	94.3	36.2
Operating income (loss)	(106.4)	(106.4)	(213.8)	(58.4)
Interest expense, net	43.7	60.3	57.2	57.2
Foreign currency gain (loss), net	(4.7)	(4.7)	50.9	16.5
Other income (expenses)	(48.4)	(65.0)	(6.3)	(40.7)

	Pro Forma[1]	Historical		
	Year ended December 31,	Years ended December 31,		
	2007	2007	2006	2005
	(Unaudited)		(Audited)	
	(in millions, except per common unit/share data)			
Income (loss) before income taxes	$ (154.8)	$ (171.4)	$ (220.1)	$ (99.1)
Income tax expenses	9.1	9.1	9.3	1.8
Net income (loss)	$ (163.9)	$ (180.6)	$ (229.3)	$ (100.9)
Dividends accrued on preferred units / shares	—	12.0	10.9	9.9
Net income (loss) attributable to common units / shares	$ (163.9)	$ (192.6)	$ (240.2)	$ (110.8)
Per unit / share data:				
Net (loss) per common unit / share:				
Basic and diluted		$ (3.68)	$ (4.54)	$ (2.10)
Weighted-average units / shares used in computing net income (loss) per common unit / share:				
Basic and diluted		52.297	52.912	52.898
Consolidated Balance Sheet Data (at period end):				
Cash and cash equivalents	$ 64.3	$ 64.3	$ 89.2	$ 86.6
Total assets	707.9	707.9	770.1	1,040.6
Total indebtedness[2]	630.0	830.0	750.0	750.0
Preferred units / stock	—	129.4	117.4	106.5
Long-term obligations[4]	879.4	879.4	867.5	856.7
Total unitholders' / stockholders' equity	(158.0)	(477.5)	(284.5)	(46.5)
Supplemental Data:				
EBITDA[3]	52.3	52.3	25.7	161.0
Depreciation and amortization	163.4	163.4	188.6	202.9
Capital expenditures[5]	86.6	86.6	41.4	64.5

(1) Gives effect to the corporate reorganization, the closing of this offering and the sale of shares of our common stock in this offering at an assumed initial public offering price of $ per share, which is the midpoint of the range set forth on the front cover of this prospectus, after deducting the underwriting discount and estimated offering expenses payable by us and after giving effect to the application of the net proceeds of the offering as described in this prospectus. For details regarding these pro forma adjustments, see the notes to the unaudited pro forma condensed consolidated financial information in "Unaudited Pro Forma Consolidated Financial Information."

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

(3) 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 (loss), as determined in accordance with accounting principles generally accepted in the United States of America, or GAAP. EBITDA is not a measure defined in accordance with GAAP. We believe that EBITDA is a standard performance 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:

	Pro Forma	Historical		
	Year ended December 31,	Years ended December 31,		
	2007	2007	2006	2005
Net income (loss)	$ (163.9)	$(180.6)	$(229.3)	$(100.9)
Depreciation and amortization	163.4	163.4	188.6	202.9
Interest expense, net	43.7	60.3	57.2	57.2
Provision for income tax	9.1	9.1	9.3	1.8
EBITDA	$ 52.3	$ 52.3	$ 25.7	$ 161.0

(4) Long-term obligations include long-term borrowings, capital leases and redeemable preferred units.

(5) Capital expenditures represent tangible and intangible asset acquisitions.

RISK FACTORS

You should carefully consider the risk factors set forth below as well as the other information contained in this prospectus before investing in our common stock. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. In such a case, the price of our common stock could decline and you could lose all or part of your investment. Additional risks and uncertainties not currently known to us or those currently viewed by us to be immaterial may also materially and adversely affect our business, financial condition or results of operations.

Risks Related to Our Business

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

The semiconductor industry is highly cyclical and periodically experiences significant economic downturns characterized by diminished product demand, resulting in production overcapacity and excess inventory in the markets we serve. A downturn can result in lower unit volumes and rapid erosion of average selling prices. The semiconductor industry has experienced significant downturns, often in connection with, or in anticipation of, maturing product cycles of both semiconductor companies' and their customers' products or a decline 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. This may reduce our results of operations and the value of our business.

We base our planned operating expenses in part on our expectations of future revenue, and a significant portion of our expenses is relatively fixed in the short term. If revenue for a particular quarter is lower than we expect, we likely will be unable to proportionately reduce our operating expenses for that quarter, which would harm our operating results for that quarter.

We manufacture our products based on our estimates of customer demand, and if our estimates are incorrect our financial results could be negatively impacted.

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 demand and expected demand for and success of their products. 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 estimate accurately future customer demand for our products. On occasion, customers may require rapid increases in supply, which can challenge our production resources and reduce margins. We may not have sufficient capacity at any given time to meet our customers' increased demand for our products. Conversely, downturns in the semiconductor industry have caused and may in the future cause our customers to reduce significantly the amount of products they order from us. Because many of our costs and operating expenses are relatively fixed, a reduction in customer demand would decrease our results of operations, including our gross profit.

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

We generally do not obtain firm, long-term purchase commitments from our customers. Customers may cancel their orders, reduce 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 periodic downturns in the semiconductor industry or failure to achieve

design wins, have affected and may continue to affect our results of operations adversely. These risks are exacerbated because many of our products are customized, which hampers our ability to sell excess inventory to the general market. 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 pricing, our margins and results of operations would be adversely affected.

We depend on high utilization of our manufacturing capacity.

An important factor in our success is the extent to which we are able to utilize the available capacity in our fabrication facilities. As many of our costs are fixed, a reduction in capacity utilization, as well as changes in other factors such as reduced yield or unfavorable 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.

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

Historically, we have relied on a limited number of customers for a substantial portion of our total revenue. If we were to lose key customers or if customers cease to place orders for our high volume products or services, our financial results would be adversely affected. While we served more than 200 customers in the year ended December 31, 2007, net sales to our 10 largest customers represented approximately 58.9% of our net sales for the period. One customer represented greater than 10% of our net sales during the year ended December 31, 2007. Significant reductions in sales to any of these customers, the loss of major customers or a general curtailment in orders for our high volume products or services within a short period of time would adversely affect our business.

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 both within our product categories and end markets. Current and prospective customers for our products and services evaluate our capabilities against the merits of our 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 certain of our end markets and with the internal semiconductor design and manufacturing 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 will depend on a number of factors, including the following:

- our ability to offer cost-effective and high quality products and services 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;
- our ability to continue to rapidly introduce new products that are accepted by the market;
- our ability to adopt or adapt to emerging industry standards;

- Ÿ the number and nature of our competitors and competitiveness of their products and services in a given market; and
- Ÿ entrance of new competitors into our markets.

Many of these factors are outside of our control. In the future, our competitors may replace us as a supplier to our existing or potential customers, and our customers may satisfy more of their requirements internally. As a result, we may experience declining revenues and results of operations.

The average selling prices of our semiconductor products have at times declined rapidly and will likely do so in the future, which could harm our revenue and gross profit.

The semiconductor products we develop and sell are subject to rapid declines in average selling prices. From time to time, we have had to reduce our prices significantly to meet customer requirements, and we may be required to reduce our prices in the future. This would cause our gross profit to decrease. Our financial results will suffer if we are unable to offset any reductions in our average selling prices by increasing our sales volumes, reducing our costs or developing new or enhanced products on a timely basis with higher selling prices or gross profit.

Changes in demand for consumer electronics, including digital televisions, notebook computers, flat panel displays and mobile phones, and products in our other end markets can impact our results of operations.

Demand for our products will depend in part on the changes in demand for various consumer electronics products, including digital televisions, notebook computers, flat panel displays and mobile phones, and electronics products in our other end markets and on general economic growth. To the extent that we cannot offset periods of reduced demand that may occur in these markets through greater penetration of these markets or reduction in our production and costs, our sales and gross profit may decline, which would negatively impact our business, financial condition and results of operations.

If we fail to develop new products and process technologies or enhance our existing products and services in order to react to rapid technological change and market demands, our business will suffer.

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 advanced process technologies or to license or otherwise obtain essential intellectual property required by our customers.

We must develop new products and services and enhance our existing products and services to meet rapidly evolving customer requirements. We design products for customers who continually require higher performance and functionality at lower costs. We must, therefore, continue to enhance the performance and functionality of our products. The development process for these advancements is lengthy and requires us to accurately anticipate technological changes and market trends. Developing and enhancing these products is uncertain and can be time-consuming, costly and complex. If we do not continue to develop and maintain process technologies that are in demand by our semiconductor manufacturing services customers, we may be unable to maintain existing customers or attract new customers.

Customer and market requirements can change during the development process. There is a risk that these developments and enhancements will be late, fail to meet customer or market specifications

or not be competitive with products or services from our competitors that offer comparable or superior performance and functionality. For example, net sales generated in 2006 by our Imaging Solutions business decreased $102.8 million, or 63%, compared to net sales generated by that business in 2005. This decrease was primarily attributable to delays in transitioning to new megapixel products. We have begun marketing a new line of power management solutions that we intend to sell to our customers in 2008. Any new products, such as our new power management solutions, or product or service enhancements may not be accepted in new or existing markets. Our business will suffer if we fail to develop and introduce new products and services or product and service enhancements on a timely and cost-effective basis.

If we fail to achieve design wins for our semiconductor products, we may lose the opportunity for sales to customers for a significant period of time and be unable to recoup our investments in our products.

We expend considerable resources to achieve design wins for our semiconductor products, especially our new products and product enhancements. Once a customer designs a semiconductor into a product, that customer is likely to continue to use the same semiconductor or enhanced versions of that semiconductor from the same supplier across a number of similar and successor products for a lengthy period of time due to the significant costs associated with qualifying a new supplier and potentially redesigning the product to incorporate a different semiconductor. If we fail to achieve an initial design win in a customer's qualification process, we may lose the opportunity for significant sales to that customer for a number of products and for a lengthy period of time. This may cause us to be unable to recoup our investments in our semiconductor products, which would harm our business.

We have lengthy and expensive design-to-mass production and manufacturing process development cycles.

The cycle time from the design stage to mass production for some of our products is long and requires the investment of significant resources with many potential customers without any guarantee of sales. Our design-to-mass production cycle typically begins with a three-to-twelve month semiconductor development stage and test period followed by a three-to-twelve month end-product qualification period by our customers. The fairly lengthy front end of our sales cycle creates a risk that we may incur significant expenses but may be unable to realize meaningful sales. Moreover, prior to mass production, customers may decide to cancel their products or change production specifications, resulting in sudden changes in our product specifications, increasing our production time and costs. Failure to meet such specifications may also delay the launch of our products or result in lost sales.

In addition, we collaborate and jointly develop certain process technologies and manufacturing process flows custom to certain of our semiconductor manufacturing services customers. To the extent that our semiconductor manufacturing services customers fail to achieve market acceptance for their products, we may be unable to recoup our engineering resources commitment and our investment in process technology development, which would harm our business.

We face numerous challenges relating to executing our growth strategy.

As part of our growth strategy, we have begun marketing a new line of power management semiconductor products and expect to introduce other new products and services in the future. If we are unable to execute our growth strategy effectively, we may not be able to take advantage of market opportunities, execute our business plan or respond to competitive pressures. Moreover, if our allocation of resources does not correspond with future demand for particular products, we could miss market opportunities, and our business and financial results could be materially and adversely affected.

The loss of our key employees would materially adversely affect our business, and we may not be able to attract or retain the technical or management employees necessary to compete in our industry.

Our key executives have substantial experience and have made significant contributions to our business, and our continued success is dependent upon the retention of our key management executives, including our Chief Executive Officer and Chairman, Sang Park, and our President and Chief Financial Officer, Robert Krakauer, as well as the services provided by our engineers and a number of other key managerial, marketing, planning, financial, technical and operations personnel. The loss of such key personnel would have a material adverse effect on our business. Growth in our business is dependent, to a large degree, on our ability to retain and attract such employees. In addition, we depend on our ability to attract and retain skilled technical and managerial personnel. We could lose the services of, or fail to recruit, skilled personnel. This could hinder our research and product development programs or otherwise have a material adverse effect on our business.

We have a history of losses and may not become profitable in the future.

Since we began operations as a separate entity in 2004, we have not generated a profit and have generated significant net losses. As of December 31, 2007, we had an accumulated deficit of approximately $564.4 million and negative stockholders' equity. To become profitable, we will need to generate and sustain substantially higher revenue while maintaining or reducing expenses. We currently expect to incur higher expenses in each of the next several quarters to support increased research and development and sales and marketing efforts. These expenditures may not result in increased revenue or an increase in the number of customers immediately or at all. Because many of our expenses are fixed in the short term, or are incurred in advance of anticipated sales, we may not be able to decrease our expenses in a timely manner to offset any shortfall of sales. If we become profitable, we may not be able to sustain or increase profitability on a quarterly or an annual basis.

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

As of December 31, 2007, approximately 61% 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 can offer no assurance that issues with the labor union and other employees will be resolved favorably for us in the future, that we will not experience work stoppages or other labor problems in future years or that we will not incur significant expenses related to such issues.

We may incur costs to engage in future business combinations or strategic investments, and we may not realize the anticipated benefits of those transactions.

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. Any such transaction 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 determined to be worth less than the amount paid for them in an earlier original acquisition. In addition, our senior secured credit facility and the indentures governing our senior secured notes and senior subordinated notes may restrict us from making acquisitions that we may otherwise wish to pursue.

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 specialized equipment. We may have difficulty achieving acceptable yields in the manufacture of our products or those of our semiconductor manufacturing services customers, which could lead to higher costs, a loss of customers or delay in market acceptance of our products. Slight impurities or defects in the photomasks 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. Yields below our target levels can negatively impact our gross profit and may cause us to eliminate underperforming products.

We rely on a number of independent subcontractors.

A substantial portion of our net sales are derived from semiconductor devices assembled in packages or on film. The packaging and testing of semiconductors require technical skill and specialized equipment. For the portion of packaging and testing that we outsource, we use subcontractors located in Korea and Southeast Asia. We rely on these subcontractors to package and test our devices with acceptable quality and yield levels. If our semiconductor packagers and test service providers experience problems in packaging and testing our semiconductor devices, experience prolonged quality or yield problems or decrease the capacity available to us, 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 gasses, precious metals and electronic and mechanical components. We procure materials and electronic and mechanical components from international sources and original equipment manufacturers. From time to time in the past, the supply of polysilicon available for use in the manufacture of semiconductor products has been constrained, and we may confront similar constraints in the future. If we cannot obtain adequate materials in a timely manner or on favorable terms for the manufacture of our products, revenues and results of operations will decline.

We face product return and 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 return and 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. Our sales may decline if any of our customers are sued on a product liability claim. We also may 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. Further, if our products are delivered with impurities or defects, we could incur additional development, repair or replacement costs, and our credibility and the market's acceptance of our products could be harmed.

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 on assumptions about the various tax laws, including withholding tax, and other laws of applicable non-U.S. jurisdictions. In addition, our Korean

subsidiary, MagnaChip Semiconductor, Ltd., or MagnaChip Korea, was granted a limited tax holiday under Korean law in October 2004. This grant provides for certain tax exemptions for corporate taxes, withholding taxes, acquisition taxes, property and land use taxes and other taxes until December 31, 2008. In addition, we do not expect the income of our foreign subsidiaries to be subject to taxation in the United States by reason of the "Subpart F" regime. Our interpretations and conclusions regarding tax and other laws are not binding on any taxing authority and, if these assumptions and conclusions are incorrect, if our business were to be operated in a way that rendered us ineligible for tax exemptions or to become subject to incremental tax, or if the authorities were to change or modify the relevant laws, we could suffer adverse tax and other financial consequences or have the anticipated benefits of our organizational structure materially impaired.

Our ability to compete successfully and achieve future growth will depend, in part, on our ability to protect our proprietary technology and know-how, 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. There can be no assurance 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 to protect these technologies may be breached and may not be adequate to protect our proprietary technologies. There can be no assurance 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. We may need to file lawsuits to enforce our patents or intellectual property rights, and we may need to defend against claimed infringement of the rights of others. Any litigation could result in substantial costs to us and divert our resources. Despite our efforts in bringing or defending lawsuits, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. In the event of an adverse outcome in any such litigation, we may be required to:

- Ÿ pay substantial damages, indemnify customers or licensees for damages they may suffer if the products they purchase from us or the technology they license from us violate the intellectual property rights of others;
- Ÿ stop our manufacture, use, sale or importation of infringing products; expend significant resources to develop or acquire non-infringing technologies;
- Ÿ discontinue processes; or
- Ÿ obtain licenses to the intellectual property we are found to have infringed.

There can be no assurance that we would be successful in such development or acquisition or that such licenses would be available under reasonable terms, or at all.

Our competitors may develop, patent or gain access to know-how and technology similar to our own. In addition, many of our patents are subject to cross licenses, several of which are with our competitors. The noncompetition arrangement agreed to by Hynix in connection with the Original Acquisition expired on October 1, 2007. Under that arrangement, Hynix retained a perpetual license to use the intellectual property that we acquired from Hynix in the Original Acquisition. Now that these

noncompetition restrictions have expired, Hynix and its subsidiaries are free to develop products that may incorporate or embody intellectual property developed by us prior to October 2004.

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 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, change frequently and have tended to become more stringent over time. There can be no assurance that we have been, or will be, in compliance with all such 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 may need additional capital in the future, and such capital may not be available on acceptable terms or at all.

We may require more capital in the future from equity or debt financings to fund our operations, finance investments in equipment and infrastructure, acquire complimentary businesses and technologies, and respond to competitive pressures and potential strategic opportunities. If we raise additional funds through further issuances of equity or other securities convertible into equity, our existing stockholders could suffer significant dilution, and any new shares we issue could have rights, preferences or privileges senior to those of the holders of our common stock, including the shares of common stock sold in this offering. In addition, additional capital may not be available when needed or, if available, may not be available on favorable terms. In addition, our senior secured credit facility and the indentures governing our notes limit our ability to incur additional indebtedness under certain circumstances. 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 this may have a material adverse effect on our business, financial condition and results of operations.

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

We invest significant resources in our research and development. Our research and development efforts, however, may not yield commercially viable products or enhance our semiconductor manufacturing services offerings. During each stage of research and development there is a substantial risk that we will have to abandon a potential product or service offering which is no longer marketable and in which we have invested significant resources. In the event we are able to develop viable new products or service offerings, 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.

Our business depends on international customers, suppliers and operations in Asia, and as a result we are subject to regulatory, operational, financial and political risks, which could adversely affect our financial results.

We rely on, and expect to continue to rely on, suppliers, subcontractors and operations located primarily in Asia. As a result, 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 receivable 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. Although we do not derive any revenue from, nor sell any products in, North Korea, any future increase in tensions between South Korea and North Korea which may occur, for example, an outbreak of military hostilities, would adversely affect our business, financial condition and results of operations.

We are subject to risks associated with currency fluctuations.

Our net sales are primarily denominated in U.S. dollars, as well as various other currencies, including the Korean won, Japanese yen and euro. 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. Conversely, during 2007, more than 60% of our costs were denominated in Korean won and, to a lesser extent, in Japanese yen, U.S. dollars and euros. Therefore, changes in the exchange rates of these currencies or any other applicable currencies to the U.S. dollar will affect our cost of goods sold and operating margins and could result in exchange losses. As a result, a material decline in the U.S. dollar relative to the Korean won will result in an increase in our costs as a proportion of our net sales, thereby reducing our operating margins.

We cannot fully predict the impact of future exchange rate fluctuations on our profitability. We have not engaged in exchange rate hedging since the Original Acquisition. From time to time, we may engage in exchange rate hedging activities in an effort to mitigate the impact of exchange rate fluctuations. However, there can be no assurance that any hedging technique we implement will be effective. If such hedging is not effective, we may experience reduced operating margins.

Our level of indebtedness is substantial, and we may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful. A decline in the ratings of our existing or future indebtedness may make the terms of any new indebtedness we choose to incur more costly.

As of December 31, 2007 and after giving pro forma effect to this offering and the use of proceeds therefrom, our total indebtedness would have been approximately $630 million. See “Capitalization” for additional information. Our substantial debt could have important consequences, including:

- Ÿ increasing our vulnerability to general economic and industry conditions;
- Ÿ 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;
- Ÿ exposing us to the risk of increased interest rates because some of our borrowings are at variable rates of interest;
- Ÿ limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes; and
- Ÿ 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 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. There can be no assurance that we will generate a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. For example, in 2006 our cash interest expense exceeded the cash generated from our operating activities, and in 2007 our cash flow from operating activities was negative and did not cover any of our interest expense.

On April 19, 2007, Moody's Investor Service, Inc. downgraded the ratings on our indebtedness. The credit ratings assigned to our debt reflect the rating agency's opinion of our ability to make payments on the debt obligations when such payments are due. A rating may be subject to revision or withdrawal at any time by the assigning rating agency. We may experience downgrades in our debt ratings in the future, which may make it more difficult for us to obtain favorable interest rates and other terms on any new debt we may choose to incur in the future, including any new debt we may incur to refinance existing indebtedness. In the event any ratings downgrades are significant, we may choose not to incur new debt or refinance existing debt if we are unable to incur or refinance such debt at favorable interest rates or on favorable terms.

If our cash flows and capital resources are insufficient to fund our debt service obligations or if we are unable to refinance existing indebtedness on favorable terms, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance our indebtedness. 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 our 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.

Our expenses could increase if Hynix were unwilling or unable to provide certain services related to our shared facilities with Hynix, and if Hynix were to become insolvent, we could lose certain of our leases.

Because we share certain facilities with Hynix, several services that are essential to our business are provided to us by or through Hynix. These services include electricity, bulk gasses and de-ionized water, campus facilities, wastewater and sewage management, and environmental safety. 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 would have to procure these services on our own and as a result may experience an increase in our expenses.

In addition, we lease building and warehouse space from Hynix in Cheongju, 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.

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

We are 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. Beginning with our fiscal year ending December 31, 2008, our independent auditors will be required to attest to and report on 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 and could result in investigations or sanctions by the SEC, the New York Stock Exchange or other regulatory authorities or in stockholder litigation. Any of these factors ultimately could harm our business and could negatively impact the market price of our securities. Ineffective control over financial reporting could also cause investors to lose confidence in our reported financial information, which could adversely affect the trading price of our common stock.

Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. However, our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

We may need to incur impairment and other restructuring charges, which could materially affect our results of operations and financial conditions.

During industry downturns and for other reasons, we may need to record impairment or restructuring charges. From the Original Acquisition in October 2004 through December 31, 2007, we recognized aggregate restructuring and impairment charges of $142.6 million, which consisted of $136.5 million of impairment charges and $6.1 million of restructuring charges. In the future, we may need to record additional impairment charges or to further restructure our business and incur additional restructuring charges, any of which could have a material adverse effect on our results of operations or financial condition.

Risks Related to Our Common Stock

The price of our common stock may be volatile and you may lose all or a part of your investment.

Prior to this offering, there has not been a public market for our common stock. Even though we anticipate that our shares will be quoted on the New York Stock Exchange, an active trading market for our common stock may not develop following this offering. You may not be able to sell your shares quickly or at the current market price if trading in our stock is not active. The initial public offering price for the shares will be determined by negotiations between the underwriters and us, and may not be indicative of prices that will prevail in the trading market.

In addition, the trading price of our common stock might be subject to wide fluctuations. Factors, some of which are beyond our control, that could affect the trading price of our common stock may include:

- actual or anticipated variations in our results of operations from quarter to quarter or year to year;
- announcements by us or our competitors of significant agreements, technological innovations or strategic alliances;

- changes in recommendations or estimates by any securities analysts who follow our securities;
- addition or loss of significant customers;
- recruitment or departure of key personnel;
- changes in economic performance or market valuations of competing companies in our industry;
- price and volume fluctuations in the overall stock market;
- market conditions in our industry, end markets and the economy as a whole;
- subsequent sales of stock and other financings;
- litigation, legislation, regulation or technological developments that adversely affect our business; and
- the expiration of contractual lock-up agreements with our executive officers, directors and greater than 5% stockholders.

In the past, following periods of volatility in the market price of a public company's securities, securities class action litigation often has been instituted against the public company. Regardless of its outcome, this type of litigation could result in substantial costs to us and a likely diversion of our management's attention. You may not receive a positive return on your investment when you sell your shares, and you could lose some or the entire amount of your investment.

Control by principal stockholders could adversely affect our other stockholders.

Based upon the MagnaChip Semiconductor LLC units outstanding as of December 31, 2007, our executive officers, directors and greater than 5% unitholders collectively beneficially owned approximately 96% of the common units of MagnaChip Semiconductor LLC (excluding units issuable upon exercise of outstanding options) and 92% of the common units (including units issuable upon exercise of outstanding options). On a pro forma basis after giving effect to the corporate reorganization, this offering and the application of proceeds therefrom, our executive officers, directors and greater than 5% stockholders, collectively, would have owned approximately % of our common stock, assuming no exercise of the underwriters' option to purchase additional shares. On the same pro forma basis, and assuming exercise of the underwriters' option to purchase additional shares, our executive officers, directors and greater than 5% stockholders, collectively, would have owned approximately % of our common stock.

In addition, pursuant to the terms of our amended and restated bylaws and securityholders' agreement, the sponsors, or their respective affiliates, have agreed to elect their respective designees to serve as members of our board of directors. Therefore such stockholders will have a continuing ability to control our board. Accordingly, these stockholders will continue to have significant influence over our affairs for the foreseeable future, including controlling the election of directors and significant corporate transactions, such as a merger or other sale of our company or our assets. In addition, under the "controlled company" exception to the independence requirements of the New York Stock Exchange, we will be exempt from the rules of the New York Stock Exchange that require that our board of directors be comprised of a majority of independent directors, that our compensation committee be comprised solely of independent directors and that our nominating and governance committee be comprised solely of independent directors. This concentrated control will limit the ability of other stockholders to influence corporate matters and, as a result, we may take actions that our non-sponsor stockholders do not view as beneficial. For example, this concentration of ownership could have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which in turn could cause the market price of our

common stock to decline or prevent our stockholders from realizing a premium over the market price for their shares of our common stock.

Under our amended and restated certificate of incorporation, none of Court Square, Francisco Partners, CVC Asia Pacific or Peninsula Investment Pte. Ltd. or any of their respective related parties has a duty to refrain from engaging in a corporate opportunity in the same or similar activities or lines of business as those engaged in by us, our subsidiaries and other related parties. Also, we have renounced any interest or expectancy in such business opportunities even if the opportunity is one that the we might reasonably have pursued or had the ability or desire to pursue if granted an opportunity to do so.

The future sale of significant amounts of our common stock may negatively affect our stock price, even if our business is doing well.

Sales of substantial amounts of shares of our common stock in the public market, or the prospect of such sales, could adversely affect the market price of our common stock. After giving pro forma effect to the corporate reorganization and the closing of this offering, we would have had shares of common stock outstanding as of December 31, 2007 based on the number of MagnaChip Semiconductor LLC units outstanding as of that date. More than % of the shares outstanding prior to this offering are subject to lock-up agreements under which the holders of such shares have agreed not to sell or otherwise dispose of any of their shares for a period of 180 days after the date of this prospectus without the prior written consent of Goldman, Sachs & Co., UBS Securities LLC and Credit Suisse Securities (USA) LLC, other than any shares such holders may sell to the underwriters pursuant to the underwriters' option to purchase up to additional shares of our common stock. After the 180-day period, based upon the MagnaChip Semiconductor LLC units outstanding as of December 31, 2007, shares held by current stockholders will be eligible for sale from time to time in the future under Rule 144 or Rule 701.

Goldman, Sachs & Co., UBS Securities LLC and Credit Suisse Securities (USA) LLC can together waive the restrictions of the lock-up agreements at an earlier time without prior notice or announcement and allow stockholders to sell their shares. As restrictions on resale end, the market price of our common stock could drop significantly if the holders of the restricted shares sell such restricted shares or are perceived by the market as intending to sell such restricted shares.

The 180-day lock-up period will be automatically extended if: (1) during the last 17 days of the 180-day restricted period we issue an earnings release or announce material news or a material event; or (2) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 15-day period following the last day of the 180-day period, in which case the lock-up restrictions will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or material event.

Provisions in our charter documents, Delaware law and our securityholders' agreement may make it difficult for a third party to acquire us and could depress the price of our common stock.

Provisions in our amended and restated certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. These provisions include the following:

- Ÿ the authority of our board of directors to issue, without stockholder approval, preferred stock with such terms as the board of directors may determine;
- Ÿ the inability of any person other than our board of directors or the chairman of our board of directors to call a special meeting of our stockholders;

- advance notice requirements for stockholder proposals and director nominations;
- amendments to the provisions of our bylaws relating to the advance notice requirements and the ability to call special stockholder meetings require the affirmative vote of holders of at least 66 2/3% in voting power of our stock, and amendments to the provisions of our bylaws relating to the board designation and other rights of our sponsors require the consent of the sponsors for as long as they own shares of our capital stock; and
- the ability of our sponsors or their respective affiliates to nominate, pursuant to the terms of our amended and restated bylaws and securityholders' agreement, all of the members of our board, who must approve any change of control in our management.

As a Delaware corporation, we are also subject to certain Delaware anti-takeover provisions. Under Delaware law, a corporation may not engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or the board of directors has approved the transaction. Our board of directors could rely on Delaware law to prevent or delay an acquisition of us, which could have the effect of reducing your ability to receive a premium on your common stock. However, we have elected not to be governed by Section 203 of the Delaware corporate law, which means that we have elected not to take advantage of this available anti-takeover protection related to transactions with interested stockholders.

Our executive officers, directors and principal stockholders who hold our outstanding notes may have a conflict of interest.

Sang Park, our Chief Executive Officer and Chairman, Robert J. Krakauer, our President and Chief Financial Officer and a director, and Paul C. Schorr IV, a director, beneficially own shares of our common stock having values, based upon the midpoint of the price range set forth on the cover page of this prospectus, of $, $ and $, respectively. Such persons also own $69,000, $138,000 and $455,000, respectively, in aggregate principal amount of our outstanding 8% senior subordinated notes due 2014. Due to the ownership of such notes, these persons, as well as any of our other executive officers, directors or principal stockholders who acquire our notes from time to time, may have a conflict of interest in their respective capacities as noteholders and as officers, directors or stockholders. As noteholders, such persons may have interests that differ from those of our common stockholders.

We may apply the proceeds of this offering to uses that do not improve our operating results or increase the value of your investment.

We intend to use the net proceeds from this offering to repurchase our Series B preferred stock, to pay certain employee incentive payments payable upon the closing of this offering, to reduce our indebtedness, to pay certain expenses of this offering, including payments required in connection with the termination of our sponsors' advisory agreements, and for general corporate purposes, including working capital and capital expenditures. We may also use a portion of the net proceeds to acquire or invest in companies and technologies that we believe will complement our business although we have no specific plans at this time to do so. However, we will have broad discretion in how we use the net proceeds of this offering. These proceeds could be applied in ways that do not improve our operating results or increase the value of your investment. Until the net proceeds are used, they may be placed in investments that do not produce income or that lose value.

You will incur immediate and substantial dilution and may experience further dilution.

The initial public offering price of our common stock is substantially higher than $, the net tangible book value per share of our common stock as of December 31, 2007, calculated on a pro

forma basis for the corporate reorganization and this offering. Therefore, if you purchase our common stock in this offering, you will incur an immediate dilution of $ in net tangible book value per share from the price you paid, based on the initial offering price of $ per share. The exercise of outstanding options to purchase shares of our common stock at a weighted average exercise price of $ per share (assuming a conversion ratio of between the common units of MagnaChip Semiconductor LLC and our shares of common stock) will result in further dilution.

We will incur increased costs as a result of being a publicly listed company.

The Sarbanes-Oxley Act of 2002, as well as rules promulgated by the SEC and the New York Stock Exchange, require us to adopt corporate governance practices applicable to U.S. public companies. These rules and regulations will increase our legal and financial compliance costs and make certain compliance and reporting activities more time-consuming. We also expect it to be more difficult and more expensive for us to obtain and maintain director and officer liability insurance, which may cause us to accept reduced policy limits and reduced coverage or to incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers. We cannot predict or estimate the amount of additional costs we may incur, but these additional costs and demands on management time and attention may harm our business and results of operations.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends in the foreseeable future. The payment of cash dividends on common stock is restricted under the terms of the agreements governing our indebtedness. We anticipate that we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

INDUSTRY AND MARKET DATA

In this prospectus, we rely on and refer to information regarding the semiconductor market from iSuppli Corporation, or iSuppli, and Gartner, Inc., or Gartner. Market data attributed to iSuppli is from "Application Market Forecast Tool—Worldwide—Q2 2007" and market data attributed to Gartner is from "Gartner Semiconductor Forecast Worldwide: Forecast Database—November 28, 2007." Although we believe that this information is reliable, we have not independently verified it. We do not have any obligation to announce or otherwise make publicly available updates or revisions to forecasts contained in these documents. In addition, 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.

SPECIAL CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Information concerning us and this offering is subject to risks and uncertainties. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. These statements can be identified by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. All statements other than statements of historical facts included in this prospectus that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements.

These forward-looking statements are largely based on our expectations and beliefs concerning future events, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Although we believe our estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, management's assumptions about future events may prove to be inaccurate. Management cautions all readers that the forward-looking statements contained in this prospectus are not guarantees of future performance, and we cannot assure any reader that those statements will be realized or the forward-looking events and circumstances will occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to the factors listed in this section, the "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" sections and elsewhere in this prospectus and listed below:

- the cyclical nature of the semiconductor industry may limit our ability to maintain or increase net sales and profit levels during industry downturns;
- customer demand is difficult to accurately forecast;
- our customers may cancel their orders, reduce quantities or delay production;
- a significant portion of our sales comes from a relatively limited number of customers;
- our industry is highly competitive;
- a decline in average selling prices of our products could decrease our profits;
- growth in the consumer electronics and other end markets for our products is an important component in our success;
- we depend on successful technological advances for growth;

- we may not be able to attract or retain the technical or management employees necessary to remain competitive in our industry;
- 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;
- we have a history of losses and may not become profitable in the future;
- the improvements and innovations we expect from our research and development efforts may not materialize; and
- the costs of our raw materials may increase materially.

All forward-looking statements speak only as of the date of this prospectus. We do not intend to publicly update or revise any forward-looking statements as a result of new information or future events or otherwise, except as required by law. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

USE OF PROCEEDS

We estimate that our net proceeds from the sale of the common stock that we are offering will be approximately $ million, after deducting the underwriting discount and the estimated expenses of this offering that we must pay (assuming an initial public offering price of $ per share, the midpoint of the range set forth on the cover page of this prospectus). We will not receive any of the proceeds from the sale of our common stock by the selling stockholders, which include some of our executive officers.

We intend to use the net proceeds to us from this offering as follows:

- approximately $200 million to repurchase a portion of our floating rate second priority senior secured notes due 2011, our 6 7/8% second priority senior secured notes due 2011 and/or our 8% senior subordinated notes due 2014 (collectively the "notes") and/or to reduce amounts drawn under our senior secured credit facility;
- approximately $ million to repurchase all of the outstanding shares of our Series B preferred stock;
- approximately $30 million to pay incentive payments to all of our employees other than our senior vice presidents and those officers ranking above such senior vice presidents;
- approximately $9.75 million to pay certain amounts in connection with the termination of our sponsor advisory agreements; and
- approximately $ million to fund working capital and for general corporate purposes.

Pending such uses, we intend to invest the net proceeds of this offering in short-term, investment-grade, interest-bearing securities.

If we raise more or fewer proceeds from this offering than anticipated, we expect to increase or reduce the amount that we use to reduce our indebtedness by a commensurate amount.

We intend to repurchase a portion of the notes outstanding for cash through a tender offer to be launched concurrently with or shortly after the closing of this offering. Under the terms of this tender offer, we will have the right to accept any and all notes that are validly tendered and not withdrawn up to a maximum tender amount of $200 million. We expect to use a "reverse Dutch auction" pricing model, in which holders of notes may elect to tender all or a portion of their notes at purchase prices that they designate, and we, or our agent, will select notes for repurchase from among the notes tendered so as to acquire the greatest possible aggregate principal amount of notes for the established maximum tender amount. If holders validly tender and do not withdraw notes in an aggregate principal amount greater than the maximum tender amount, we will accept and purchase notes from holders in any of our three series whose bid provides the greatest monetary benefit to us based on the bid price, face value and applicable interest rate. We will publish the terms of the tender offer in an offer to purchase that will be distributed to all holders of the notes.

The tender offer will be subject to a number of conditions, including the closing of this offering prior to the expiration of the tender offer period and the absence of a material adverse effect on our business or the financial markets generally. The tender offer will be open for at least 20 business days, subject to possible extension. Notes not tendered or purchased under the tender offer will remain outstanding and, following the expiration or termination of the tender offer, we may acquire some of these notes through open market purchases, privately negotiated transactions, tender offers, exchange offers, defeasance, redemption or otherwise.

At December 31, 2007, there were 93,997 of MagnaChip Semiconductor LLC's Series B preferred units outstanding. Pursuant to the corporate reorganization, holders of these Series B

preferred units who decide, prior to the time of the corporate reorganization, to sell us their Series B preferred stock (following the exchange of the Series B preferred units for Series B preferred stock pursuant to the corporate reorganization) will receive shares of our Series B preferred stock in exchange for such Series B preferred units at a ratio of 1:1. Holders of Series B preferred units who decide not to sell us their Series B preferred stock will receive shares of our common stock in exchange for such Series B preferred units at a ratio of . As of December 31, 2007, MagnaChip Semiconductor LLC's Series B preferred units had a redemption value of approximately $129 million (which includes cumulative accrued and unpaid dividends thereon through December 31, 2007 at an annual rate of 10% percent per unit). Our sponsors, together with Peninsula Investment Pte. Ltd. and certain of our directors and executive officers, and their respective affiliates, collectively, hold over 99% of our Series B preferred units. Therefore, assuming that all such holders sell us their shares of Series B preferred stock following the corporate reorganization, as of December 31, 2007 such holders would have received approximately $1,376 per share, or an aggregate of approximately $129 million, from the proceeds of this offering, in consideration for the purchase of such shares. See "Principal and Selling Stockholders" for a list of these persons and the number of Series B preferred units held by them as of December 31, 2007. We intend to repurchase all of our outstanding shares of Series B preferred stock using the proceeds from this offering. See "Description of Capital Stock—Series B Preferred Stock" for additional information.

In connection with the termination of our sponsor advisory agreements, we will pay approximately $9.75 million to Court Square Advisor, LLC (successor in interest to CVC Management LLC), Francisco Partners Management, LLC and CVC Capital Partners Asia Limited using a portion of the proceeds of this offering. These entities are related to Court Square, Francisco Partners and CVC Asia Pacific, respectively. See "Certain Relationships and Related Transactions — Advisory Agreements" for additional information.

As of December 31, 2007, the outstanding indebtedness under our senior secured credit facility was $80.0 million, and the aggregate principal amounts outstanding under our 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 were $300 million, $200 million and $250 million, respectively. As of December 31, 2007, the interest rate for all borrowings under the senior secured credit facility was either three-month LIBOR plus 4.75% per annum or a specified adjusted base rate, or ABR, plus 3.75% per annum, and the weighted average interest rates for all of our outstanding notes and senior secured credit facility were 7.98% and 11.00% per annum, respectively. Our senior secured credit facility matures in December 2009, our senior secured notes mature in December 2011 and our senior subordinated notes mature in December 2014. Our senior secured credit facility contains certain customary covenants, including financial covenants such as the maintenance of an interest coverage ratio and a leverage ratio and certain levels of EBITDA and liquidity. In addition, the indentures governing the notes contain additional customary covenants, including those related to the incurrence of debt or liens, the payment of dividends, the issuance of certain types of preferred stock, asset sales and affiliate transactions. See "Description of Certain Indebtedness" for additional information. Affiliates of Goldman, Sachs & Co., UBS Securities LLC and Citigroup Global Markets Inc., three of the representatives of the underwriters in this offering, are lenders under our existing senior secured credit facility and therefore will receive a portion of the net proceeds of this offering to the extent that we elect to use a portion of the proceeds thereof to reduce amounts drawn under such facility. Sang Park, our Chief Executive Officer and Chairman, Robert J. Krakauer, our President and Chief Financial Officer and a director, and Paul C. Schorr IV, a director, own $69,000, $138,000 and $455,000, respectively, in aggregate principal amount of our 8% senior subordinated notes due 2014. However, these individuals have indicated to us that they do not intend to sell us any of their notes and therefore they will not receive any of the net proceeds of this offering pursuant to the note repurchase. See "Certain Relationships and Related Transactions — Related Party Transactions" for additional information.

DIVIDEND POLICY

We do not intend to pay any cash dividends on our common stock in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. The payment of cash dividends on common stock is restricted under the terms of our credit agreement and our indentures.

CAPITALIZATION

The following table sets forth the following information:

- the actual capitalization of MagnaChip Semiconductor LLC as of December 31, 2007;
- our pro forma capitalization as of December 31, 2007 after giving effect to the corporate reorganization; and
- our pro forma as adjusted capitalization as of December 31, 2007 after giving effect to the corporate reorganization, the sale of shares of our common stock in this offering at an initial public offering price of $ per share (the midpoint of the range set forth on the front cover of this prospectus), after deducting the underwriting discount and estimated offering expenses payable by us and the application of the related proceeds as described under "Use of Proceeds."

This table should be read together with "Use of Proceeds," "Selected Historical Consolidated Financial and Operating Data of MagnaChip Semiconductor LLC," "Unaudited Pro Forma Consolidated Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes included elsewhere in this prospectus.

	As of December 31, 2007		
	Actual	Pro Forma	Pro Forma As Adjusted[1]
	(in millions, except share data)		
Total indebtedness (including current portion of senior secured credit facility)	$ 830.0	$ 830.0	$ 630.0
Series B preferred units, stated value $1,000 per unit; 550,000 units authorized, 450,692 units issued and 93,997 units outstanding, actual	129.4	—	—
Series B preferred stock, par value $0.01 per share; 550,000 shares authorized, 450,692 shares of Series B preferred stock issued and 93,997 shares outstanding, pro forma; 0 shares issued and outstanding, pro forma as adjusted[2]	—	129.4	—
Stockholders' equity:			
Common unit, 65,000,000 units authorized, 52,844,222 issued and outstanding, actual; 0 common units issued and outstanding, pro forma and pro forma as adjusted	52.8	—	—
Common stock, par value $0.01 per share; 100,000,000 shares authorized, 0 shares issued and outstanding, actual; shares issued and outstanding, pro forma; and shares issued and outstanding, pro forma as adjusted	—		
Additional paid-in capital	3.1		385.2
Accumulated deficit	(564.4)	(564.4)	(574.2)
Accumulated other comprehensive income	31.0	31.0	31.0
Total unitholders' / stockholders' equity	(477.5)	(477.5)	(158.0)
Total capitalization	$ 481.9	$ 481.9	$ 472.0

(1) A $1.00 decrease or increase in the assumed initial public offering price would result in approximately a $ million decrease or increase in each of pro forma as adjusted paid-in capital, total stockholders' equity and total capitalization, assuming the total number of shares offered by us remains the same and after deducting the estimated underwriting discount and estimated offering expenses payable by us.

(2) Assumes that all of our outstanding shares of Series B preferred stock were repurchased using the proceeds from this offering. See "Description of Capital Stock—Series B Preferred Stock" for additional information.

DILUTION

Our net tangible book value as of December 31, 2007, on a pro forma basis after giving effect to the corporate reorganization and the repurchase of all our Series B preferred stock, was approximately $ million, or $ per share of our common stock. Pro forma net tangible book value per share represents our total tangible assets reduced by our total liabilities and divided by the number of shares of common stock outstanding. Dilution in net tangible book value per share represents the difference between the amount per share that you pay in this offering and the net tangible book value per share immediately after this offering.

After giving effect to the receipt of the estimated net proceeds from the sale by us of shares, our net tangible book value at December 31, 2007 on the pro forma basis described above would have been approximately $, or $ per share of common stock. This represents an immediate increase in net tangible book value per share of $ to existing stockholders and an immediate decrease in net tangible book value per share of $ to you. The following table illustrates the dilution.

Initial public offering price per share		$
Pro forma net tangible book value per share as of December 31, 2007 (after giving effect to the corporate reorganization and repurchase of all of the Series B preferred stock)	$	
Increase in pro forma net tangible book value per share attributable to new investors		
Pro forma net tangible book value per share after this offering		
Dilution per share to new investors		$

A $1.00 increase or decrease in the assumed initial public offering price of $ per share would increase or decrease the pro forma net tangible book value per share after this offering by $ per share and would increase or decrease the dilution in pro forma net tangible book value per share to investors in this offering by $ per share. This calculation assumes that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and reflects the deduction of the underwriting discount and estimated expenses of this offering.

The following table sets forth, as of December 31, 2007, on the pro forma basis described above, the differences between the amounts paid or to be paid by the groups set forth in the table with respect to the aggregate number of shares of our common stock acquired or to be acquired by each group.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	%	Amount	%	
Existing stockholders		%	$	%	$
New investors[1]					
Total		%	$	%	$

(1) Before the underwriting discount and our expenses.

If the underwriters' option to purchase additional shares is exercised in full, the number of shares of common stock held by existing stockholders will be reduced to , or % of the aggregate number of shares of common stock outstanding after this offering, and the number of shares of common stock held by new investors will be increased to , or % of the aggregate number of shares of common stock outstanding after this offering.

To the extent that any outstanding options to purchase shares of our common stock are exercised, investors in this offering will experience further dilution. The table below sets forth the matters described with respect to the table above and assumes the exercise of all options outstanding or exercisable as of December 31, 2007. Assuming such exercise, the total number of shares purchased would be increased as a result of the additional shares underlying the options being issued. Therefore the percentage of shares purchased by the existing stockholders and new investors relative to all three groups would be decreased. Similarly, as a result of the option exercises, the total consideration to be received by us would be increased because of the additional cash received by us from option exercises. Such increase in total consideration would have the effect of decreasing the percentage of total consideration paid by the existing stockholders and new investors relative to all three groups. The average price per share for the existing stockholders and new investors would remain unchanged.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	%	Amount	%	
Existing stockholders		%	$	%	$
New investors[1]					
Option holders[2]					
Total		%	$	%	$

(1) Before the underwriting discount and our expenses.
(2) Includes shares of common stock issuable upon exercise of options previously granted to our officers, directors and employees.

If the underwriters' option to purchase additional shares is exercised in full, the number of shares of common stock held by existing stockholders will be reduced to , or % of the aggregate number of shares of common stock outstanding after this offering, and the number of shares of common stock held by new investors will be increased to , or % of the aggregate number of shares of common stock outstanding after this offering.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA OF MAGNACHIP SEMICONDUCTOR LLC

We have derived the selected consolidated financial and operating data below from the following sources:

The consolidated financial data as of and for the years ended December 31, 2007, 2006 and 2005, and the three months ended December 31, 2004 have been derived from the historical audited consolidated financial statements of MagnaChip Semiconductor LLC. The unaudited summary consolidated financial data include, in the opinion of our management, all adjustments, consisting only of normal recurring adjustments, that are necessary for a fair presentation of our financial position and results of operations for these periods. 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 selected consolidated financial and operating data below represent portions of our financial statements and are not complete. This information should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes to these statements included in this prospectus. Historical results are not necessarily indicative of future performance.

	Years ended December 31,			Three months ended Dec. 31, 2004	Nine months ended Sept. 30, 2004	Year ended December 31, 2003
	2007	2006	2005			
	Successor Company[1]			(Audited)	Predecessor Company[1]	
	(in millions, except per common unit data)					
Statement of Operations Data:						
Net sales	$ 792.4	$ 744.4	$ 937.7	$243.6	$841.6	$ 830.8
Cost of sales	654.8	644.9	729.0	204.5	654.6	752.5
Gross profit	137.6	99.4	208.7	39.1	187.0	78.3
Selling, general and administrative	93.0	87.7	123.2	29.8	54.0	68.7
Research and development	138.9	131.3	107.6	22.1	75.7	86.6
Restructuring and impairment charges	12.1	94.3	36.2	—	—	—
Operating income (loss)	(106.4)	(213.8)	(58.4)	(12.7)	57.4	(77.0)
Interest expense, net	60.3	57.2	57.2	16.8	17.7	37.8
Foreign currency gain (loss), net	(4.7)	50.9	16.5	30.4	5.4	1.4
Other	—	—	—	—	1.1	1.0
Other income (expenses)	(65.0)	(6.3)	(40.7)	13.6	(11.3)	(35.4)
Income (loss) before income taxes	(171.4)	(220.1)	(99.1)	0.9	46.1	(112.3)
Income tax expenses	9.1	9.3	1.8	6.7	2.8	1.4
Net income (loss)	$(180.6)	$(229.3)	$(100.9)	(5.8)	$ 43.2	$ (113.7)
Dividends accrued on preferred units	12.0	10.9	9.9	13.4		
Net (loss) attributable to common units	$(192.6)	$(240.2)	$(110.8)	$ (19.3)		

	Years ended December 31,			Three months ended Dec. 31, 2004	Nine months ended Sept. 30, 2004	Year ended December 31, 2003
	2007	2006	2005			
	Successor Company[1]				Predecessor Company[1]	
	(Audited) (in millions, except per common unit data)					
Per unit data:						
Net (loss) per common unit:						
Basic and diluted	$ (3.68)	$ (4.54)	$ (2.10)	$ (0.38)		
Weighted-average units used in computing net (loss) per common unit:						
Basic and diluted	52.297	52.912	52.898	50.062		
Balance Sheet Data (at period end):						
Cash and cash equivalents	$ 64.3	$ 89.2	$ 86.6	$ 58.4	$ —	$ —
Total assets	707.9	770.1	1,040.6	1,154.5	653.8	790.0
Total indebtedness[2]	830.0	750.0	750.0	750.7	252.6	468.1
Preferred units	129.4	117.4	106.5	96.5	—	—
Long-term obligations[3]	879.4	867.5	856.7	846.5	249.1	421.4
Owners' equity					206.7	155.3
Unitholders' equity	(477.5)	(284.5)	(46.5)	55.9		
Supplemental Data:						
EBITDA[4]	52.3	25.7	161.0	63.5	330.6	264.0
Depreciation and amortization	163.4	188.6	202.9	45.9	266.9	338.5
Capital expenditures[5]	86.6	41.4	64.5	23.5	86.7	25.2
Net cash provided by (used in) operating activities	(23.7)	30.5	103.6	17.3	312.2	182.1
Net cash (used in) investing activities	(81.8)	(33.4)	(64.1)	(526.0)	(85.3)	(21.5)
Net cash provided by (used in) financing activities	80.1	(0.3)	(12.8)	10.0	(226.8)	(160.6)

(1) On October 6, 2004, our business was acquired from Hynix. For accounting purposes and consistent with its reporting periods, we have used October 1, 2004 as the effective date of such acquisition since the financial results from and after October 1, 2004 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.

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

(3) Long-term obligations include long-term borrowings, capital leases and redeemable preferred units.

(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 (loss), as determined in accordance with GAAP. EBITDA is not a measure defined in accordance with GAAP. We believe that EBITDA is a standard performance 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:

	Years ended December 31,		
	2007	2006	2005
	(in millions)		
Net income (loss)	$ (180.6)	$ (229.3)	$ (100.9)
Depreciation and amortization	163.4	188.6	202.9
Interest expense, net	60.3	57.2	57.2
Provision for income tax	9.1	9.3	1.8
EBITDA	$ 52.3	$ 25.7	$ 161.0

(5) Capital expenditures represent tangible and intangible asset acquisitions.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

We have prepared the unaudited pro forma condensed consolidated financial information of MagnaChip for the year ended December 31, 2007 in accordance with generally accepted accounting principles in the United States, or GAAP. The selected unaudited pro forma condensed consolidated financial information are derived from the historical consolidated financial statements of MagnaChip Semiconductor LLC and give pro forma effect to (1) the corporate reorganization and (2) the sale of shares in this offering and application of the net proceeds from this offering. We have prepared the pro forma adjustments as if the corporate reorganization, this offering and the application of the net proceeds to be used for debt repayment and repurchase of preferred units had taken place as of January 1, 2007.

Basis of Presentation

The following information should be read in conjunction with “Capitalization,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Risk Factors” and the audited and unaudited consolidated financial statements of MagnaChip Semiconductor LLC and the related notes included elsewhere in this prospectus. The unaudited pro forma consolidated financial information is not necessarily indicative of operating results or the financial position that would have been achieved had the corporate reorganization and this offering occurred on January 1, 2007, and is not necessarily indicative of future operating results.

Management has prepared the accompanying unaudited pro forma consolidated statements of operations for the year ended December 31, 2007 and the unaudited pro forma consolidated balance sheet as of December 31, 2007 in accordance with Article 11 of Regulation S-X for inclusion in this prospectus.

The accounting policies used in the preparation of the pro forma consolidated financial statements are those disclosed in the audited consolidated financial statements of MagnaChip Semiconductor LLC for the year ended December 31, 2007.

The following summary historical and pro forma condensed consolidated financial information should be read in conjunction with "Capitalization," "Selected Historical Consolidated Financial and Operating Data of MagnaChip Semiconductor LLC," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements, including the notes to those financial statements, included elsewhere in this prospectus.

	Unaudited		
	Historical Year Ended December 31, 2007	Adjustments	Pro Forma Year Ended December 31, 2007[1][2][3]
	(in millions, except per common unit / share data)		
Condensed Pro Forma Statements of Operations:			
Net sales	$ 792.4	$ —	$ 792.4
Cost of sales	654.8	—	654.8
Gross profit	137.6		137.6
Selling, general and administrative	93.0	—	93.0
Research and development	138.9	—	138.9
Restructuring and impairment charges	12.1	—	12.1
Operating income (loss)	(106.4)		(106.4)
Interest expense, net	60.3	(16.6)[4]	43.7
Foreign currency loss, net	4.7	—	4.7
Other income (expenses)	(65.0)	(16.6)	(48.4)
Income (loss) before income taxes	(171.4)	(16.6)	(154.8)
Income tax expenses	9.1	—[5]	9.1
Net income (loss)	$ (180.6)	$ (16.6)	$ (163.9)
Dividends accrued on preferred stock	12.0	(12.0)[6]	—
Net (loss) attributable to common unit / share	$ (192.6)	$ (28.6)	$ (163.9)
Per unit / share data:			
Net (loss) per common unit / share:			
Basic and diluted	$ (3.68)		[7]
Weighted-average units / shares used in computing net (loss) per common unit / share:			
Basic and diluted	52.297		[7]
Condensed Pro Forma Balance Sheets:			
Assets			
Current assets			
Cash and cash equivalents	$ 64.3	$ —	$ 64.3
Accounts receivable, net	123.8	—	123.8
Inventories, net	75.9	—	75.9
Other	16.7	—	16.7
Total current assets	280.7	—	280.7
Property, plant and equipment, net	279.7	—	279.7
Intangible assets, net	104.7	—	104.7
Other non-current assets	42.8	—	42.8
Total assets	$ 707.9	$ —	$ 707.9

	Historical Year Ended December 31, 2007	Unaudited Adjustments	Pro Forma Year Ended December 31, 2007[1][2][3]
	(in millions, except per common unit / share data)		
Liabilities and Unitholders' Equity			
Current liabilities			
Accounts payable	$ 90.0	$ —	$ 90.0
Other accounts payable	30.7	—	30.7
Accrued expenses	18.1	9.8[3]	27.9
Short-term borrowings	80.0	(80.0)[8]	—
Other current liabilities	6.4	—	6.4
Total current liabilities	225.1	(70.2)	155.0
Long-term borrowings	750.0	(120.0)[8]	630.0
Accrued severance benefits, net	74.2	—	74.2
Other non-current liabilities	6.7	—	6.7
Total liabilities	1,056.0	(190.2)	865.9
Commitments and contingencies			
Series A redeemable convertible preferred units; 60,000 units authorized, 50,091 units issued and 0 units outstanding at December 31, 2007 and December 31, 2006, actual and pro forma	—	—	—
Series B redeemable convertible preferred units stated value $1,000 per unit; 550,000 units authorized, 450,692 units issued and 93,997 units outstanding at December 31, 2007 and December 31, 2006, actual, 0 units issued and outstanding at December 31, 2007, pro forma	129.4	(129.4)[9]	—
Total redeemable convertible preferred units	129.4	(129.4)	—
Series B preferred stock; 0 shares authorized, issued and outstanding at December 31, 2007, actual, shares issued and outstanding, at December 31, 2007, pro forma	—	—	—
Unitholders' / stockholders' equity			
Common units; 65,000,000 units authorized, 52,844,222 issued and outstanding at December 31, 2007, actual, 0 units issued and outstanding at December 31, 2007, pro forma	52.8	(52.8)	—
Common stock; 100,000,000 shares authorized, 0 shares issued and outstanding at December 31, 2007, actual, shares issued and outstanding at December 31, 2007, pro forma	—		
Additional paid-in capital	3.1	382.2	385.2
Accumulated deficit	(564.4)	(9.8)[3]	(574.2)
Accumulated other comprehensive income	31.0	—	31.0
Total unitholders' / stockholders' equity	(477.5)	319.6	(158.0)
Total liabilities, redeemable convertible preferred units and unitholders' / stockholders' equity	$ 707.9	$ —	$ 707.9

Notes to Selected Unaudited Pro Forma Consolidated Financial Information

(1) The corporate reorganization adjustments in the unaudited pro forma consolidated financial information for the year ended December 31, 2007 assume (a) the consummation of the corporate reorganization of MagnaChip Semiconductor LLC and the effectiveness of our amended and restated certificate of incorporation, which is expected to occur prior to the closing of this offering, (b) the exchange of all of the outstanding common units of MagnaChip Semiconductor LLC for shares of our common stock at a ratio of and (c) the exchange of all of the outstanding Series B preferred units of MagnaChip Semiconductor LLC for shares of our Series B preferred stock at a ratio of 1:1.

(2) The offering adjustments in the unaudited pro forma consolidated financial information for the year ended December 31, 2007 assume the application of (a) $200.0 million of net proceeds from this offering to repay a portion of our outstanding indebtedness under our notes and our senior secured credit facility and (b) $129.4 million of net proceeds from this offering to redeem all of our Series B preferred stock, together with accrued and unpaid dividends thereon through the closing date of this offering.

(3) We expect to pay certain amounts in connection with the termination of our sponsors' advisory agreements, which will result directly from this offering and which will be included in our statement of operations within 12 months following this offering. These charges are not expected to have a continuing impact and, therefore, have not been included in our pro forma statements of operations.

(4) Interest expense, net, reflects the assumed application of $200.0 million of net proceeds from this offering to repay a portion of the $830.0 million of our outstanding indebtedness at December 31, 2007, including the senior secured credit facility and notes. The adjustment is based on the assumption that the proceeds will be applied first to repay the outstanding balance on the short-term borrowing, which consists of the senior secured credit facility, and the remaining amount applied to repay a portion of the long-term debt, which consists of our notes. The resulting reduction of interest expense from the repayment of our indebtedness would have been $16.6 million for the year ended December 31, 2007, which was calculated using the weighted average interest rate of 8.3% which includes the interest rates of both the senior secured credit facility and the notes at December 31, 2007.

(5) We believe our effective tax rate will not change as a result of the corporate reorganization.

(6) Dividends accrued on preferred stock reflects the assumed application of $129.4 million of net proceeds from this offering to repurchase all of our outstanding Series B preferred stock at December 31, 2007. The resulting reduction in dividends accrued on preferred stock due to the assumed repurchase of all of our outstanding Series B preferred stock would have been $12 million for the year ended December 31, 2007. This was calculated using the stated dividend rate on the Series B preferred units of MagnaChip Semiconductor LLC of 10.0% per annum.

(7) Basic and diluted pro forma income (loss) per share are calculated on the basis of the weighted average number of shares outstanding as if all shares had been issued on January 1, 2007. The pro forma income (loss) per share reflects (a) the consummation of the corporate reorganization of MagnaChip Semiconductor LLC and the effectiveness of our amended and restated certificate of incorporation, which is expected to occur prior to the closing of this offering, (b) the exchange of all of the outstanding common units of MagnaChip Semiconductor LLC for shares of our common stock at a ratio of and (c) the exchange of all of the outstanding Series B preferred units of MagnaChip Semiconductor LLC for shares of our Series B preferred stock at a ratio of 1:1. The following table sets forth the computation of unaudited pro forma basic and diluted income (loss) per share:

	Year ended December 31, 2007	
	Shares	(Loss) per share (U.S. dollar)
Weighted average shares—basic and diluted	52,297,192	$ (3.68)
Shares issued upon the redemption of outstanding shares of Series B preferred stock		
Shares issued to repay a portion of our notes and senior secured credit facility		
Pro forma weighted average shares—basic and diluted		$

(8) Short-term borrowing and long-term debt reflects the assumed application of $200.0 million of net proceeds from this offering to repay a portion of our $830.0 million of outstanding indebtedness at December 31, 2007, including the senior secured credit facility and notes. This adjustment was based on the assumption that the proceeds would have been applied first to repay the outstanding balance on the short-term borrowing and the remaining amount applied to repay a portion of the long term debt.

(9) Preferred units/shares reflects the assumed application of $129.4 million of net proceeds from this offering to repurchase all of our outstanding Series B preferred stock at December 31, 2007.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the "Selected Historical Consolidated Financial and Operating Data of MagnaChip Semiconductor LLC" and our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion and analysis contains, in addition to historical information, forward-looking statements that include risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under the heading "Risk Factors" and elsewhere in this prospectus.

Overview

We are a Korea-based designer and manufacturer of analog and mixed-signal semiconductor products for high volume consumer applications, such as mobile phones, digital televisions, flat panel displays, notebook computers, mobile multimedia devices and digital cameras. Our analog and mixed-signal semiconductor products and services enable the high resolution display of images and video, conversion of analog signals, such as light and sound, into digital data as well as manage power consumption. Our display driver solutions cover a wide range of display sizes used in high definition liquid crystal display, or LCD, televisions, flat panel displays, notebook computers and mobile communications and entertainment devices. Our image sensor solutions are highly integrated and designed to provide brighter, sharper and more colorful image quality in a variety of light conditions for use primarily in mobile handset, PC and notebook computer camera applications and security systems. We have also utilized our technology platform and manufacturing process expertise to design power management solutions in order to expand our market opportunity and address more of our customers' needs. We offer semiconductor manufacturing services to providers of analog and mixed-signal semiconductors that require differentiated, specialty process technologies such as high voltage CMOS, embedded memory and power management.

The variety of analog and mixed-signal semiconductor products and services we offer is based on a technology platform and strategy that allows us to address multiple end markets and to develop and introduce new products quickly. We believe that our manufacturing integration and broad intellectual property enable us to respond quickly to our consumer electronics and semiconductor customers' needs. To maintain and increase our profitability, we must forecast trends in consumer product demand and invest in relevant research and development activities and in appropriate capital equipment. We expect to maintain or increase our expenditures on research and development in future periods to maintain our position as a leading provider of semiconductor products and services in the segments in which we compete.

The semiconductor markets in which we compete are characterized by the use of advanced production technology and rapid technological advances. The prices of our products tend to decrease regularly over their useful lives, and such price decreases can be significant as new generations of products are introduced. We manage our pricing, production and product development activities so as to benefit from, or at least mitigate any adverse impact of, declining market prices for our products. For example, in some periods we are able to offset the impact of declining selling prices for existing products through the introduction of new products that command selling prices above the average selling price of our existing products. In addition, we seek to manage our inventories and manufacturing capacity so as to preclude losses from inevitable product and productive capacity obsolescence.

Demand for our products and services is driven primarily by overall demand for the consumer end products in which our products are used and, consequently, can be adversely affected by periods of weak consumer spending in developed countries. Nonetheless, the consumer electronics market is

large and rapidly growing, driven by consumers seeking to enjoy rich media content, such as digital and high definition audio and video, mobile television, games and digital photography. As a company, we seek to address market segments with higher growth rates than the overall consumer electronics industry. In recent years, we have experienced increasing demand from OEMs and consumers in developing countries such as China and India, and we expect to derive a substantial portion of our growth in the next decade from growing demand in such markets. We also expect that new competitors will emerge in these markets that may place increased pressure on the pricing for our products and services, but we believe that the competitive offerings will be, at least initially, of lower quality than the products and services that we offer, and that the impact from the increased competition will be more than offset by demand arising from such markets. Further, we believe we are well-positioned geographically to capture this demand, with our Korea-based operations.

Within particular operating segments and products, net sales are driven by “design wins” in which we or another company is selected by an electronics OEM or other potential customer to supply its demand of a particular product. These competitions typically determine the semiconductor supplier for the life of a particular end product and specify in many cases the production volume and pricing of a particular semiconductor product throughout the life of the end product. In any given period, our net sales depend heavily upon the end-market demand for the goods in which our products are used and the inventory levels maintained by our customers.

Our products and services require investments in capital equipment. We focus on specialty technologies, however, that do not require investments in leading edge manufacturing equipment, and as a result, our business tends not to be as subject to the pronounced boom and bust cycles characteristic of other semiconductor markets, in which the introduction of substantial, high-fixed cost capacity can cause product prices to plunge dramatically. In general, we seek to invest in manufacturing capacity that can be used for multiple high-value applications over an extended period of time. We believe this capital investment strategy enables us to optimize our capital investments and facilitates deeper and more diversified product and service offerings.

Our success going forward will depend upon our ability to adapt to future challenges such as the emergence of new competitors for our products and services or the consolidation of current competitors. Additionally, we must innovate to remain ahead of, or at least rapidly adapt to, technological breakthroughs that may lead to a step function change in the technology necessary to deliver our products and services. We believe that our established relationships and close collaboration with leading customers, such as LG.Philips LCD, Sharp, and Samsung, enhance our visibility into new product opportunities, market and technology trends and improve our ability to meet these challenges successfully.

Business Segments

We report in three separate business segments because we derive our revenues from three principal business lines: Display Solutions, Imaging Solutions and Semiconductor Manufacturing Services. Additionally, we have a fourth operating segment, Power Solutions, from which we expect to begin earning revenues in 2008. We have identified these segments based on how we allocate resources and assess our performance.

- *Display Solutions:* Our Display Solutions segment offers flat panel display drivers for a wide range of small to large panel displays used in digital televisions, mobile phones, LCD monitors, notebook computers and mobile multimedia devices, such as handheld games. Our products cover a broad range of interfaces, packages and technologies, including AMOLED, LTPS and TFT technologies.
- *Imaging Solutions:* Our Imaging Solutions segment covers a broad spectrum of videographics array, or VGA; 1.3, 2.1 and 3.2 megapixel, or MP; CMOS image sensors for large and rapidly

growing camera-equipped applications, such as mobile handsets, PCs, digital cameras, notebook computers and security cameras. Our image sensors are designed to provide brighter, sharper and more colorful image quality for use primarily in applications that require a small form factor, low power consumption and high sensitivity in a variety of light conditions.

- *Semiconductor Manufacturing Services:* Our Semiconductor Manufacturing Services segment manufactures wafers for analog and mixed-signal semiconductor companies based on their designs. The activities conducted within this segment are, in substance, identical to those conducted in our Display Solution and Imaging Solution businesses. The only difference is that, in the Semiconductor Manufacturing Services segment, the product designs originate from our customers. The customers provide us with their designs, and we manufacture and sell the products to the customers based upon such designs. We offer over 170 process flows to our manufacturing services customers. We also often partner with key customers to jointly develop or customize specialized processes that enable our customers to improve their products and allow us to develop unique manufacturing expertise. Our manufacturing services offering is targeted at customers who require differentiated, specialty analog and mixed-signal process technologies such as high voltage CMOS, embedded memory and power. These customers typically serve high growth and high volume applications in the consumer, computing, wireless and industrial end markets.

Revenue Sources

Net Sales. We derive a majority of our sales (net of sales returns and allowances) from three reportable segments: Display Solutions, Imaging Solutions and Semiconductor Manufacturing Services. Our non-segmented other net sales consist principally of rental and unit processing business activities. In unit processing, we execute a limited number of process steps, rather than the entire production sequence, in the manufacture of semiconductor wafers for one customer. Our product inventory is primarily located in Korea and is available for drop shipment globally. Outside of Korea, we maintain limited amounts of product inventory, and our sales representatives generally relay orders to our factories in Korea for fulfillment. We have strategically located our sales and technical support offices near concentrations of major customers. Our sales offices are located in Hong Kong, Japan, Korea, Taiwan, the United Kingdom and the United States. 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.

We generally recognize revenue when risk and reward of ownership passes to the customer either upon shipment, upon product delivery at the customer's location or upon customer acceptance, depending on the terms of the arrangement. For the year ended December 31, 2007, we sold products to over 200 customers, and our net sales to our ten largest customers represented approximately 58.9% of our net sales. We have a combined production capacity of over 116,000 eight-inch equivalent semiconductor wafers per month. We believe our large-scale, cost-effective fabrication facilities enable us to rapidly adjust our production levels to meet shifts in demand by our end customers.

Factors Affecting Our Results of Operations

Gross Profit. Our overall gross profit generally fluctuates as a result of changes in overall sales volumes and in the average selling prices of our products and services. Other factors that influence our gross profit include changes in product mix, the introduction of new products and services and subsequent generations of existing products and services, shifts in the utilization of our manufacturing facilities and the yields achieved by our manufacturing operations, changes in material, labor and other manufacturing costs and variation in depreciation expense.

Material Costs. Our cost of sales consists of costs of raw materials, such as silicon wafers, chemicals, gasses and tape, packaging supplies, equipment maintenance and depreciation expenses. We use processes that require specialized raw materials, such as silicon wafers, that are generally available from a limited number of suppliers. If demand increases or supplies decrease, the costs of our raw materials could significantly increase. For example, worldwide supplies of silicon wafers, an important raw material for the semiconductors we manufacture, have been constrained in recent years due to an increased demand for polysilicon. Polysilicon is also a key raw material for solar cells, the demand for which has steadily increased over the last two years. We do not expect these supplies to increase significantly in the near future. In 2006, we diversified suppliers for many of our raw materials, including chemicals, gasses and tape, which is one of the process materials for our display drivers.

Labor Costs. A significant portion of our employees are located in Korea. Under Korean labor laws, most employees and executive officers with one or more years of service are entitled to severance benefits upon the termination of their employment based on their length of service and rate of pay. As of December 31, 2007, 95% of our employees were eligible for severance benefits. In accordance with the National Pension Act 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.

Depreciation Expense. We periodically evaluate the carrying amounts of long-lived assets, including property, plant and equipment and intangible assets, as well as the related depreciation periods. At December 31, 2007, we depreciated our property, plant and equipment using the straight-line method over the estimated useful lives of our assets. Depreciation rates vary from 30-40 years on buildings to five years for certain equipment and assets. Our evaluation of carrying values is based on various analyses including cash flow and profitability projections. If our projections indicate that future undiscounted cash flows are not sufficient to recover the carrying amounts of the related long-lived assets, the carrying amount of the assets is impaired and will be reduced, with the reduction charged to expense so that the carrying amount is equal to fair value.

Selling Expenses. We sell our products worldwide through a direct sales force as well as a network of sales agents and representatives to OEMs, including major branded customers and contract manufacturers, and indirectly through distributors. Selling expenses consist primarily of the personnel costs for the members of our direct sales force, a network of sales representatives and other costs of distribution. Personnel costs include base salary, benefits and incentive compensation. As incentive compensation is tied to various net sales goals, it will increase or decrease with net sales.

General and Administrative Expenses. General and administrative expenses consist of the costs of various corporate operations, including finance, legal, human resources and other administrative functions. These expenses primarily consist of payroll-related expenses, consulting and other professional fees and office facility-related expenses. Historically, our selling, general and administrative expenses have moved in correlation with changes in revenues, and we expect this trend to continue in the future.

Research and Development. The rapid technological change and product obsolescence that characterize our industry require us to make continuous investments in research and development. Product development time frames vary but, in general, we incur research and development costs one to two years before generating sales from the associated new products. Our research and development costs incurred as a percentage of the consolidated revenues and in total have increased since 2005. These expenses include personnel costs for members of our engineering workforce, cost of photomasks, silicon wafers and other non-recurring engineering charges related to product design. Additionally, we develop base-line process technology through experimentation and through the design and use of characterization wafers that help achieve commercially feasible yields for new products.

The majority of research and development expenses are for process development that serves as a common technology platform for all of our product segments. Consequently, we do not allocate these expenses to individual segments. We expect to continue to increase our investments in research and development to develop additional products and expand our business.

Restructuring and Impairment Charges. We evaluate the recoverability of certain long-lived assets on a periodic basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In our efforts to improve our overall profitability in future periods, we have closed or impaired, and may in the future close or impair, facilities which are underutilized and which are no longer aligned with our long-term business goals.

Interest Expense, Net. Our interest expense is incurred to service our notes in the amount of $750 million and drawings under our senior secured credit facility. At December 31, 2007, the notes bore interest at a weighted average interest rate of 7.98%. Drawings under our senior secured credit facility bore interest at December 31, 2007 at either three-month LIBOR plus 4.75% or ABR plus 3.75% and were minimally offset by interest income on cash balances. Of the $750 million of total long-term borrowings, $300 million consist of variable interest rate securities. Effective as of June 27, 2005, we entered into an interest rate swap agreement that converted the variable interest rate portion of our notes into a fixed interest rate of 7.34%. That arrangement will be in effect until the swap agreement expires on June 15, 2008. As a result of this offering and our proposed repayment of outstanding indebtedness, we expect that our interest expense will decrease in amount and as a percentage of net sales.

Foreign Currency Gain or Loss. A substantial portion of our net foreign currency gain or loss relates to non-cash translation gain or loss recorded for intercompany borrowings at our Korea subsidiary that is denominated in U.S. dollars. This balance sheet item is affected by fluctuations in the exchange rate between the Korean won and U.S. dollar.

Income Taxes. We record our income taxes in each of the tax jurisdictions in which we operate. This process involves using an asset and liability approach whereby deferred tax assets and liabilities are recorded for differences in the financial reporting bases and tax bases of our assets and liabilities. We exercise significant management judgment in determining our provision for income taxes, deferred tax assets and liabilities. We periodically evaluate our deferred tax assets to ascertain whether it is more likely than not that the deferred tax assets will be realized.

Our operations are subject to income and transaction taxes in Korea and in multiple foreign jurisdictions. Significant estimates and judgments are required in determining our worldwide provision for income taxes. Some of these estimates are based on interpretations of existing tax laws or regulations. The ultimate amount of tax liability may be uncertain as a result.

Capital Expenditures. We invest in manufacturing equipment, software design tools and other tangible and intangible assets for capacity expansion and technology improvement. Capacity expansions and technology improvements typically occur in anticipation of seasonal increases in demand. We typically pay for capital expenditures in partial installments with portions due on order, delivery and final acceptance.

Inventories. We monitor our inventory levels in light of product development changes and market expectations. We may be required to take additional charges for quantities in excess of demand, cost in excess of market value and product age. Our analysis may take into consideration historical usage, expected demand, anticipated sales price, new product development schedules, the effect new products might have on the sales of existing products, product age, customer design activity, customer concentration and other factors. These forecasts require us to estimate our ability to

predict demand for current and future products and compare those estimates with our current inventory levels and inventory purchase commitments. Our forecasts for our inventory may differ from actual inventory use.

Basis of Presentation

Our consolidated financial statements include the accounts of our company and our wholly owned subsidiaries. All significant intercompany transactions and balances are eliminated in consolidation.

Segments. Prior to our fiscal year 2006, we operated in a single segment—semiconductor manufacturing. In fiscal year 2006, subsequent to the appointment of a new chief operating decision maker (the "CODM") as defined by Statements of Financial Accounting Standards ("SFAS") No. 131, *Disclosure about Segments of an Enterprise and Relate Information*, we changed the manner in which the CODM reviewed our operational results and made significant business decisions so as to include disaggregated financial information with respect to our three reportable segments. The segment information for prior periods has been prepared in conformity with our current segment structure.

Results of Operations

The following table sets forth, for the periods indicated, certain information related to our operations, expressed in dollars and as a percentage of our net sales:

	Years ended December 31,					
	2007		2006		2005	
	Amount	% of net sales	Amount	% of net sales	Amount	% of net sales
	(in millions; %)					
Consolidated statement of operations data:						
Net sales	$ 792.4	100.0%	$ 744.4	100.0%	$ 937.7	100.0%
Cost of sales	654.8	82.6	644.9	86.6	729.0	77.7
Gross profit	137.6	17.4	99.4	13.4	208.7	22.3
Selling, general and administrative expenses	93.0	11.7	87.7	11.8	123.2	13.1
Research and development expenses	138.9	17.5	131.3	17.6	107.6	11.5
Restructuring and impairment charges	12.1	1.5	94.3	12.7	36.2	3.9
Operating income (loss)	(106.4)	(13.4)	(213.8)	(28.7)	(58.4)	(6.2)
Interest expense, net	60.3	7.6	57.2	7.7	57.2	6.1
Foreign currency gain (loss), net	(4.7)	(0.6)	50.9	6.8	16.5	1.8
Income (loss) before income taxes	(171.4)	(21.6)	(220.1)	(29.6)	(99.1)	(10.6)
Income tax expenses	9.1	1.2	9.3	1.2	1.8	0.2
Net income (loss)	(180.6)	(22.7)	(229.3)	(30.8)	(100.9)	(10.8)
Net Sales:						
Display Solutions	331.7	41.9	273.7	36.8	326.0	34.8
Imaging Solutions	82.9	10.5	60.5	8.1	163.3	17.4
Semiconductor Manufacturing Services	321.0	40.5	342.4	46.0	345.4	36.8
All other	56.8	7.2	67.8	9.1	102.9	11.0
	$ 792.4	100.0%	$ 744.4	100.0%	$ 937.7	100.0%

Results of Operations—Comparison of Years ended December 31, 2007 and December 31, 2006

The following table sets forth consolidated results of operations for years ended December 31, 2007 and December 31, 2006:

	Year ended December 31, 2007		Year ended December 31, 2006		
	Amount	% of net sales	Amount	% of net sales	Change Amount
			(in millions;%)		
Net sales	$ 792.4	100.0%	$ 744.4	100.0%	$ 48.0
Cost of sales	654.8	82.6	644.9	86.6	9.9
Gross profit	137.6	17.4	99.4	13.4	38.2
Selling, general and administrative expenses	93.0	11.7	87.7	11.8	5.3
Research and development expenses	138.9	17.5	131.3	17.6	7.6
Restructuring and impairment charges	12.1	1.5	94.3	12.7	(82.2)
Operating income (loss)	(106.4)	(13.4)	(213.8)	(28.7)	107.4
Interest expense, net	60.3	7.6	57.2	7.7	3.1
Foreign currency gain, net	(4.7)	(0.6)	50.9	6.8	(55.6)
Income (loss) before income taxes	(171.4)	(21.6)	(220.1)	(29.6)	48.7
Income tax expenses	9.1	1.2	9.3	1.2	(0.2)
Net income (loss)	$(180.6)	(22.7)%	$(229.3)	(30.8)%	$ 48.7

Net Sales

	Year ended December 31, 2007		Year ended December 31, 2006		
	Amount	% of Total	Amount	% of total	Change Amount
			(in millions;%)		
Display Solutions	$331.7	41.9%	$273.7	36.8%	$ 58.0
Imaging Solutions	82.9	10.5%	60.5	8.1	22.4
Semiconductor Manufacturing Services	321.0	40.5%	342.4	46.0	(21.4)
All other	56.8	7.2%	67.8	9.1	(11.0)
	$792.4	100.0%	$744.4	100.0%	$ 48.0

Net sales for the year ended December 31, 2007 increased $48.0 million, or 6.4% compared to the year ended December 31, 2006. Net sales generated in the three operating segments during the current year were $735.6 million, an increase of $59.0 million or 8.7% from the net sales of our three reportable segments for the prior-year period, primarily due to increased design wins and new account development, which contributed to market share gains. Among our segments, net sales increased $58.0 million or 21.2% for our Display Solutions segment and a $22.4 million or 37.0% for our Imaging Solutions segment. These increases were offset by a $21.4 million or 6.2% decrease in sales from our Semiconductor Manufacturing Service segment. We believe that we will continue to experience profitable growth in future periods, although the overall trend in net sales will be subject to seasonal variations from quarter to quarter.

Display Solutions. Net sales from Display Solutions for the year ended December 31, 2007 were $331.7 million, a $58.0 million or 21.2% increase from $273.7 million for the year ended December 31, 2006. The increase resulted from a 48.5% sales volume increase, primarily from display driver products for LCD televisions, PC monitors and mobile devices. These increases in volume were

partially offset by a 21.2% decrease in average selling prices. We believe that strong demand for display driver interfaces that manage power consumption efficiently as well as for high-resolution and feature-rich display drivers will contribute positively to the results of our Display Solutions segment in future quarters.

Imaging Solutions. Net sales from Imaging Solutions increased $22.4 million in the current year, or 37.0%, compared to net sales generated in the prior year. This increase resulted from a 179% sales volume increase, particularly of small form factor VGA products, and was partially offset by a 48.6% decrease in average selling prices.

Semiconductor Manufacturing Services. Net sales from Semiconductor Manufacturing Services for the year ended December 31, 2007 were $321.0 million, a $21.4 million, or a 6.2%, decrease compared to net sales of $342.4 million for the year ended December 31, 2006. This decrease was primarily due to a 2.9% decrease in the average selling prices of our services of eight-inch equivalent wafers and to product program declines or terminations experienced by some of our key customers. In the fourth quarter of 2007, we entered into new services contracts with three European companies and continued to roll out our application-specific technology, or AS Tech, approach of delivering specialized services to create cost-effective solutions for our customers. We expect the results for our Semiconductor Manufacturing Services segment to remain stable or grow in 2008.

All other. Net sales from All other for the year ended December 31, 2007 were $56.8 million compared to $67.8 million for the year ended December 31, 2006. This decrease of $11.0 million or 16.2% represents the revenue decrease from our unit processing service.

Net Sales by Geographic Region

The following table sets forth our net sales by geographic region and the percentage of total net sales represented by each geographic region for the year ended December 31, 2007 and December 31, 2006:

	Year ended December 31, 2007		Year ended December 31, 2006	
	Amount	% of Total	Amount	% of Total
	(in millions;%)			
Korea	$447.1	56.4%	$413.7	55.6%
Asia Pacific	193.8	24.5	173.0	23.2
Japan	72.8	9.2	78.3	10.5
North America	58.5	7.4	62.4	8.4
Europe	20.2	2.5	17.0	2.3
Total net revenues	$792.4	100.0%	$744.4	100.0%

Gross Profit

	Year ended December 31, 2007		Year ended December 31, 2006		
	Amount	% of net sales	Amount	% of net sales	Change Amount
	(in millions;%)				
Display Solutions	$ 41.5	12.5%	$ 35.6	13.0%	$ 5.9
Imaging Solutions	6.9	8.3	(4.0)	(6.6)	10.9
Semiconductor Manufacturing Services	67.1	20.9	45.7	13.4	21.4
All other	22.0	38.7	22.1	32.6	(0.1)
	$137.6	17.4%	$ 99.4	13.4%	$ 38.2

Total gross profit increased $38.2 million in the year ended December 31, 2007, or 38.4%, compared to the gross profit generated in the year ended December 31, 2006. Gross profit percentage for the year ended December 31, 2007 was 17.4% of net sales, an increase of 4.0% from 13.4% for the year ended December 31, 2006. This increase in gross profit percentage was primarily attributable to an overall decrease in unit costs. The decreases in unit costs were driven by, among other factors, reduced depreciation expense, lower overhead costs on a per unit basis and a decline in materials prices. We expect our gross margin to benefit in the next several quarters from the sale of inventory reflecting our reduced cost structure as well as due to increased capacity utilization.

Display Solutions. Gross profit percentage for Display Solutions for the year ended December 31, 2007 slightly declined to 12.5% compared to 13.0% for the year ended December 31, 2006.

Imaging Solutions. Gross profit percentage for the current period improved compared to the prior-year period primarily due to a 179.1% increase in sales volume, a 57.8% decrease in unit cost of sales which resulted from an increase in overall production volume and a decrease in depreciation expense in connection with impairment charges in the second quarter of 2006, offset in part by a 48.6% decrease in average selling prices.

Semiconductor Manufacturing Services. Gross profit percentage for Semiconductor Manufacturing Services increased to 20.9% in the year ended December 31, 2007 from 13.4% in the year ended December 31, 2006. This increase was primarily due to a decrease in cost of sales, resulting from an overall increase in production volume.

All other. Gross profit percentage for All other for the current period increased to 38.7% from 32.6% for the prior-year period. This improvement in gross profit percentage was primarily attributable to an increase in sales volume for unit processing and lower fixed costs per unit. With respect to our new power management solutions business, we expect positive gross margin, as it will generate net sales from newly introduced products which should realize relatively higher average selling prices and benefit from efficient production process technology.

Operating Expenses

Selling, General and Administrative Expenses. Selling, general, and administrative expenses were $93.0 million or 11.7% of net sales for the year ended December 31, 2007 compared to $87.7 million or 11.8% for the year ended December 31, 2006. The increase of $5.3 million or 6.0% from the prior-year period was attributable to an increase in salaries and various expense items, including a settlement with former subcontractors of $1.3 million. These increases were partially offset by a $1.1 million decrease in depreciation and amortization expenses.

Research and Development Expenses. Research and development expenses for the current period were $138.9 million, an increase of $7.6 million or 5.8% from $131.3 million for the prior year

period. This increase was mainly due to a $5.3 million salary increase caused by an increase in staffing to support new product development. Research and development expenses as a percentage of net sales was 17.5%, virtually flat compared to 17.6% in the prior-year period. We expect research and development expenses in 2008 to be consistent generally with the levels of 2007 on a percentage of net sales basis.

Restructuring and Impairment Charges. During the year ended December 31, 2007, we recognized restructuring and impairment charges of $12.1 million, which consisted of $10.1 million of impairment charges under SFAS No. 144 *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS No. 144") and $2.0 million of restructuring charges under SFAS No. 146 *Accounting for Costs Associated with Exit or Disposal Activities* ("SFAS No. 146"). The impairment charges recorded related to the closure of our five-inch wafer fabrication facility that has generated losses and no longer supports our strategic technology roadmap. This facility closing is expected to be completed within the first quarter of 2008.

During the year ended December 31, 2006, we recorded restructuring and impairment charges totaling $94.3 million, which included $92.9 million of impairment charges under SFAS No. 144 and $1.4 million of restructuring charges under SFAS No. 146.

The impairment charge of $92.5 million recorded during 2006 related to certain fixed assets and technology and customer-based intangible assets (the "asset group") comprising our Imaging Solution business. At the end of 2005, the capacity utilization at our specialized fabrication facility was less than budgeted. This was primarily due to a transition in product mix, coupled with a seasonal decrease in market demand, which we deemed to be temporary and recoverable. However, in 2006, our management determined, based on revised forecasting, that projected demand for some of the products in our Imaging Solutions business was significantly less than previously forecasted and that this decline was not temporary or seasonal. Therefore, we assessed whether there had been an impairment of the asset group pursuant to SFAS No. 144 and, based on that assessment, recorded the impairment charge. We also recorded $0.4 million of impairment charges in association with the disposition of certain held-for-sale assets.

The $1.4 million of restructuring charges were incurred in connection with certain changes in our management and the early retirement of certain employees.

Other Income (Expense)

Interest Expense, net. Net interest expense was $60.3 million during the year ended December 31, 2007, consistent with $57.2 million for the year ended December 31, 2006. Interest expense was incurred to service our notes in the amount of $750.0 million and drawings under our senior secured credit facility. At December 31, 2007, the notes bore interest at a weighted average interest rate of 7.98%. Drawings under our senior secured credit facility bore interest at December 31, 2007 at either three-month LIBOR plus 4.75% or ABR plus 3.75%. The increase in net interest expense was mainly due to an increase in interest expense driven by drawdowns from our senior secured credit facility and a decrease in interest income from financial assets including cash and cash equivalents.

Foreign Currency Gain (Loss), net. Net foreign currency loss for the year ended December 31, 2007 was $4.7 million, compared to net foreign exchange gain of $50.9 million for the year ended December 31, 2006.

A substantial portion of our net foreign currency gain or loss is non-cash translation gain or loss recorded for intercompany borrowings at our Korean subsidiary and is affected by changes in the exchange rate between the Korean won and the U.S. dollar. Foreign currency translation gain from the intercompany borrowings was included in determining our consolidated net income since the intercompany borrowings were not considered long-term investments in nature because management

intended to repay these intercompany borrowings at their respective maturity dates. The Korean won to U.S. dollar exchange rates were 935.8:1 and 930.0:1 using the noon buying rate in effect as of December 31, 2007 and December 31, 2006, respectively, as quoted by the Federal Reserve Bank of New York.

Income Tax Expenses

Income Tax Expenses. Income tax expenses for the current period were $9.1 million, compared to income tax expenses of $9.3 million for the same period of 2006. Income tax expense for 2007 was comprised of $5.4 million of withholding taxes mostly paid on intercompany interest payments, $3.4 million of current income taxes incurred in various jurisdictions in which we operate and a $0.3 million income tax effect from the change of deferred tax assets. Due to the uncertainty of the utilization of foreign tax credits, we did not recognize these withholding taxes as deferred tax assets.

Results of Operations—Comparison of years ended December 31, 2006 and December 31, 2005

	Year ended December 31, 2006		Year ended December 31, 2005		
	Amount	% of net sales	Amount	% of net sales	Change Amount
			(in millions; %)		
Net sales	$ 744.4	100.0%	$ 937.7	100.0%	$(193.3)
Cost of sales	644.9	86.6	729.0	77.7	(84.1)
Gross profit	99.4	13.4	208.7	22.3	(109.3)
Selling, general and administrative expenses	87.7	11.8	123.2	13.1	(35.5)
Research and development expenses	131.3	17.6	107.6	11.5	23.7
Restructuring and impairment charges	94.3	12.7	36.2	3.9	58.1
Operating income (loss)	(213.8)	(28.7)	(58.4)	(6.2)	(155.4)
Interest expense, net	57.2	7.7	57.2	6.1	—
Foreign currency gain, net	50.9	6.8	16.5	1.8	34.4
Income (loss) before income taxes	(220.1)	(29.6)	(99.1)	(10.6)	(121.0)
Income tax expenses	9.3	1.2	1.8	0.2	7.4
Net income (loss)	$(229.3)	(30.8)%	$(100.9)	(10.8)%	$(128.4)

Net Sales

	Year ended December 31, 2006		Year ended December 31, 2005		
	Amount	% of total	Amount	% of total	Change Amount
			(in millions; %)		
Display Solutions	$ 273.7	36.8%	$ 326.0	34.8%	$ (52.4)
Imaging Solutions	60.5	8.1	163.3	17.4	(102.8)
Semiconductor Manufacturing Services	342.4	46.0	345.4	36.8	(3.0)
All other	67.8	9.1	102.9	11.0	(35.1)
	$ 744.4	100.0%	$ 937.7	100.0%	$(193.3)

We derive a majority of our net sales from three reportable segments: Display Solutions, Imaging Solutions and Semiconductor Manufacturing Services. All other for the period also included certain business activities exited in late 2005 or early 2006, such as our application processor and DRAM foundry businesses.

Total net sales for 2006 decreased $193.3 million, or 20.6%, compared to 2005. Net sales generated from the three reportable segments in 2006 were $676.6 million, a decrease of $158.2 million, or 18.9%, from net sales from the three operating segments in 2005 mainly due to a $102.8 million, or 63.0%, decrease in net sales from the Imaging Solutions segment and a $52.4 million, or 16.0%, decrease in net sales from the Display Solutions segment.

Display Solutions. Net sales from Display Solutions for the year ended December 31, 2006 were $273.7 million, a $52.4 million, or a 16.1% decrease, from $326.0 million for the year ended December 31, 2005. This decrease was primarily attributable to a 14.7% decline in average selling prices and a 1.6% sales volume decrease in large display driver products.

Imaging Solutions. Imaging Solutions net sales decreased $102.8 million in 2006, or 63%, compared to net sales generated in 2005. This decrease was primarily attributable to delays in transitioning to new megapixel products, resulting in a market share loss in this segment. Sales volume decreased by 37.8% due to lower market demand, and average selling prices decreased by 36.2%.

Semiconductor Manufacturing Services. Net sales from Semiconductor Manufacturing Services for the year ended December 31, 2006 were $342.4 million, a $3.0 million or 0.9% decrease, compared to net sales of $345.4 million for 2005. The decrease was attributable to a 14.8% decrease in the average selling prices of eight-inch equivalent wafers, partially offset by 11.0% sales volume increase.

All other. Net sales from All other for 2006 were $67.8 million compared to $102.9 million for 2005. This year-over-year sales reduction of $35.1 million was caused by the exit of our application processor and DRAM foundry businesses which generated $97.0 million of net sales in 2005, which were partially offset by a $60.8 million increase in sales from unit processing due to entering into a new arrangement with the customer.

Net Sales by Geographic Region

The following table sets forth our net sales by geographic region, and the percentage of total net sales represented by each geographic region for each of the years ended December 31, 2006 and 2005:

	Year ended December 31, 2006		Year ended December 31, 2005	
	Amount	% of Total	Amount	% of Total
	(in millions; %)			
Korea	$413.7	55.6%	$512.4	54.6%
Asia Pacific	173.0	23.2	251.2	26.8
Japan	78.3	10.5	97.8	10.4
North America	62.4	8.4	56.9	6.1
Europe	17.0	2.3	19.4	2.1
Total net revenues	$744.4	100.0%	$937.7	100.0%

Gross Profit

	Year ended December 31, 2006		Year ended December 31, 2005		
	Amount	% of net sales	Amount	% of net sales	Change Amount
	(in millions; %)				
Display Solutions	$ 35.6	13.0%	$ 66.5	20.4%	$ (30.9)
Imaging Solutions	(4.0)	(6.6)	25.4	15.6	(29.4)
Semiconductor Manufacturing Services	45.7	13.4	110.4	32.0	(64.7)
All other	22.1	32.6	6.3	6.1	15.8
	$ 99.4	13.4%	$208.7	22.3%	$(109.2)

Total gross profit decreased $109.2 million in 2006, or 52.4%, compared to 2005. Gross profit percentage for 2006 was 13.4% of net sales, a decrease of 8.9% from 22.3% for 2005. This decline in gross profit percentage was primarily attributable to lower utilization of our manufacturing capacity as a result of substantial sales decreases, coupled with an overall decrease in average selling prices.

Display Solutions. Gross profit percentage for Display Solutions for the year ended December 31, 2006 declined to 13.0% compared to 20.4% for the year ended December 31, 2005. This decline in gross profit percentage was primarily attributable to a reduction of 14.7% in average selling prices from the previous year's average selling prices and to higher overhead cost per-unit driven by a decrease in unit volume.

Imaging Solutions. Imaging Solutions reported a gross loss for the year ended December 31, 2006 primarily attributable to delays in transitioning to our new megapixel products and due to significant decreases in market demand for older products and a 36.2% decrease in average selling prices.

Semiconductor Manufacturing Services. Gross profit percentage for Semiconductor Manufacturing Services declined to 13.4% in 2006 from 32.0% in 2005. The year-over-year decrease was primarily attributable to manufacturing a higher mix of larger geometry wafers, which generate lower gross profits than smaller geometry wafers resulting in a 14.8% decrease in average selling prices.

All other. Gross profit percentage for All other for 2006 increased to 32.6% from 6.1% for the year ended December 31, 2005. This increase was mainly attributable to the discontinuation of the less profitable application processor and DRAM foundry businesses.

Operating Expenses

Selling, General and Administrative Expenses. Selling, general and administrative expenses were $87.7 million or 11.8% of net sales for the year ended December 31, 2006 compared to $123.2 million, or 13.1% of net sales, for the year ended December 31, 2005. This decrease of $35.5 million, or 28.9%, from the prior year was primarily attributable to a $13.3 million reduction in professional service fees driven by our cost containment efforts and a $9.1 million decrease in amortization expense of intangible assets as a result of an impairment taken during the year.

Research and Development Expenses. Research and development expenses for the year ended December 31, 2006 were $131.3 million, a $23.7 million, or 21.9%, increase, from $107.6 million for the year ended December 21, 2005. This increase in research and development expenses during the year primarily represented our focus on the introduction of new products. As a percentage of net sales, research and development expense increased to 17.6% in the more recent period as compared to 11.5% in the prior period.

Restructuring and Impairment Charges. During the year ended December 31, 2006, we recorded restructuring and impairment charges totaling $94.3 million, which included $92.9 million of impairment charges under SFAS No. 144 and $1.4 million of restructuring charges under SFAS No. 146. The impairment charges of $92.5 million recorded during 2006 related to certain fixed assets and technology and customer-based intangible assets (the "asset group") comprising our Imaging Solution business. At the end of 2005, the capacity utilization at our specialized fabrication facility was less than budgeted. This was primarily due to a transition in product mix, coupled with a seasonal decrease in market demand, which we deemed to be temporary and recoverable. However, in 2006, our management determined, based on revised forecasting, that projected demand for some of the products in our Imaging Solutions business was significantly less than previously forecasted and that this decline was not temporary or seasonal. Therefore, we assessed whether there had been an impairment of the asset group pursuant to SFAS No. 144 and, based on that assessment, recorded the impairment charge. We also recorded $0.4 million of impairment charges in association with the disposition of certain held-for-sale assets.

The $1.4 million of restructuring charges were incurred in connection with certain changes in our management and the early retirement of certain employees.

During the year ended December 31, 2005, we recorded a one-time charge of $36.2 million of restructuring and impairment charges which included $33.5 million for asset impairment and $2.7 million for restructuring.

Other Income (Expense)

Interest Expense, net. Net interest expense was $57.2 million for the year ended December 31, 2006, consistent with $57.2 million for the year ended December 31, 2005. Interest expense was incurred to serve our notes in the amount of $750 million. At December 31, 2006, the notes bore interest at a weighted average interest rate of 7.4%.

Foreign Currency Gain, net. Net foreign currency gain for the year ended December 31, 2006 was $50.9 million, compared to $16.5 for the year ended December 31, 2005. A substantial portion of our net foreign currency gain was non-cash translation gain recorded for intercompany borrowings at one of our subsidiaries and is affected by changes in the Korean won to U.S. dollar exchange rate. Foreign currency translation gain from the intercompany borrowings was included in determining our consolidated net income since the intercompany borrowings were not considered long-term investments in nature because management intended to have these intercompany borrowings repaid at their maturity dates. The Korean won to U.S. dollar exchange rates were 930.0:1 and 1,010.1:1 using the noon buying rate in effect as of December 31, 2006 and 2005, respectively, as quoted by the Federal Reserve Bank of New York.

Income Tax Expenses

Income tax expenses for the year ended December 31, 2006 were $9.3 million while income tax expenses were $1.8 million for the year ended December 31, 2005. The lower income tax expenses in the prior period were primarily attributable to the income tax benefit recognized for a temporary difference related to revenue recognition at our Japanese subsidiaries, which became recognizable as a result of a change in business model. Income tax expenses for 2006 were comprised of $5.2 million of withholding taxes on the interest paid by one of our subsidiaries to its parent company, a $2.0 million income tax effect from the decrease of deferred tax assets and an aggregate $2.0 million of current income taxes incurred at various jurisdictions where we had our operations.

Liquidity and Capital Resources

Our principal capital requirements are to invest in research and development and capital equipment, to make debt service payments on the notes and our senior secured credit facility and to fund working capital needs. We anticipate that operating cash flow, together with available borrowing capacity under our senior secured credit facility, will be sufficient to meet our research and development and capital expenditures needs, to service requirements on our debt obligations and to fund our working capital needs for the foreseeable future. As of December 31, 2007, we had total long-term debt outstanding of $750 million.

Our principal sources of liquidity are our cash, cash equivalents and available borrowings under our senior secured credit facility of $100 million and the net proceeds from this offering. As of December 31, 2007, our cash and cash equivalents balance were $64.3 million, or 9.1%, of our total assets, a $24.9 million decrease from $89.2 million or 11.6% of total assets as of December 31, 2006. The decrease in cash and cash equivalents during the year ended December 31, 2007 was primarily attributable to a cash outflow of $23.7 million in operating activities, coupled with a cash outflow related to capital expenditures during such period of $86.6 million.

During the year ended December 31, 2007, net cash used in operating activities was $23.7 million, compared to $30.5 million of net cash generated by operating activities during the year ended December 31, 2006. This decrease in cash from operating activities between the two periods was primarily attributable to changes in operating assets and liabilities of $41.8 million, mostly impacted by an increase in accounts receivable due to higher sales during the three-month period ended December 31, 2007, and increases in inventories primarily due to the anticipation of sales growth in future periods. These factors were offset by an increase of $27.6 million in accounts payable as of December 31, 2007 compared to December 31, 2006 which was due to an increase in inventories purchased from third parties. The net operating cash outflow for the current period principally reflects our net loss of $180.6 million adjusted by non-cash charges of $198.7 million, which mainly consisted of depreciation, impairment and amortization charges and an increase in operating assets and liabilities of $41.8 million.

Our working capital balance as of December 31, 2007 was $55.6 million compared to $122.6 million as of December 31, 2006. The decrease of $67.0 million in our working capital balance was mainly due to a $103.7 million increase in current liabilities, including an increase in short term borrowings of $80 million, and a $24.8 million reduction in cash and cash equivalents which was used to support our capital investments and operations. This decrease was partially offset by an increase in accounts receivable of $47.1 million and a build-up in inventory of $18.0 million in anticipation of sales growth in future periods. We expect our working capital to remain consistent or decrease slightly from year-end 2007 amounts due to a variety of factors, including relatively stable accounts payable and the balance sheet impact of lower inventory valuation.

For investing activities, the net cash outlay during the year ended December 31, 2007 was $81.8 million, compared to $33.4 million in the prior-year period, primarily related to capacity expansion and technology improvements at a fabrication facility in anticipation of sales growth in future periods.

We generated $80.1 million during the year ended December 31, 2007 from financing activities compared to the usage of $0.3 million for the prior period ended December 31, 2006. During the year ended December 31, 2007, we borrowed $130.1 million under our senior secured credit facility while we repaid borrowings under that facility of $50.1 million during the same period. At December 31, 2007, we had borrowed $80.0 million under our senior secured credit facility and had additional letters of credit of $15.5 million issued under the facility.

Borrowings under the senior secured credit facility are subject to the satisfaction of certain conditions, including the representations and warranties being true in all material respects, compliance with the covenants included in the senior secured credit facility (including the financial covenants) and no default occurring or continuing on the date of the borrowing. The senior secured credit facility agreement contains certain customary covenants and restrictions for a facility of this type, including those with respect to the future maintenance and conduct of the business, the incurrence of debt or liens, the making of certain investments, and the consummation of sale/leaseback transactions, affiliate transactions, mergers and consolidations, asset sales, distributions and dividends on capital stock, and certain acquisitions. The senior secured credit facility also contains financial covenants including:

- maintaining a minimum coverage of interest expense;
- maintaining debt leverage below specified levels;
- maintaining a minimum level of consolidated EBITDA;
- maintaining a minimum level of liquidity; and
- limiting capital expenditures under specified thresholds.

On April 19, 2007, Moody's Investor Service, Inc. downgraded the ratings on our indebtedness. We may experience additional downgrades in our debt ratings, which may make it more difficult for us to obtain favorable interest rates and other terms on any new debt we may choose to incur in the future, including any new debt we may incur to refinance existing indebtedness. In the event any ratings downgrades are significant, we may choose not to incur new debt or refinance existing debt if we are unable to incur or refinance such debt at favorable interest rates or on favorable terms.

Capital Expenditures. For the year ended December 31, 2007, capital expenditures were $86.6 million, a $45.2 million or a 109.1% increase from $41.4 million for the year ended December 31, 2006. This year-over-year increase was used to support capacity expansion and technology improvements at our fabrication facilities in anticipation of sales growth in future periods. We expect our capital expenditures to be approximately $110 million in 2008, and we do not expect our capital budget to be affected in a material way by our entry into the power management solutions business.

Future Financing Activities. Our primary future capital requirements on a recurring basis will be funding research and development and capital expenditures, meeting required debt payments and funding working capital needs. We anticipate that our operating cash flows, together with the proceeds of this offering and available borrowings, if any, under our senior secured credit facility, will be sufficient to meet these capital requirements for the foreseeable future. We may from time to time also incur additional debt.

We may need to incur additional debt or issue equity to make strategic acquisitions of investments. There can be no assurance that any such financing will be available to us on acceptable terms, or that such financing will be available at all. Our senior secured credit facility and the indentures governing our notes restrict our ability to incur additional debt.

Seasonality

Our net sales are affected by market variations from quarter to quarter due to the business cycles, and resulting product demand, of our customers. Our Imaging and Display Solutions businesses typically experience demand increases in the third and fourth calendar quarters due to increased holiday demand for the consumer products that serve as the end markets for our products. During the first quarter, by contrast, consumer products manufacturers generally reduce orders in order to burn off excess inventory from the holiday season, as well as to adjust for decreased demand during the Chinese New Year holiday. In our Semiconductor Manufacturing Services business, the supply-

demand cycle is usually one quarter ahead of the broader semiconductor market due to lead time from wafer input to shipment to our customers, so the demand for these products tends to peak in the third quarter and begin slowing in the fourth and first quarters.

Contractual Obligations

Summarized in the table below are estimates of future payments under debt obligations and minimum lease payment obligations at December 31, 2007. Changes in our business needs or interest rates, as well as actions by third parties and other factors, may cause these estimates to change. Because these estimates are complex and necessarily subjective, our actual payments in future periods are likely to vary from those presented in the table below.

	Payments Due by Period						
	Total	2008	2009	2010	2011	2012	Thereafter
				(in millions)			
Senior secured credit facility[1][2]	$ 80.8	$ 80.8	$ —	$ —	$ —	$ —	$ —
Notes[3]	1,047.5	59.8	59.8	59.8	558.7	20.0	289.4
Operating lease	56.0	11.2	11.2	11.2	11.2	11.2	
Others	6.0	3.2	2.0	0.5	0.3	—	—

(1) Includes interest obligations thereon.
(2) Represents amounts outstanding under the senior secured credit facility.
(3) Includes interest obligations on the notes. For purposes of estimating the interest obligations under our Floating Rate Second Priority Senior Secured Notes, we used the average interest rate for such notes during the year ended December 31, 2007.

The floating rate second priority senior secured notes of $300 million and second priority senior secured notes of $200 million mature in 2011, while the senior subordinated notes of $250 million mature in 2014. Interest rates on these notes are 3 month LIBOR + 3.25%, 6 7/8% and 8%, respectively. We expect to pay the amounts outstanding under these notes in full upon maturity.

Each indenture governing the notes contains covenants that limit our ability and that of our subsidiaries to (1) incur additional indebtedness, (2) pay dividends or make other distributions on our capital stock or repurchase, repay or redeem our capital stock, (3) make certain investments, (4) incur liens, (5) enter into certain types of transactions with affiliates, (6) create restrictions on the payment of dividends or other amounts to us by our subsidiaries, and (7) sell all or substantially all of our assets or merge with or into other companies.

In November 2007, the lenders under the senior secured credit facility waived certain provisions of the credit agreement to permit us to consummate the corporate reorganization and this offering and to use the proceeds from the offering as described in this prospectus. Upon consummation of the corporate reorganization, we will become a guarantor and grant a security interest with respect to the obligations under the senior secured credit facility.

We adopted the provisions of FIN No. 48, *Accounting for Uncertainty in Income Taxes* on January 1, 2007. As of the date of adoption, our unrecognized tax benefits totaled $1.6 million. These unrecognized tax benefits have been excluded from the above table because we cannot estimate the period of cash settlement with the respective taxing authorities.

Off-Balance Sheet Arrangements

On December 23, 2004, two of our subsidiaries, MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company entered into a senior secured credit agreement with a syndicate of

banks, financial institutions and other entities providing for a $100 million senior secured revolving credit facility. The undrawn portion of our senior secured credit facility as of December 31, 2007 and December 31, 2006 was $4.5 million and $93.8 million, respectively. The utilized portions of the credit facility are related to the issuance of letters of credit and cash drawdowns.

Other than the senior secured credit facility, we believe there are no material off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards ("SFAS") No. 141 (revised 2007), "*Business Combinations*" ("FAS 141R"), which replaces FASB Statement No. 141. FAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non controlling interest in the acquiree and the goodwill acquired. This Statement also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. FAS 141R is effective as of the beginning of an entity's fiscal year that begins after December 15, 2008. We are currently evaluating the potential impact, if any, of the adoption of FAS 141R on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "*Noncontrolling Interests in Consolidated Financial Statement—amendments of ARB No. 51* ("FAS 160")." FAS 160 states that accounting and reporting for minority interests will be recharacterized as noncontrolling interests and classified as a component of equity. FAS 160 also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. FAS 160 applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. This Statement is effective as of the beginning of an entity's first fiscal year beginning after December 15, 2008. We are currently evaluating the potential impact, if any, of the adoption of FAS 160 on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities,*" which provides companies with an option to report selected financial assets and liabilities at fair value in an attempt to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. This Statement is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. We are currently evaluating the impact that the adoption may have on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. This Statement defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. SFAS No. 157 requires companies to disclose the fair value of its financial instruments according to a fair value hierarchy, as defined and may be required to provide additional disclosures based on that hierarchy. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are currently evaluating the impact that the adoption may have on our consolidated financial statements.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related

disclosures regarding contingent assets and liabilities. We base these estimates and judgments on historical experience, knowledge of current conditions and other assumptions and information that we believe to be reasonable. Estimates and assumptions about future events and their effects cannot be perceived with certainty. Accordingly, these estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as the business environment in which we operate changes.

We have defined a critical accounting estimate as one that is both important to the portrayal of either our financial condition or results of operations and requires us to make difficult, subjective or complex judgments or estimates about matters that are uncertain. We have discussed the development and selection of our critical accounting policies with the audit committee of our board, and the audit committee has reviewed the disclosure presented below. We believe that the following are the critical accounting estimates used in the preparation of our consolidated financial statements. In addition, there are other items within our consolidated financial statements that require estimation but which we do not deem to be critical.

Revenue Recognition and Account Receivables Valuation

Our revenue is primarily derived from the sale of semiconductor products which we design and the manufacture of semiconductor wafers for third parties. We recognize revenue when persuasive evidence of an arrangement exists, the product has been delivered and title and risk of loss have transferred, the price is fixed and determinable, and collection of resulting receivables is reasonably assured.

We recognize revenue upon shipment, upon delivery of the product at the customer’s location or upon customer acceptance depending on terms of the arrangements, when the risks and rewards of ownership have passed to the 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 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 judgments that require 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 with 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 products. Factors that affect our warranty liability include historical and anticipated rates of warranty claims on those repairs and the cost per claim to satisfy our warranty obligations. 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.

Inventory Valuation

Inventories are valued at the lower of cost or market, using the average method which approximates the first in, first out method. Because of the cyclical nature of the semiconductor industry, changes in inventory levels, obsolescence of technology and product life cycles, we write down

inventories to net realizable value. The difference in the carrying amount and the net realizable value is recognized as a loss on valuation of inventories within cost of sales. 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.

We employ a variety of methodologies to determine the amount of inventory reserves necessary. While a portion of the reserve is determined via reference to the age of inventory and lower of cost or market calculations, an element of the reserve is subject to significant judgments made by us about future demand for our inventory. For example, reserves are established for excess inventory based on inventory levels in excess of six months of projected demand, as judged by management, for each specific product. If actual demand for our products is less than our estimates, additional reserves for existing inventories may need to be recorded in future periods.

In addition, as prescribed in SFAS No. 151, *Inventory Costs*, the cost of inventories is determined based on the normal capacity of each fabrication facility. If the capacity utilization is lower than a level that management believes to be normal, the fixed overhead costs per production unit which exceed those which would be incurred when the fabrication facilities are running under normal capacity are charged to cost of sales rather than capitalized as inventories.

Long-Lived Assets

We assess long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of the assets or the asset group may not be recoverable. Factors that we consider in deciding when to perform an impairment review include significant under-performance of a business or product line in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in our use of the assets. Recoverability of assets that will continue to be used in our operations is measured by comparing the carrying amount of the asset group to our estimate of the related total future undiscounted net cash flows. If an asset group's carrying value is not recoverable through the related undiscounted cash flows, the asset group is considered to be impaired. The impairment is measured by the difference between the asset group's carrying amount and its fair value determined by either a quoted market price, if any, or a value determined by utilizing a discounted cash flow technique.

Impairments of long-lived assets are determined for groups of assets related to the lowest level of identifiable independent cash flows. We must make subjective judgments in determining the independent cash flows that can be related to specific asset groupings. Additionally, an evaluation of impairment of long-lived assets requires estimates of future operating results that are used in the preparation of the expected future undiscounted cash flows. Actual future operating results and the remaining economic lives of our long-lived assets could differ from the estimates used in assessing the recoverability of these assets.

Income Taxes

We account 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 on 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.

We regularly review our deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of the reversals of existing temporary differences and expiration of tax credits and net operating loss carryforwards. We established valuation allowances for deferred tax assets at most of our subsidiaries since, other than with respect to one particular subsidiary, it is not probable that a majority of the deferred tax assets will be realizable. The valuation allowance at this particular subsidiary was not established since it is more likely than not that the deferred tax assets at this subsidiary will be realizable based on the current prospects for its future taxable income.

Changes in our evaluation of our deferred income tax assets from period to period could have a significant effect on our net operating results and financial condition.

In addition, beginning January 1, 2007, we account for uncertainties related to income taxes in compliance with FIN No 48, *Accounting for Uncertainty in Income Taxes*—an interpretation of SFAS No. 109. Under FIN No. 48, we evaluate our tax positions taken or expected to be taken in a tax return for recognition and measurement on our financial statements. Only those tax positions that meet the more likely than not threshold are recognized on the financial statements at the largest amount of benefit that is a greater than 50 percent likely of ultimately being realized.

Accounting for Unit-based Compensation

In 2006, we adopted SFAS No. 123(R) using the modified prospective application method and began to account for unit-based compensation based on a fair value method. Under the provisions of SFAS No. 123(R), unit-based compensation cost is estimated at the grant date based on the fair-value of the award and is recognized as expense over the requisite service period of the award. Consistent with our prior-period pro forma presentation under SFAS No. 123, we use the Black-Scholes option pricing model to value unit options. In developing assumptions for fair value calculation under SFAS No. 123(R), we use estimates based on historical data and market information. A small change in the assumptions used in the estimate can cause a relatively significant change in the fair value calculation.

The determination of the fair value of our common units on each grant date was a two-step process. First, management estimated our enterprise value in consultation with such advisers as we deemed appropriate. Second, this business enterprise value was allocated to all sources of capital invested in us based on each type of security's respective rights and claims to our total business enterprise value. This allocation included a calculation of the fair value of our common units on a non-marketable, minority basis. The business enterprise value was determined based on an income approach and a market approach using the revenue multiples of comparable companies, giving appropriate weight to each approach. The income approach was based on the discounted cash flow method and an estimated weighted average cost of capital. The estimated fair value of our common units was calculated using an option pricing model, using the enterprise value, an estimated volatility, expected exercise term and a risk free interest rate.

Determination of the fair value of our common units involves complex and subjective judgments regarding projected financial and operating results, our unique business risks, the liquidity of our units and our operating history and prospects at the time of grant. If we make different judgments or adopt different assumptions, material differences could result in the amount of the share-based compensation expenses recorded because the estimated fair value of the underlying units for the options granted would be different.

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 foreign currency exchange-rate fluctuations on net income from our subsidiaries denominated in currencies other than U.S. dollars, as our foreign subsidiaries in Korea, Taiwan, China, Japan and Hong Kong use local currency as their functional currency. From time to time these subsidiaries have cash and financial instruments in local currency. The amounts held in Japan, Taiwan, Hong Kong and China are not material in regards to foreign currency movements. However, based on the cash and financial instruments balance at December 31, 2007 for our Korean subsidiary, a 10% devaluation of the Korean won against the U.S. dollar would have resulted in a decrease of $0.7 million in our U.S. dollar financial instruments balance and cash balance. Based on the Japanese yen cash balance at December 31, 2007, a 10% devaluation of the Japanese yen against the U.S. dollar would have resulted in a decrease of $0.4 million in our U.S. dollar 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, 2007, we estimate that we would have additional interest expense costs over the market rate of $2.9 million (on a 360-day basis). The fair value of these fixed rate notes would have decreased by $7.0 million or increased by $7.3 million with a 10% increase or decrease in the interest rate, respectively.

Cash Flow Interest Rate Risk. In 2005, we entered into an interest rate swap agreement to convert the variable interest rate on our floating rate second priority senior secured notes to a fixed interest rate for the periods to maturity date of June 2008. Pursuant to this interest rate swap and during the duration of such swap, cash flow interest rate risk was replaced with exposure to interest rate risk.

BUSINESS

Our Business

MagnaChip is a Korea-based designer and manufacturer of analog and mixed-signal semiconductor products for high volume consumer applications, such as mobile phones, digital televisions, flat panel displays, notebook computers, mobile multimedia devices and digital cameras. We believe we have one of the broadest and deepest analog and mixed-signal semiconductor technology platforms in the industry, supported by our 28-year operating history, large portfolio of approximately 6,100 novel registered and pending patents and extensive engineering and manufacturing process expertise. Our wide variety of analog and mixed-signal semiconductor products and services combined with our deep technology platform allows us to address multiple high growth end markets and to develop and introduce new products quickly. Our substantial manufacturing operations in Korea and design centers in Korea and Japan provide us with proximity to the global consumer electronics supply chain. We believe this enables us to quickly respond to our customers' needs and allows us to better service and capture additional demand from existing and new customers.

We have a long history of supplying and collaborating on product and technology development with leading innovators in the consumer electronics market. Some of our largest customers by revenue include LG.Philips LCD, Sharp and Samsung. We sold over 2,250 distinct products to over 200 customers in the year ended December 31, 2007, with a substantial portion of our revenues nonetheless derived from a concentrated number of customers, including LG.Philips LCD, Sharp and Samsung. Our largest semiconductor manufacturing services customers include some of the fastest growing and leading semiconductor companies that design products for the consumer, computing, wireless and industrial end markets. As a result, we have been able to strengthen our technology platform and focus on products and services that are in high demand by our customers and end consumers.

Market Opportunity

The consumer electronics market is large and growing rapidly. This market includes mobile communications and entertainment devices such as digital televisions, mobile phones, flat panel displays, notebook computers, mobile multimedia devices and digital cameras. We believe that we address market segments with a higher growth rate than the overall consumer electronics market. For example, from 2006 to 2011 the worldwide third-generation mobile phone, LCD television and notebook computer market segments are expected to grow at compound annual unit growth rates of 28%, 27% and 24%, respectively, according to Gartner. We believe this growth will be driven largely by consumers seeking to enjoy greater availability of rich media content, such as digital and high definition audio and video, mobile television, games and digital photography. In order to address and further stimulate consumer demand, electronics manufacturers have been driving rapid advances in technology, functionality, form factor, cost, quality, reliability and power consumption of electronic devices. With these technological advancements, many electronic devices now display high resolution content, capture images, play digital audio and video and use power efficiently.

We believe that consumer electronics manufacturers recognize that the user experience plays a critical role in differentiating their products from competing offerings. This user experience is defined in part by the quality of the display, audio and video processing capabilities and power efficiency of a particular electronic product. Analog and mixed-signal semiconductors enable and enhance these device capabilities. Examples of such analog and mixed-signal semiconductors include display drivers, timing controllers, image sensors, power management voltage regulators, converters, audio coding or decoding devices, or codecs, interface circuits and radio frequency, or RF, components. According to

iSuppli Corporation the market opportunity for semiconductors used in consumer electronics, wireless communications and data processing applications is expected to rise to $260 billion in 2010, of which we believe we will have an addressable market opportunity of $63 billion.

Design and manufacture of analog and mixed-signal semiconductors used in consumer electronics are highly complex. In order to grow and succeed in the industry, we believe semiconductor suppliers need to have a broad, advanced intellectual property portfolio, product design expertise, comprehensive product offerings and specialized manufacturing process technologies and capabilities.

Challenges Facing Our Customers

We believe our target customers are looking for suppliers of analog and mixed-signal semiconductor products and services who can help them:

- **Differentiate products through advanced features and functions.** Our target customers seek to differentiate their end products by employing innovative semiconductor products. They seek to closely collaborate with semiconductor suppliers that can provide advanced products, technologies, and manufacturing processes that enable advanced features and functions, such as bright and thin displays, small form factor and energy efficiency.
- **Accelerate new product introduction.** As a result of rapid technological advancements and short product lifecycles, our target customers typically prefer suppliers who have a rich pipeline of new products and can leverage a substantial intellectual property and technology base to accelerate product design and manufacturing when needed.
- **Ensure speed and stability of supply.** Our customers often face rapid product adoption. Inability to meet this demand can dramatically impact their profitability and market share. As a result, they need suppliers who can increase production quickly and meet demand consistently through periods of constrained industry capacity.
- **Provide environmentally friendly products.** Consumers increasingly seek environmentally friendly and energy efficient products. In addition, there is increasing regulatory focus on reducing energy consumption of electronic products. As a result, our customers are seeking analog and mixed-signal semiconductor suppliers that have the technological expertise to deliver solutions that satisfy these ever increasing regulatory and consumer demands.
- **Deliver cost competitive solutions.** Electronics manufacturers are under constant pressure to deliver cost competitive solutions. To accomplish this objective, they need strategic suppliers that have the ability to provide system-level solutions and more integrated products, a broad product offering at a range of price points and the design and manufacturing infrastructure and logistical support to deliver cost competitive products.

Our Competitive Strengths

Our competitive strengths enable us to offer our customers solutions to solve their key challenges. We believe our strengths include:

- **Leading analog and mixed-signal semiconductor technology platform.** We believe we have one of the broadest and deepest analog and mixed-signal semiconductor technology platforms in the industry. Our long operating history, large patent portfolio, extensive engineering and manufacturing process expertise and wide selection of analog and mixed-signal intellectual property libraries allow us to leverage our technology across multiple end markets. This, in turn, allows us to develop and introduce new products quickly as well as to integrate numerous functions into a single product. For example, we were one of the first companies to introduce a commercial AMOLED display driver for mobile phones. Further, we have introduced an integrated image sensor with digital auto focus technology, combining

signal processing capabilities with specialized optics to achieve superior system performance in a single chip solution.

- **Established relationships and close collaboration with leading global electronics companies.** We have a long history of supplying and collaborating on product and technology development with leading innovators in the consumer electronics market, such as LG.Philips LCD, Sharp and Samsung. As a result, we have further strengthened our technology platform and focus on those products and services that our customers and end consumers demand. We believe our close contact with customers enhances our visibility into new product opportunities, markets and technology trends.
- **Comprehensive product and service offerings.** We continue to develop a wide variety of analog and mixed-signal semiconductor solutions for multiple high growth consumer end markets. We believe our expanding product and service offerings allow us to provide additional products to new and existing customers and to cross-sell our products and services to our established customers.
- **Distinctive process technology expertise and manufacturing capabilities.** We have developed specialty analog and mixed-signal manufacturing processes such as high voltage CMOS, power and embedded memory. These processes enable us to manufacture highly integrated, high performance analog and mixed-signal semiconductors. As a result of the depth of our process technology, captive manufacturing facilities and customer support capabilities, we believe the majority of our top twenty manufacturing services customers by revenue currently use us as their primary manufacturing source for the products that we manufacture for them.
- **Longstanding presence in Asia.** Our substantial manufacturing operations in Korea and design centers in Korea and Japan provide proximity to many of our largest customers and to the core of the global consumer electronics supply chain. We have active local applications, engineering and product design support as well as senior management and marketing resources in geographic locations close to our customers. This allows us to strengthen our relationship with customers through better service, faster turnaround time and improved product design collaboration. We believe this also helps our customers to deliver products faster than their competitors and to solve problems more efficiently than would be possible with other suppliers.
- **Highly efficient manufacturing capabilities.** Our manufacturing strategy is focused on maintaining the price competitiveness of our products and services through our low cost operating structure. We believe the location of our primary manufacturing and research and development facilities in Asia provides us with a number of cost advantages as compared to operating in other regions in the world. We offer specialty analog process technologies that do not require substantial investment in leading edge, smaller geometry process equipment. We are able to utilize our manufacturing base over an extended period of time and thereby minimize our capital expenditure requirements. Our internal manufacturing facilities serve both our solutions products and manufacturing services customers, allowing us to optimize our asset utilization and improve our operational efficiency.

Our Strategy

Our objective is to grow our business and enhance our position as a leading provider of analog and mixed-signal semiconductor products and services for high volume consumer applications. Our business strategy emphasizes the following key elements:

- **Leverage our leading analog and mixed-signal technology platform.** We intend to continue to utilize our extensive patent and technology portfolio and specific end-market

applications expertise to deliver products with high levels of performance and integration to customers. We also intend to utilize our systems expertise to extend our product and service offerings within our target end markets. For example, we have utilized our extensive patent portfolio, process technologies and analog and mixed-signal technology platform to develop power management solutions that we expect will expand our market opportunity and address more of our customers' needs.

- **Continue to innovate and deliver new products and services.** We intend to leverage our deep knowledge of our customers' needs, as well as our analog and mixed-signal design and manufacturing expertise, to design and develop innovative products and offer specialized manufacturing services. We continue to invest in research and development to introduce new technologies such as AMOLED display drivers. We are also currently developing innovative image sensors featuring backside illumination technology that we expect will offer improved light sensitivity performance at high resolutions. In manufacturing services, we are developing cost-effective processes that substantially reduce die size using deep trench isolation.
- **Increase business with existing customers.** We have a global customer base consisting of leading consumer electronics OEMs who sell into multiple end markets. We intend to continue strengthening our relationships with our customers by collaborating on critical design and product development in order to improve our success in achieving design wins. We will seek to increase our customer penetration by taking advantage of our broad product portfolio and existing relationships to sell more existing and new products. For example, after initially providing image sensors to one of our key customers, we now also provide mobile and large display driver solutions and plan to provide additional solutions, such as power management, over time.
- **Broaden our customer base.** We expect to continue to expand our global design centers, local application engineering support and sales presence, particularly in China, Hong Kong, Taiwan and Macau, or collectively, Greater China, and other high growth geographies, to penetrate new accounts. In addition, we intend to introduce new products and variations of existing products to address a broader customer base. For example, while we are initially targeting our existing customers with power management solutions, we expect to access a variety of distribution channels to broaden the customer base for these solutions over time.
- **Drive execution excellence.** We have significantly improved our execution through a number of management initiatives implemented since the hiring of our Chief Executive Officer and Chairman, Sang Park, in 2006. As an example, we have introduced new processes for product development, customer service and personnel development. We expect these ongoing initiatives will improve our new product development and customer service as well as lead to a culture of quick action and execution by our workforce. As a result of our focus on execution excellence, we have meaningfully reduced our time from new product definition to development completion, and the proportion of our revenue derived from products introduced in the prior twelve months was approximately 33% greater during the year ended December 31, 2007 than in the comparable period of 2006.
- **Optimize asset utilization and return on capital investments.** We intend to keep our capital expenditures relatively low by maintaining our focus on specialty process technologies that do not require substantial investment in leading edge manufacturing equipment. By utilizing our manufacturing facilities for both our solutions products and our manufacturing services customers, we will seek to optimize returns on our capital investments.

Our Technology

We continuously strengthen our leading analog and mixed-signal semiconductor technology platform by developing innovative technologies that enhance the functionality of consumer electronics products through brighter displays, enhanced image quality, smaller form factor and longer battery life. We seek to further build our technology platform through proprietary research and development and selective licensing and acquisition of complementary technologies, as well as disciplined process improvements in our manufacturing operations. Our goal is to leverage our experience and development initiatives across multiple end markets and utilize our understanding of system-level issues our customers face to introduce new technologies that enable our customers to develop more advanced, higher performance products.

Our display technology portfolio includes building blocks for display drivers and timing controllers, processor and interface technologies, as well as sophisticated production techniques, such as chip-on-glass, or COG, which enables the manufacture of thinner displays. Our advanced display drivers incorporate LTPS and AMOLED panel technologies that enable the highest resolution displays. Furthermore, we are developing a robust intellectual property portfolio to improve the power efficiency of displays, for example, our smart mobile luminance control, or SMLC, algorithm.

Our image sensor technology portfolio and development are centered on advanced pixel technologies and specialized manufacturing processes that increase light sensitivity and enable more integrated, thinner form factor image sensors. Our technology portfolio includes advanced algorithms, such as extended depth of field, or eDoF, and digital auto focus that enable significant image quality improvements.

We have a long history of specialized process technology development and have a number of distinctive process implementations. We have over 170 process flows we can utilize for our products and offer to our semiconductor manufacturing services customers. Our process technologies include standard CMOS, high voltage complementary metal-oxide semiconductor, or HVCMOS, ultra-low leakage HVCMOS, and bipolar complementary double-diffused metal oxide semiconductor, or BCDMOS. Our manufacturing processes incorporate embedded memory solutions such as static random access memory, or SRAM, one-time programmable, or OTP, memory, electronically erasable programmable read only memory, or EEPROM, and single-transistor random access memory, or 1TRAM. More broadly, we focus extensively on processes that reduce die size across all of the products we manufacture, in order to deliver cost effective solutions to our customers.

Expertise in high voltage and deep trench CMOS process technologies, low power analog and mixed-signal design capabilities and packaging know-how are key requirements in the power management market. We are currently leveraging our capabilities in these areas to enter the power management market with products such as DC-DC converters, linear regulators, including linear low-dropout, or LDO, regulators and analog switches, and power metal oxide semiconductor field effect transistors, or MOSFETs. We believe our system level understanding of applications such as LCD TVs and mobile phones will allow us to more quickly develop and customize power management solutions for our customers in these markets.

Our Products and Services

Our broad portfolio of products and services addresses multiple high growth, consumer-focused end markets. A key component of our product strategy is to supply multiple related product and service offerings to each of the end markets that we serve.

Display Solutions

Display Driver Characteristics. Display drivers deliver defined analog voltages and currents that activate pixels to exhibit images on displays. The following key characteristics determine display driver performance and end-market application:

- *Resolution and Number of Channels.* Resolution determines the level of detail displayed within an image and is defined by the number of pixels per line multiplied by the number of lines on a display. For large displays, higher resolution typically requires more display drivers for each panel. Display drivers that have a greater number of channels, however, generally require fewer display drivers for each panel and command a higher selling price per unit. Mobile displays, conversely, are typically single chip solutions designed to deliver a specific resolution. We cover resolutions ranging from QQVGA (160RGB x 120) to HVGA (320RGB x 480).
- *Color Depth.* Color depth is the number of colors that can be displayed on a panel. For example, for TFT-LCD panels, 262 thousand colors are supported by 6-bit source drivers; 16 million colors are supported by 8-bit source drivers; and 1 billion colors are supported by 10-bit and 12-bit source drivers.
- *Operational Voltage.* Display drivers are characterized by input and output voltages. Source drivers typically operate at input voltages from 2.0 to 3.6 volts and output voltages between 4.5 and 18 volts. Gate drivers typically operate at input voltages from 2.0 to 3.6 volts and output voltages of up to 40 volts. Lower input voltage results in lower power consumption and electromagnetic interference, or EMI.
- *Gamma Curve.* The relationship between the light passing through a pixel and the voltage applied to the pixel by the source driver is referred to as the gamma curve. The gamma curve of the source driver can correct some imperfections in picture quality in a process generally known as gamma correction. Some advanced display drivers feature up to three independent gamma curves to facilitate this correction.
- *Driver Interface.* Driver interface refers to the connection between the timing controller and the display drivers. Display drivers increasingly require higher bandwidth interface technology to address the larger data transfer rate necessary for higher definition images. The principal types of interface technologies are transistor-to-transistor logic, or TTL, reduced swing differential signaling, or RSDS, low current differential signaling, or LCDS, and mini-low voltage differential signaling, or mLVDS.
- *Package Type.* The assembly of display drivers typically uses chip-on-film, or COF, tape carrier package, or TCP, and COG package types.

Mobile Display Solutions. Our mobile display solutions incorporate the industry's most advanced display technologies, such as LTPS and AMOLED, as well as high volume technologies such as amorphous silicon, a-Si, TFT. Our mobile display products offer specialized capabilities, including high speed serial interfaces, such as mobile display digital interface, or MDDI, and mobile industry processor interface, or MIPI, as well as multi-time programmable, or MTP, memories, using EEPROM and logic-based OTP memory. Further, we are building a distinctive intellectual property portfolio that allows us to provide features that reduce power consumption, such as SMLC, ambient light-based brightness control, or LABC, automatic brightness control, or ABC, and automatic current limit, or ACL. This intellectual property portfolio will also support our power management product development initiatives, as we leverage our system level understanding of power efficiency.

The following table summarizes the features of our products, both in mass production and in development, for mobile displays:

Product	Key Features	Applications
LTPS	• Resolutions of QQVGA, QCIF+, QVGA, WQVGA • Color depth ranging from 65 thousand to 16 million • Geometries of 0.13µm to 0.18µm • MDDI interface • MTP (EEPROM and logic-based OTP)	• Mobile phones • PDAs • Digital cameras
AMOLED	• Resolutions of QVGA, WQVGA • Color depth ranging from 262 thousand to 16 million • Geometries of 0.13µm to 0.15µm • MDDI interface • MTP (EEPROM and logic-based OTP) • ABC, ACL	• Mobile phones • Portable multimedia players • PDAs
a-Si TFT	• Resolutions of QCIF+, QVGA, WQVGA, HVGA • Color depth ranging from 262 thousand to 16 million • Geometries of 0.13µm to 0.35µm • MDDI, MIPI Interface • 1T RAM and MTP (EEPROM and logic-based OTP) • ABC, SMLC and LABC • Embedded touch screen controller • Wide view angle support • Separated gamma control	• Mobile phones • Game consoles • Navigation devices

Large Display Solutions. We provide display solutions for a wide range of large panel display sizes used in digital televisions, including high definition televisions, or HDTVs, LCD monitors and notebook computers.

Our large display solutions include source and gate drivers and timing controllers with a variety of interfaces, voltages, frequencies and packages to meet customers' needs. These products include advanced technologies such as high channel count, with products under development to provide up to 720 channels. We also offer a distinctive interface technology known as LCDS, which supports thinner displays for notebook computers. Our large display solutions are designed to allow customers to cost effectively meet the increasing demand for high resolution displays. We focus extensively on reducing the die size of our large display drivers and other solutions products and have recently introduced a number of new large display drivers with reduced die size.

The table below sets forth the features of our products, both in mass production and in development, for large-sized displays:

Product	Key Features	Applications
TFT-LCD Source Drivers	• 384 to 720 output channels • 6-bit (262 thousand colors), 8-bit (16 million colors), 10-bit and 12-bit (1 billion colors) • Output voltage ranging from 4.5V to 18V • Input voltage ranging from standard 2.0V to 3.6V • Low power consumption and low EMI • Supports COF, TCP and COG package types • Supports RSDS, LCDS, and mLVDS interface technologies • Geometries of 0.18µm to 0.3µm	• LCD monitors, including widescreens • Notebook computers • Digital televisions, including HDTVs
TFT-LCD Gate Drivers	• 240 to 540 output channels • Output voltage ranging up to 40V • Input voltage ranging from standard 2.0V to 3.6V • Supports COF and COG package types • Geometries of 0.35µm to 0.6µm	• LCD monitors, including widescreens • Notebook computers • Digital televisions, including HDTVs
Timing Controllers	• Product portfolio supports a wide range of resolutions • Supports TTL, mLVDS, RSDS, LCDS interface technologies • Input voltage ranging from 3.6V to 2.3V • Geometries of 0.25µm to 0.6µm	• LCD monitors • Notebook computers

Power Solutions

We have begun marketing a new line of power management solutions. Our initial power management products include MOSFETs, DC-DC converters and linear regulators, such as LDOs and analog switches. We have samples available, including a single LDO regulator, analog switch for USB 2.0, and both a 30 and 40-volt Trench MOSFET.

These initial products are designed for applications such as mobile phones and LCD televisions and allow electronics manufacturers to achieve specific design goals of high efficiency and low standby power consumption. For mobile device applications, our product design is focused on improving battery life, while for LCD televisions, we have focused our product design on controlling and reducing standby power consumption. We believe that our power management solutions will enable customers to increase system stability and reduce heat dissipation and energy use, resulting in cost savings for our customers and consumers, as well as environmental benefits.

Going forward, we expect to expand our power management product portfolio through the addition, for example, of more advanced DC-DC products. Our initial products are designed for production on our eight-inch manufacturing lines, which, in addition to increasing fab utilization, is expected to allow us to offer products at a competitive cost as compared to many currently available products. Further, we have begun building our direct and indirect sales network for our new power solutions to facilitate product distribution and have partnered with specialized packaging providers to deliver optimized, total solutions to our customers.

Imaging Solutions

We provide image sensors for large and rapidly growing camera-equipped applications, such as mobile handsets, PCs, digital cameras, notebook computers and security cameras. Our image sensors

are designed to provide brighter, sharper and more colorful image quality for use primarily in applications that require a small form factor, low power consumption and high sensitivity in a variety of light conditions. Our captive manufacturing capabilities enable us to continuously refine our CMOS process and pixel technology to deliver improved image-capture sensitivity and accuracy.

Our CMOS image sensors are characterized by a high level of integration. Many CMOS image sensor systems are made up of at least two integrated circuits, including 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 without performance degradation has become an increasingly important requirement for manufacturers of camera phones and similar products. Our products meet this demand for smaller form factor by integrating both our proprietary image sensor and an ISP onto a single chip, thus occupying approximately half of the space required by conventional multiple chip solutions, while providing equivalent, or even superior, image quality with lower power consumption and a lower overall cost.

The choice of image sensor products by our customers may involve many factors such as light sensitivity, resolution, size of device, packaging and integration level. Our image sensors are available in multiple package types as well as with various levels of integration, ranging from stand alone image sensors to SoC solutions that integrate ISP and eDoF technologies, so as to service a broad range of customer needs.

Image sensor products are classified by resolution, which determines the visual detail in the image. As the size of the pixel decreases, smaller devices can be produced with higher resolution. Image sensors are comprised of an array of pixels. The pixel size and optical format, which is the size of the image area, determine the size of the pixel array. Smaller optical formats and pixel sizes enable higher resolutions without increasing device size. Our image sensors range from VGA devices at one end of the resolution spectrum up to 3.2 MP at the other.

The table below sets forth the key products and features of our image solutions currently either in mass production or development.

Resolution	Key Features	Applications
VGA (640 x 480)	Pixel size: 5.04µm to 2.2µm Optical format: 1/4” to 1/10”	• PC cameras • Mobile phones • Notebook computers • Surveillance devices
1.3 MP (1280 x 1024)	Pixel size: 3.6µm to 2.8µm Optical format: 1/3” to 1/5”	• Mobile phones • Notebook computers • Digital cameras • Surveillance devices
2.1 MP (1600 x 1200)	Pixel size: 2.2µm Optical format: 1/4”	• Mobile phones • Notebook computers
3.2 MP (2048 x 1536)	Pixel size: 2.2µm to 1.75µm Optical format: 1/3.2” to 1/4”	• Mobile phones • Digital cameras

Semiconductor Manufacturing Services

We provide semiconductor manufacturing services to analog and mixed-signal semiconductor companies. We have over 170 process flows we offer to our manufacturing services customers. We also often partner with key customers to jointly develop or customize specialized processes that enable our customers to improve their products and allow us to develop unique manufacturing expertise.

Our manufacturing services offering is targeted at customers who require differentiated, specialty analog and mixed-signal process technologies such as high voltage CMOS, embedded memory and power. We refer to our approach of delivering specialized services to our customers as our application-specific technology, or AS Tech, strategy. We differentiate ourselves through the depth of our intellectual property portfolio, ability to customize process technology to meet the customers' requirements effectively, long history in this business and reputation for excellence.

Our semiconductor manufacturing services customers typically serve high growth and high volume applications in the consumer, computing, wireless and industrial end markets. We strive to be the primary manufacturing source for our foundry customers.

Process Technology Overview

- *Mixed-Signal*. Mixed-signal process technology is used in devices that require conversion of light and sound into electrical signals for processing and display. Our mixed-signal processes include advanced technologies such as triple gate, which uses less power at any given performance level.
- *Power*. Power process technology, such as modular BCD, includes high voltage capabilities as well as the ability to integrate functionality such as self-regulation, internal protection, and other intelligent features.
- *High Voltage CMOS*. High voltage CMOS process technology facilitates the use of high voltage levels in conjunction with smaller transistor sizes. This process technology includes several variations, such as bipolar processes, which use transistors with qualities well suited for amplifying and switching applications, mixed mode processes, which incorporate denser, more power efficient FETs and thick metal processes.
- *Non-Volatile Memory (NVM)*. Non-volatile memory process technology enables the integration of non-volatile memory cells that allow retention of the stored information even when power is removed from the circuit. This type of memory is typically used for long-term persistent storage.
- *Microelectromechanical Systems (MEMS).* MEMS process technology allows the manufacture of components that use electrical energy to generate a mechanical response. For example, MEMS devices are used in the earpieces of mobile phones.

The table below sets forth the key process technologies in semiconductor manufacturing services currently in mass production or development.

Process	Technology	Device	End Markets
Mixed-signal	• 0.16-0.8µm • Multipurpose • Triple gate	• Analog to digital converter • Digital to analog converter • CODEC • DVD chipset	• Consumer • Industrial • Wireless • Computing
Power	• 0.18-0.6µm • 40V-80V • Analog • Modular BCD • BCD • Deep Trench • Trench MOSFET	• Power management • Power over Ethernet • LED drivers	• Consumer • Wireless • Computing
High Voltage CMOS	• 0.13-0.8µm • 18V-200V • Multiple options, such as Bipolar, Mixed Mode, Thick Metal	• Display drivers	• Consumer • Wireless • Computing • Medical
NVM	• 0.18-0.35µm • EEPROM • eFlash	• Microcontroller • Electronic Tag • Hearing aid	• Consumer • Industrial • Medical • Automotive
MEMS	• 1.0µm	• Transducer	• Wireless

Manufacturing and Facilities

Our manufacturing operations consist of two sites located in Cheongju and Gumi in Korea. These sites have a combined capacity of approximately 116,000 eight-inch equivalent wafers per month. We manufacture wafers utilizing geometries ranging from 0.13 to 1.0 micron. The Cheongju facilities have three main buildings totaling 164,058 square meters devoted to manufacturing and development. The Gumi facilities have one main building with 41,022 square meters devoted to manufacturing, testing and packaging.

In addition to our fabrication facilities located in Cheongju and Gumi, Korea, we lease facilities in Seoul, Korea, Sunnyvale, California, and Tokyo and Osaka, Japan. Each of these facilities includes administration, sales and marketing and research and development functions. We lease a design facility in Lake Oswego, Oregon, and sales and marketing offices at our subsidiaries in several other countries.

The ownership of our wafer manufacturing assets is an important component of our business strategy. Maintaining manufacturing control enables us to develop proprietary, differentiated products and results in higher production yields, as well as shortened design and production cycles. We believe our properties are adequate for the conduct of our business for the foreseeable future.

We use a combination of in-house and outsourced assembly, test and packaging services. Our independent providers of these services are located in Korea, China, Japan and Taiwan.

We use processes that require specialized raw materials that are generally available from a limited number of suppliers. In 2006, we diversified suppliers for many of our raw materials, including polysilicon, chemicals, gases and tape. Tape is one of the process materials required for our display drivers. We continue to attempt to qualify additional suppliers for our raw materials.

We are party to several building lease agreements, and land lease and easement agreements, with Hynix pursuant to which we lease certain of our facilities located in Cheongju, Korea to Hynix, and Hynix leases certain of its facilities to us. The lease terms are for twenty years from the date of the Original Acquisition with automatic extensions for ten year terms. However, the leases may be terminated by either party prior to the expiration of the terms upon the occurrence of a material breach by the other party or the cessation of business on the premises by the lessee, or by the lessee for any reason upon ninety days prior notice. Because we share certain facilities with Hynix, several services that are essential to our business are provided to us by or through Hynix under our general service supply agreement with Hynix. These services include electricity, bulk gasses and de-ionized water, campus facilities and housing, wastewater and sewage management, environmental safety and certain utilities and infrastructure support services. The services generally continue until the lease applicable to the property with respect to which the services are being provided terminates. However, certain of the services may be terminated by us prior to the applicable lease expiration. Hynix may also terminate this general service supply agreement upon a material breach by us or the cessation of business on the premises by us. Additionally, under a research and development equipment utilization agreement with Hynix, Hynix has granted us a right to use certain of its equipment for research and development purposes. The term of this agreement expires five years after the date of the Original Acquisition and may be extended for one additional year unless earlier terminated by either party upon the occurrence of a material breach by the other party. This agreement may also be terminated by Hynix if we cease to conduct certain permitted activities and, with respect to certain equipment, by us for any reason.

Sales and Marketing

We focus our sales and marketing strategy on creating and strengthening our relationships with leading consumer electronics OEMs, such as LG.Philips LCD, Sharp and Samsung, as well as analog and mixed-signal semiconductor companies. We believe our close collaboration with customers allows us to align our product and process technology development with our customers' existing and future needs. Because our customers often service multiple end markets, our product sales teams are organized by customers as opposed to products. We believe this facilitates the sale of products that address multiple end-market applications to each of our customers. Our manufacturing services sales teams focus on marketing our services to mixed-signal semiconductor companies that require specialty manufacturing processes.

We sell our products through a direct sales force and a network of authorized agents and distributors. We have strategically located our sales and technical support offices near our customers. Our direct sales force consists primarily of representatives co-located with our design centers in Korea, Japan and the United States, as well as our local sales and support offices in Greater China and Europe. We have a network of agents and distributors in Korea, Japan, Europe and Greater China. During the year ended December 31, 2007, we derived approximately 83% of net sales through our direct sales force and 17% of net sales through our network of authorized agents and distributors.

Research and Development

Our research and development efforts focus on intellectual property, design methodology and process technology for our complex analog and mixed-signal semiconductor products and services. Our expenditures for research and development were $138.9 million, representing 17.5% of net sales for the year ended December 31, 2007, compared to 17.6% of net sales for the year ended December 31, 2006 and 11.5% of net sales for the year ended December 31, 2005.

Customers

We sell our products to consumer electronics OEMs as well as subsystem designers and contract manufacturers. We sell our manufacturing services to analog and mixed-signal semiconductor

companies. In the year ended December 31, 2007, our 10 largest customers accounted for approximately 58.9% of our net sales, and we had one customer, LG.Philips LCD, representing greater than 10% of our net sales. During the year ended December 31, 2007, we received revenues of $47.3 million from customers in the United States and $745.0 million from all foreign countries, of which 60.0% was from Korea, 16.6% from Taiwan, 9.8% from Japan and 9.1% from China, Hong Kong and Macau.

Intellectual Property

As of December 31, 2007, our portfolio of intellectual property assets included approximately 6,100 novel registered and pending patents. Because we file patents in multiple jurisdictions, we additionally have approximately 1,400 registered and pending patents that relate to identical technical claims in our base patent portfolio. Our patents expire at various times over the next 18 years. While these patents are in the aggregate important to our competitive position, we do not believe that any single registered or pending patent is material to us.

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 processor cores. Some of these licenses, including our agreements with Silicon Works Co., Ltd. and ARM Limited, are material to our business and may be terminated prior to the expiration of these licenses by the licensors should we fail to cure any breach under such licenses. Additionally, in connection with the Original Acquisition, Hynix retained a perpetual license to use the intellectual property that we acquired from Hynix in the Original Acquisition. Under this license, Hynix and its subsidiaries are free to develop products that may incorporate or embody intellectual property developed by us prior to October 2004.

Competition

We operate in highly competitive markets characterized by rapid technological change and continually advancing customer requirements. 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 independent and captive manufacturers and designers of analog and mixed-signal integrated circuits including display driver, power management and image sensor semiconductor devices, as well as companies providing specialty manufacturing services.

We compete based on design experience, manufacturing capabilities, the ability to service customer needs from the design phase through the shipping of a completed product, length of design cycle and quality of technical support and sales personnel. Our ability to compete successfully will depend on internal and external variables, both within and outside of our control. These variables include the timeliness with which we can develop new products and technologies, product performance and quality, manufacturing yields, capacity availability, customer service, pricing, industry trends and general economic trends.

Employees

Our worldwide workforce consisted of 3,605 employees (full- and part-time) as of December 31, 2007, of which 459 were involved in sales, general and administrative, 561 were in research and development (including 304 with advanced degrees), 90 were in quality, reliability and assurance and 2,495 were in manufacturing (comprised of 397 in engineering and 2,098 in operations). As of December 31, 2007, 2,185 employees, or approximately 61% of our workforce, were represented by the MagnaChip Semiconductor Labor Union, which is a member of the Federation of Korean Metal Workers Trade Unions. We believe our labor relations are good.

Environmental

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 waste, 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. There can be no assurance that we have been or will be in 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, any 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.

For a description of our business and the distribution of our assets by geographic regions and reporting segments, see note 16 to the consolidated financial statements of MagnaChip Semiconductor LLC for the year ended December 31, 2007 elsewhere in this prospectus.

MANAGEMENT

Directors and Executive Officers and Corporate Governance.

The following table is a list of the current directors and executive officers of MagnaChip and their respective ages as of February 1, 2008:

Name	Age	Position
Sang Park	60	Chairman of the Board of Directors and Chief Executive Officer
Robert J. Krakauer	41	President, Chief Financial Officer, General Manager, Imaging Solutions Division, and Director
Tae Young Hwang	51	Executive Vice President, Manufacturing Division, and General Manager, Large Display Solutions
Chan Hee Lee	54	Executive Vice President and General Manager, Semiconductor Manufacturing Services
John McFarland	41	Senior Vice President, General Counsel and Secretary
Victoria Miller Nam	40	Senior Vice President, Strategic Operations
Brent Rowe	46	Senior Vice President, Worldwide Sales
Margaret Sakai	50	Senior Vice President, Finance
Jerry M. Baker	56	Director
Dipanjan Deb	38	Director
Armando Geday	45	Director
Roy Kuan	41	Director
R. Douglas Norby	72	Director and Chairman of the Audit Committee
Phokion Potamianos	43	Director
Paul C. Schorr IV	40	Director
David F. Thomas	58	Director

***Sang Park**, Chairman of the Board of Directors and Chief Executive Officer.* Mr. Park became our Chairman of the Board of Directors and Chief Executive Officer on January 1, 2007, after serving as President, Chief Executive Officer and director since May 2006. Mr. Park served as an executive fellow for iSuppli Corporation from January 2005 to May 2006. Prior to joining iSuppli, he was founder and president of SP Associates, a consulting services provider for technology companies, from September 2003 to December 2004. Mr. Park served as Chief Executive Officer of Hynix from May 2002 to March 2003, and as Chief Operating Officer and President of the Semiconductor Division of Hynix from July 1999 to April 2002.

***Robert J. Krakauer**, President, Chief Financial Officer, General Manager, Imaging Solutions Division, and Director.* Mr. Krakauer became our President, Chief Financial Officer and director in January 2007. In addition, Mr. Krakauer took on duties as General Manager, Imaging Solutions Division, in March 2007. He previously served as our Executive Vice President of Strategic Operations, Chief Financial Officer and director since 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.), a supplier of semiconductor packing design, test and distribution solutions, 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.

***Tae Young Hwang**, Executive Vice President, Manufacturing Division and General Manager, Large Display Solutions.* Mr. Hwang became our Executive Vice President, Manufacturing Division, and General Manager, Large Display Solutions in January 2007. He previously served as our Executive Vice President of Manufacturing Operations from October 2004. Prior to that time, Mr. Hwang served as Hynix's Senior Vice President of Manufacturing Operations, 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.

***Chan Hee Lee**, Executive Vice President and General Manager, Semiconductor Manufacturing Services*. Mr. Lee became our Executive Vice President and General Manager, Semiconductor Manufacturing Services, in September 2005, after serving as Executive Vice President of Product Lines, since October 2004. Previously, Mr. Lee served as Hynix's 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.

***John McFarland**, Senior Vice President, General Counsel and Secretary*. Mr. McFarland became our Senior Vice President, General Counsel and Secretary in April 2006, after serving as Vice President, General Counsel and Secretary since November 2004. Prior to joining our company, Mr. McFarland served as a foreign legal consultant at Bae, Kim & Lee, a law firm, from August 2003 to November 2004 and an associate at Wilson Sonsini Goodrich & Rosati, P.C., a law firm, from August 2000 to July 2003. 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.

***Victoria Miller Nam**, Senior Vice President, Strategic Operations*. Ms. Miller Nam became our Senior Vice President, Strategic Operations in January 2007, after serving as Senior Vice President, Strategic Planning since 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 management 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.

***Brent Rowe**, Senior Vice President, Worldwide Sales*. Mr. Rowe became our Senior Vice President, Worldwide Sales in April 2006. Prior to joining our company, Mr. Rowe served at Fairchild Semiconductor International, Inc., a semiconductor manufacturer, as Vice President, Americas Sales and Marketing from August 2003 to October 2005; Vice President, Europe Sales and Marketing from August 2002 to August 2003; and Vice President, Japan Sales and Marketing from April 2002 to August 2002. Mr. Rowe holds a bachelor of arts degree in chemical engineering from the University of Illinois.

***Margaret Sakai**, Senior Vice President, Finance.* Ms. Sakai became our Senior Vice President, Finance, on November 1, 2006. Prior to joining our company, she had served as Chief Financial Officer of Asia Finance and Vice President, of Photronics, Inc., a manufacturer of reticles and photomasks for semiconductor and microelectronic applications, since November 2003. From June 1999 to October

2003, Ms. Sakai was Executive Vice President and Chief Financial Officer of PKL Corporation, a photomask manufacturer. From October 1995 to May 1999, Ms. Sakai served as Director of Finance of Acqutek International Limited, a lead-frame manufacturer, and from March 1992 to September 1995, Ms. Sakai served as Financial Manager at National Semiconductor Corporation. Ms. Sakai worked as an Audit Supervisor at Coopers & Lybrand from January 1988 to March 1992. Ms. Sakai is a Certified Public Accountant in the State of California and holds a bachelor's degree in accounting from Babson College.

***Jerry M. Baker**, Director.* Mr. Baker has been a director since October 2004. He served as Chairman of the Board of Directors from October 2004 to December 2006. Mr. Baker was retired from 2001 until October 2004. From 2000 until 2001, Mr. Baker served as Executive Vice President, Global Operations for Fairchild Semiconductor International, Inc. From December 1996 to 2000, Mr. Baker was the Executive Vice President and General Manager, Discrete Power and Signal Technologies Group of Fairchild Semiconductor International, Inc. 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 Executive Vice President and General Manager, Global Operations.

***Dipanjan Deb**, Director.* Mr. Deb has been a director since September 2004. He is a founder and Managing Partner 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., SMART Modular Technologies, Inc. and CBA Group LLC. 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.

***Armando Geday**, Director.* Mr. Geday has been a director since January 2006. He served as Chief Executive Officer of Telesen, Inc., a developer of consumer electronics products for the wellness industry, from January 2005 until September 2006. Prior to joining Telesen, Mr. Geday was Chief Executive Officer of Conexant Systems, a provider of semiconductor system solutions for broadband communications, from February 2004 to November 2004. From December 2001 to February 2004, Mr. Geday served as the Chief Executive Officer of GlobespanVirata. From April 1997 to December 2001, Mr. Geday was President and Chief Executive Officer of GlobeSpan. Earlier in his career, Mr. Geday was Vice President and General Manager of the Multimedia Communications Division of Rockwell Semiconductor Systems, and held various technical marketing and engineering positions at Harris Semiconductor and MERET Inc. Mr. Geday is a director of Commonvault, Inc. Mr. Geday holds a bachelor of science degree in electrical engineering from the Florida Institute of Technology.

***Roy Kuan**, Director.* Mr. Kuan has been a director since September 2004. He serves as Partner of CVC Asia Pacific Limited, where he has worked since 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.

***R. Douglas Norby**, Director and Chairman of the Audit Committee.* Mr. Norby has been a director and the Chairman of the Audit Committee of our company since May 2006. Mr. Norby served as Senior Vice President and Chief Financial Officer of Tessera Technologies, Inc., a semiconductor intellectual property company, from July 2003 to January 2006. He worked as a management consultant with Tessera from May 2003 until July 2003. He served as Senior Vice President and Chief Financial Officer of Zambeel, Inc., a data storage systems company, from March 2002 until February 2003; and as Senior Vice President and Chief Financial Officer of Novalux, Inc., an optoelectronics company, from December 2000 to March 2002. Prior to his tenure with Novalux, Inc., Mr. Norby served as Executive Vice President and Chief Financial Officer of LSI Logic Corporation from November 1996

to December 2000. Mr. Norby is a director of Alexion Pharmaceuticals, Inc. and STATS ChipPAC Ltd. He received his bachelor of arts degree in Economics from Harvard University and a masters in business administration from Harvard Business School.

***Phokion Potamianos**, Director.* Mr. Potamianos has been a director since March 2005. He has been a Partner of Francisco Partners since January 2007, and was a Principal with Francisco Partners from March 2005 to January 2007. Prior to joining Francisco Partners, Mr. Potamianos was the head of the UBS Global Semiconductor Investment Banking Group from 2004 until 2005 and a member of the UBS Global Semiconductor Investment Banking Group from 2000 to 2004. From 1999 to 2000, Mr. Potamianos was 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 Bachelor of Arts 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 Senior Managing Director at The Blackstone Group since September 2005. Prior to that, he was a Managing Partner of Citigroup Venture Capital Equity Partners, L.P., or CVC, from December 2001. Mr. Schorr joined CVC in 1996, after working as an Engagement Manager with McKinsey & Company, Inc. He is a director of AMI Semiconductor Inc. and Orbitz Worldwide, 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.

***David F. Thomas**, Director.* Mr. Thomas has been a director since October 2004. Mr. Thomas has been a Managing Partner with Court Square Capital Partners, or CSC, a private equity fund management company, since August 1, 2006. Mr. Thomas had been with the predecessor to CSC, Citigroup Venture Capital Ltd., since 1980, most recently as Managing Partner and President. Previously, he held various positions with Citibank's Transportation Finance and Acquisition Finance Groups. Prior to Citibank, Mr. Thomas worked for Arthur Anderson & Co. and received degrees in finance and accounting from the University of Akron. His directorships include Network Communications, Inc., Newmarket International and Auto Europe.

Board Composition

Our amended and restated bylaws and securityholders' agreement will provide that our board of directors will consist of ten members, including three representatives of Court Square, three representatives of Francisco Partners, one representative of CVC Asia Pacific, our chief executive officer, our chief financial officer and one independent director chosen by Court Square, Francisco Partners and our chief executive officer. Additional independent directors may be added by Court Square, Francisco Partners and our chief executive officer. The rights of nomination with respect to each of Court Square and Francisco Partners will be reduced to one director when its beneficial ownership falls below 10% of the beneficial ownership of all stockholders and will expire when its beneficial ownership falls below 5% of the beneficial ownership of all stockholders. CVC Asia Pacific's rights of nomination will expire when its beneficial ownership falls below 5% of the beneficial ownership of all stockholders. A quorum of our board of directors requires a majority of the designees of each of Court Square and Francisco Partners. In addition, except with respect to the audit committee, Court Square and Francisco Partners together have the right to place their designees on each committee created by our board of directors such that, together, these designees constitute at least a majority of such committee, and CVC Asia Pacific is entitled to minority representation on each committee, in each case until such time as their designated committee members are required to be removed as a result of us no longer qualifying for the "controlled company" exception under New York Stock Exchange rules.

Mr. Park, our Chief Executive Officer, is the chairman of our board of directors, and Mr. Krakauer, our President and Chief Financial Officer, is a director. Messrs. Schorr, Thomas and Baker have been designated to serve on our board by Court Square. Messrs. Deb, Potamianos and Geday have been designated to serve on our board by Francisco Partners. Mr. Kuan has been designated to serve on our board by CVC Asia Pacific. Mr. Norby serves as the independent director unanimously approved by Court Square, Francisco Partners and our chief executive officer.

Court Square, Francisco Partners, CVC Asia Pacific, Peninsula Investments Pte. Ltd., and their affiliates, have advised us that they intend to file a Schedule 13D/G with the SEC following the closing of this offering to report their MagnaChip holdings as a group, and such entities collectively own more than 50% of our outstanding voting securities. Because these stockholders are parties to a securityholders' agreement, they are considered a "group," and we are therefore considered a "controlled company" within the meaning of New York Stock Exchange rules. As a result, we rely on exemptions from the requirements of having a majority of independent directors, a fully independent nominating and governance committee, a fully independent compensation committee, nominating and governance and compensation committee charters and other requirements prescribed for such committees by the NYSE. Following the closing of this offering, we expect to remain a "controlled company" and to continue to rely on these exceptions. The "controlled company" exception does not modify the independence requirements for the audit committee, and we intend to comply with the applicable independence rules for audit committees. In view of our status as a controlled company under the NYSE rules, our board has not made a determination of independence with respect to any of our directors not serving on our audit committee.

Audit Committee

Upon the closing of this offering, our audit committee will include Chairman R. Douglas Norby, Mr. Schorr and at least one other director. Our board of directors has determined that Mr. Norby is an audit committee financial expert as defined in Item 407(d)(5) of Regulation S-K promulgated under the Securities Act. Each of Messrs. Norby and Schorr is "independent" as that term is defined in both Rule 303A of the NYSE rules and Rule 10A-3 promulgated under the Securities Exchange Act of 1934, as amended, and, upon the closing of this offering, will be an "independent director" as that term is defined in Rule 303A of the NYSE rules.

In considering the independence of Mr. Schorr, our board of directors took into consideration that he served as a Managing Partner of CVC from December 2001 to September 2005, and also holds a limited amount of our outstanding debt securities.

Compensation Committee

The compensation committee of the board consists of Messrs. Deb, Schorr and Thomas. The compensation committee has overall responsibility for evaluating and approving our executive officer and director compensation plans, policies and programs, as well as all equity-based compensation plans and policies.

Nominating and Governance Committee

The nominating and governance committee consists of Messrs. Norby, Potamianos and Thomas. The nominating and governance committee mandate is to identify qualified individuals to become members of the board, to oversee an annual evaluation of the board of directors and its committees, to periodically review and recommend to the board any proposed changes to our corporate governance guidelines and to monitor our corporate governance structure.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees. We will provide a copy of our Code of Business Conduct and Ethics without charge to any person upon written request made to our Senior Vice President, General Counsel and Secretary at c/o MagnaChip Semiconductor, Ltd., 891 Daechi-dong, Gangnam-gu, Seoul, 135-738, Korea. Our Code of Business Conduct and Ethics is also available on our website at www.magnachip.com.

Executive Compensation

Compensation Discussion and Analysis

Objectives. The compensation committee (for purposes of this section, the "Committee") of our board has overall responsibility for evaluating, approving and monitoring our executive officer and director compensation plans, policies and programs, as well as all equity-based compensation plans and policies. The Committee seeks to establish total compensation for executive officers that is fair, reasonable and competitive. Throughout this prospectus, Sang Park, Robert J. Krakauer, Brent Rowe, Victoria Miller Nam and Margaret Sakai are referred to as the "named executive officers."

The Committee evaluates our compensation packages to ensure that (1) we maintain our ability to attract and retain superior executives in critical positions and (2) compensation provided to critical executives remains competitive relative to the compensation paid to similarly situated executives of our peer companies. The Committee believes that the most effective executive compensation packages align executives' interests with those of our stockholders by rewarding performance above specific annual, long-term and strategic goals that are intended to improve stockholder value. These objectives include the achievement of financial performance goals and progress on projects that our board of directors anticipates will lead to future growth as discussed more fully below.

Determination of Compensation and Role of Executive Officers. We offer compensation to our named executive officers in the form of salary, cash incentives, equity incentives and perquisites. In making decisions regarding the pay of the named executive officers, the Committee looks to set a total compensation package for each officer that will retain high quality talent and motivate executives to achieve the goals set by our board of directors. As a general matter, we benchmark salaries for our named executive officers to median levels for companies in the semiconductor industry and provide incentive compensation to raise total cash compensation above median if the Committee determines that the performance of the Company and of the named executive officer exceeded expectations.

The Committee annually reviews the performance of the chief executive officer. Based upon this review and such other factors as it may determine to be relevant, the Committee sets the salary of, and incentive awards, if any, to be paid to, our chief executive officer. The Committee has the exclusive authority to set the chief executive officer's compensation. The chief executive officer annually reviews the performance of our other named executive officers. The chief executive officer subsequently presents conclusions and recommendations regarding such officers, including proposed salary adjustments and incentive amounts, to the Committee. The Committee then makes the final decision regarding any adjustments or awards. The review of performance by the Committee and the chief executive officer of other executive officers is a subjective assessment of each executive's contribution to company or division performance, leadership qualities, strengths and weaknesses and the individual's performance relative to goals set by the Committee or the chief executive officer, as applicable. The Committee and the chief executive officer do not systematically assign a weight to the factors, and may, in their discretion, consider or disregard any one factor which, in their sole discretion is important to or irrelevant for a particular executive. The Committee's annual determinations

regarding executive compensation are subject to the terms of the respective service agreements between us and the named executive officers. In addition to the annual reviews, the Committee also typically considers compensation changes upon a named executive officer's promotion or other change in job responsibility.

The Committee establishes guidelines regarding the aggregate actual and expected cash and other compensation of all other officers, but has empowered the chief executive officer to make final compensation decisions with the Committee's guidance. The Committee develops its annual guidance based on our annual operating plan, including the expected conduct of our business in the coming fiscal year, and then modifies the guidance as-needed to adjust for changes in our business during the year. The Committee makes all equity compensation decisions for our officers based on existing compensation arrangements for other executives at the same level of responsibility in our company and our market with a view to maintaining internal consistency and parity. The Committee may make additional equity compensation grants from time to time in its discretion.

In determining the compensation for each executive officer, the Committee compared base salary and total target cash compensation against survey data for semiconductor companies. For our named executive officers who are Korean nationals, we reviewed compensation data from three other major Korean semiconductor companies, Samsung Electronics, LG.Philips LCD and Hynix. For our other named executive officers, we reviewed survey data from Radford Surveys + Consulting for the following semiconductor companies:

Allegro Microsystems
AMI Semiconductor
Atheros Communications
Conexant Systems
Diodes
Hynix Semiconductor Manufacturing America
Intersil
Kyocera International
Micrel Semiconductor
Microsemi
Philips Lumileds Lighting Company
Raytheon Vision Systems
RF Micro Devices
Semtech
Silicon Laboratories
SiRF Technology
Skyworks Solutions
Toppan Photomasks
Ultraclean Technology
Wafertech
AMCC
Asyst Technologies
Cambridge Silicon Radio
CREE
Genesis Microchip
Integrated Device Technology
Jazz Semiconductor
Lattice Semiconductor
Microchip Technology
Omnivision Technologies
PMC-Sierra
Renesas Technology America
Samsung Austin Semiconductor
Silicon Image
Silicon Storage Technology
SMSC
Tessera Technologies
Triquint Semiconductor
Vishay – Siliconix
Zoran

The Committee seeks to establish a total cash compensation package for our named executive officers that is competitive and within the market range based compensation data, subject to adjustments based on each executive's experience and performance. The Committee then sets equity awards in accordance with peer companies in a similar growth stage. Equity awards are not tied to base salary or cash incentive amounts and will constitute lesser or greater proportions of total compensation depending on the fair value of the awards. The Committee does not apply a formula or assign these performance measures relative weights. Instead, it makes a subjective determination after considering such measures collectively. The Committee often has evaluated these metrics on a cumulative, rather than annual, basis as we have pursued our goals of becoming a public company.

Use of External Advisors. In November 2007, the Committee engaged Compensia, Inc., an independent compensation advisor, to provide it with advice, information and recommendations relating to executive and equity compensation. Compensia serves at the discretion of the Committee. In December 2007, Compensia provided the Committee with a review of and recommendations related to our named executive officers' base salary and annual cash incentive compensation. This information was reviewed by the Committee in connection with the determination of base salaries for 2008 and target cash compensation for 2007 and 2008.

Base Salary. Base salary is the guaranteed element of an employee's annual cash compensation. Increases in base salary reflect the employee's long-term performance, skill set and the value of that skill set as well as changes to the compensation arrangements provided by the companies we surveyed. The Committee evaluates the performance of each named executive officer on an annual basis based on the accomplishment of performance objectives that were established at the beginning of the prior fiscal year as well as its own subjective evaluation of his or her performance. In making its evaluation, the Committee determines changes in the base salary of each named executive officer based on a subjective qualitative assessment of his or her contribution to our performance during the preceding year, including assessing leadership, success in attaining particular goals of a division for which that officer has responsibility, the overall financial performance of MagnaChip and such other criteria as the Committee may deem relevant. The Committee then makes a subjective decision based on the factors. The Committee does not systematically assign weights to any of the factors it considers, and may, in its discretion, ignore any factors or deem any one factor to have greater importance for a particular executive officer.

Cash Incentives. Cash incentives comprise a significant portion of the total compensation package and are designed to reward executives for their contributions to meeting and exceeding our goals and to recognize and reward our executives in achieving these goals. Incentives are designed as a percentage of base salary and are awarded based on individual performance and our achievement of the annual, long-term and strategic quantitative goals set by our Committee. In our fiscal year 2007, the Committee began to base its quantitative goals on quarterly EBITDA and revenue goals for the overall company and quarterly margin and revenue goals for our Semiconductor Manufacturing Services, Display Solutions and Imaging Solutions divisions. The Committee calculates EBITDA by adding depreciation and amortization of intangible assets, interest expense and provision for income taxes to net income or loss. The Committee uses EBITDA as a basis for determining the amount of cash incentives to be awarded to its executives because, in the opinion of the Committee, EBITDA is a measure of operating performance that is particularly useful with respect to companies that have a significant amount of indebtedness. By excluding those expenses, such as depreciation and amortization, taxes and interest expense, which the Committee does not view to be indicative of operating performance, the Committee can award cash incentives to executives based upon the operating performance of the company. The total yearly incentive is calculated and distributed on a quarterly basis, with 10% of the eligible incentive paid in the first fiscal quarter, 20% paid in the second fiscal quarter, 25% paid in the third fiscal quarter and 45% paid in the fourth fiscal quarter (each, an "Eligible Quarterly Incentive"). These incentives are awarded in three achievement levels, beginning with the achievement of 80% of targeted EBITDA (or, as applicable, margin) goals, and revenue goals and rising to 150% of target EBITDA (or margin) and revenue goals. For each named executive officer, at the lowest achievement level, 70% of the Eligible Quarterly Incentive is awarded, at the middle achievement level, 100% of the Eligible Quarterly Incentive is awarded and at the highest achievement level, 150% of Eligible Quarterly Incentive is awarded. The three achievement levels are determined by the Committee based on forecasts prepared by us. The Committee sets the achievement levels at a high level of difficulty. No named executive officer attained the highest achievement level in any of the four fiscal quarters ended December 31, 2007, and our named executive officers attained the middle achievement level in only one of the three quarters. The eligible incentive for named executives is set forth in each individual's service agreement. See "—Service Agreements and Named Executive Officer

Compensation." The Committee has modified and may in the future modify the eligible incentive for our named executive officers. The incentive for the General Managers of our Imaging Solutions, Display Solutions and Semiconductor Manufacturing Services divisions are based on a combination of general corporate and divisional goals, while incentive payments for the chief executive officer and other named executive officers are based on general corporate goals. Officers who have responsibility for more than one division are awarded the greater available incentive. In 2006 and 2007, the Committee awarded bonuses to recognize outstanding individual performance and achievement of quantitative goals, and the Committee may again award bonuses in 2008.

Equity Compensation. In addition to cash incentives, we offer equity incentives as a way to enhance the link between the creation of stockholder value and executive incentive compensation and to give executives appropriate motivation and rewards for achieving increases in enterprise value. The Committee may grant participants restricted stock, stock options and stock appreciation rights. Although the Committee granted restricted unit awards at the time of the Original Acquisition (which will be converted into restricted stock awards upon our corporate reorganization), the Committee has determined that it will only grant restricted shares of common stock in the future in exceptional cases. In granting equity awards, the Committee may establish any conditions or restrictions it deems appropriate. Grants of restricted stock or stock options typically vest four years after the date of the grant, and all grants of our stock options are made at or above the fair market value of the stock at the time of the grant. Vesting and exercise rights generally cease upon termination of employment. Prior to the exercise of a stock option, the holder has no rights as a stockholder with respect to the stock subject to such option, including voting rights and the right to receive dividends or dividend equivalents.

Our stockholders and board of directors have delegated to the Committee the authority to grant stock option awards within a total pool of our common stock available upon exercise of the stock options. The size of the option pool is based on market surveys of peer companies in a similar growth stage and on our stockholders' determination of an appropriately-sized pool to ensure recruitment and retention of key executives and employees. The Committee has elected not to grant additional equity compensation to executives as part of its normal annual review process. However, the Committee will consider additional equity compensation in the event of new employment, or a promotion or change in job responsibility, such as when Mr. Park was appointed our chief executive officer or, in its discretion to reward or incentivize individual officers. The stock option award levels vary among participants based on their job grade and position. The Committee makes subjective determinations regarding award amounts in light of the available pool, and will provide higher awards to those executives in positions considered by the Committee to be more critical to us. The Committee will generally maintain equivalent award levels for executives at equivalent job grades in positions with no material difference in criticality. Stock option awards are not tied to base salary or cash incentive amounts.

Upon the recommendation of our board of directors or chief executive officer, the Committee will from time to time consider performance-based equity incentives. Option grants to Mr. Krakauer and Ms. Miller Nam in March 2006 were performance-based incentives under the MagnaChip Semiconductor LLC Equity Incentive Plan and were intended by our board of directors to further encourage these executive officers to advance MagnaChip toward an initial public offering of our common equity or other return on investment for our equityholders. The relative size of the grants varied among the grantees depending upon the rank of the offices held by the grantees at the time of the grant. The board made these grants at an exercise price above the then-fair market value of our common units. An installment of 25% of the common units subject to the options become vested and exercisable upon the earlier of: (1) the date of the first closing of a firmly underwritten public offering for any of our equity securities, and (2) the date, as designated in the sole discretion of the Committee, on which our equityholders as of October 6, 2004 achieve a 250% return on their investment. The remaining 75% of the common units subject to the options become vested and exercisable as to 25%

of such common units on each of the first three successive annual anniversaries of the first vesting event, subject to the grantee's continuous employment from the grant date to each such vesting date. The Committee determined the number of options to be appropriate based on improvement to our operating cash flow, acceleration of profit development and our overall performance.

Perquisites and Other Benefits. We provide the named executive officers with perquisites and other personal benefits that the Committee believes are reasonable and consistent with its overall compensation program to better enable us to attract and retain superior employees for key positions. The Committee determines the level and types of expatriate benefits for the officers based on local market surveys taken by our Human Resources department. Attributed costs of the personal benefits for the named executive officers are as set forth in the Summary Compensation Table below.

Mr. Park, Mr. Krakauer, Ms. Miller Nam, Mr. Rowe and Ms. Sakai were expatriates during all or part of 2007 and received expatriate benefits commensurate with market practice in Korea. These perquisites, which were determined on a individual basis, included housing allowances, relocation allowances, insurance premiums, reimbursement for the use of a car, home leave flights, living expenses, tax equalization payments and tax advisory services, each as the Committee deemed appropriate.

In addition, pursuant to the Labor Standards Act of Korea, certain executive officers resident in Korea with one or more years of service are entitled to severance benefits upon the termination of their employment for any reason. For purposes of this section, we call this benefit "statutory severance." The base statutory severance is approximately one month of base salary per year of service. Ms. Miller Nam and Ms. Sakai accrue statutory severance.

Tax and Accounting Implications. Beginning on January 1, 2006, we began accounting for unit-based payments, including our unit option program in accordance with the requirements of FASB Statement No. 123(R).

Service Agreements and Named Executive Officer Compensation. Other than Mr. Rowe and Ms. Sakai, our named executive officers are all parties to service agreements. The terms of Mr. Rowe's employment are as set forth in an offer letter and offer letter supplement, and the terms of Ms. Sakai's employment are as set forth in an offer letter. The material terms of these arrangements, and the equity compensation granted pursuant to these arrangements, are as follows:

Sang Park. Sang Park serves as Chairman and Chief Executive Officer of MagnaChip with an initial base salary of $450,000 per year and with a target annual incentive bonus opportunity of 100% of his base salary. Mr. Park is entitled to customary employee benefits including the cost of housing accommodations and expenses, and relocation expenses. The term of the service agreement extends for two years from May 27, 2006, 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, Mr. Park received options to purchase 800,000 common units of MagnaChip Semiconductor LLC at a price of $1.02 per unit, the then-fair market value of a common unit. Twenty-five percent of Mr. Park's options vest on the first anniversary of his service date and an additional 6.25% of the options vest at the end of each three month period thereafter on the same day of the month as the grant date or, if earlier, the last day of such month. The service 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.

Robert Krakauer. Mr. Krakauer serves as President, Chief Financial Officer and General Manager, Image Solutions Division of MagnaChip with an initial base salary of $375,000 per year and with a target annual incentive bonus opportunity of 100% 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 Semiconductor LLC at a price of $1.00 per unit. Mr. Krakauer exercised his options on November 30, 2004. Under his restricted unit subscription agreement, 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 his continuous employment with MagnaChip. The restrictions lapse 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 are subject to forfeiture upon termination of his employment. Upon termination, MagnaChip 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. Mr. Krakauer has the right to vote the restricted units and to receive cash dividends, provided that dividends payable in units or other securities have the same status as restricted units. 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. The service 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 Senior Vice President, Strategic Operations of MagnaChip with an initial base salary of $300,000 per year and with a target annual incentive bonus opportunity of 75% 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 absent prior written notice given by either party. Ms. Miller Nam was granted 136,450 immediately exercisable options for restricted common units of MagnaChip Semiconductor LLC at a price of $1.00 per unit. Ms. Miller Nam exercised her options on November 30, 2004. Under her restricted unit subscription agreement, 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 her continuous employment with 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 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. Ms. Miller Nam has 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. The service 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.

Brent Rowe. Mr. Rowe serves as Senior Vice President, Worldwide Sales with an initial base salary of $220,000 per year and with a target annual incentive bonus opportunity of 80% of his base salary. Mr. Rowe received a sign-on bonus of $50,000, and Mr. Rowe is entitled to customary employee benefits. As permitted under his offer letter and offer letter supplement, Mr. Rowe elected to receive an aggregate payment of US$528,000, which constituted his first three years of annual bonus payments at a rate of 80% of base pay. No annual incentive payments will be paid to Mr. Rowe until the earlier of (i) April 4, 2009 or (ii) the date on which his cumulative annual performance bonus payments he has accrued reaches US$528,000. Mr. Rowe received options to purchase 200,000

common units of MagnaChip Semiconductor LLC at a price of $1.04. Twenty-five percent of Mr. Rowe's options became vested and exercisable on April 6, 2007, and an additional 6.25% of his options will vest at the end of each three-month period thereafter on the same day of the month as the grant date, subject to his continuous employment with MagnaChip Semiconductor, Inc. from the grant date to each such vesting date.

Margaret Sakai. Ms. Sakai serves as Senior Vice President, Finance of MagnaChip with an initial base salary of $250,000 per year and with a target annual incentive bonus opportunity of 50% of her base salary. Ms. Sakai is entitled to customary employee benefits and expatriate benefits. Ms. Sakai received options to purchase 75,000 common units of MagnaChip Semiconductor LLC at a price of $3.00 at the time she began her employment. Twenty-five percent of Ms. Sakai's options became vested and exercisable on November 1, 2007, and an additional 6.25% of the options will vest at the end of each three-month period thereafter on the same day of the month as the grant date, subject to her continuous employment with MagnaChip from the grant date to each such vesting date.

Summary Compensation Table

The following table sets forth certain information concerning the compensation earned during the years ended December 31, 2007 and 2006, of our named executive officers.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)(1)	Non-Equity Incentive Plan Compen-sation ($)	Change in Pension Value and Non-qualified Deferred Compen-sation Earnings ($)(2)	All Other Compen-sation ($)	Total ($)
Sang Park	2007	450,000	305,777		82,042			230,439(3)	1,068,258
Chairman and Chief Executive Officer	2006	268,548	130,000		62,473			316,441(4)	777,462
Robert J. Krakauer	2007	375,000	267,784		41,090(5)			617,416(6)	1,301,290
President and Chief Financial Officer	2006	375,000	80,000		66,711(7)			283,915(8)	805,626
Brent Rowe	2007	220,846	176,000(9)		18,254			142,257(10)	557,357
Senior Vice President, Worldwide Sales	2006	164,154	50,000		18,417			84,448(11)	317,019
Victoria Miller Nam	2007	300,000	38,250		8,396(12)		23,649	168,904(13)	539,199
Senior Vice President, Strategic Operations	2006	300,000	30,000		13,507(14)		21,555	97,928(15)	462,990
Margaret Sakai	2007	250,000	21,283		1,255		24,086	163,858(16)	460,482
Senior Vice President, Finance	2006	41,667						976(17)	42,643

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 each payment date during our fiscal year ended December 31, 2007.

Footnotes:

(1) This amount is calculated using the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with FAS 123(R). See "Note 14. Equity Incentive Plan" to the MagnaChip Semiconductor LLC audited consolidated financial statements for the years ended December 31, 2007, 2006 and 2005.

(2) Consists of statutory severance accrued during the fiscal year ended December 31, 2007 or 2006, as applicable. See the section subtitled "Compensation Discussion and Analysis" for a description of the statutory severance benefit.

(3) Includes the following personal benefits paid to Mr. Park: (a) $154,798 equivalent to one year from $310,021 for prepayment of Mr. Park's housing expenses for two years; (b) $42,712 for insurance premiums paid during the fiscal year 2007 for the benefit of Mr. Park; and (c) $31,750 for other personal benefits (including personal tax advisory expenses); and (d) $1,179 of reimbursement in relation to Korean tax payment for 2006.

(4) Includes the following personal benefits paid to Mr. Park: (a) $56,972 representing 138 days of the total two year $301,785 prepayment of Mr. Park's housing expenses, and $19,779 for monthly rent for Mr. Park's housing lease for three months;

(b) $200,000 for Mr. Park's relocation allowance when he joined us; (c) $20,610 for insurance premiums paid during the fiscal year 2006 for the benefit of Mr. Park; and (d) $19,080 for other personal benefits (including reimbursement of the use of a car, home leave flights and living expenses).

(5) Reflects $30,138 recognized for restricted units previously purchased by Mr. Krakauer.

(6) Includes the following personal benefits paid to Mr. Krakauer: (a) $107,130 equivalent to seven months from Mr. Krakauer's old lease contract and $101,831 equivalent to five months from $697,547 for prepayment of his new lease contract for three years; (b) $30,643 for reimbursement of living expenses; (c) $71,683 for reimbursement of tuition expenses for Mr. Krakauer's children; (d) $20,242 for Mr. Krakauer's home leave flights; (e) $43,846 for insurance premiums paid during the fiscal year 2007 for the benefit of Mr. Krakauer; (f) $63,791 of reimbursement for all commission and closing costs for the sale of Mr. Krakauer's house in the United States, and $12,581 for personal tax advisory expenses; (g) $21,748 for reimbursement of the use of cars; and (h) $143,921 of reimbursement for the difference between the actual tax Mr. Krakauer already paid and the hypothetical tax he had to pay for the fiscal year 2006.

(7) Reflects $56,536 recognized for restricted units previously purchased by Mr. Krakauer.

(8) Includes the following personal benefits paid to Mr. Krakauer: (a) $72,247 representing 150 days of the total two year $352,083 prepayment of Mr. Krakauer's housing expenses; (b) $40,848 for reimbursement of living expenses; (c) $69,485 for reimbursement of tuition expenses for Mr. Krakauer's children; (d) $32,405 for the amount settled between Mr. Krakauer's receivables from us and his tax equalization payment to us for the fiscal year 2004, and $23,112 for personal tax advisory expenses; (e) $23,547 for insurance premiums paid during the fiscal year 2006 for the benefit of Mr. Krakauer; (f) $2,399 for tax equalization settlement from us for the fiscal year 2005; and (g) $19,872 for reimbursement of the use of a car.

(9) Under Mr. Rowe's offer letter (as supplemented), in 2007, Mr. Rowe elected to receive $528,000, which constituted his first three years of annual bonus payments at a rate of 80% of base pay. One-third of this amount ($176,000) was earned in 2007, and an additional $176,000 will be earned in each of 2008 and 2009. No additional bonus will be paid to Mr. Rowe until the earlier of April 4, 2009 or the date on which the cumulative annual performance bonuses payments that he has accrued reaches $528,000.

(10) Includes the following personal benefits paid to Mr. Rowe: (a) $121,826 of Mr. Rowe's relocation allowance when he returned to the U.S. from an expatriate assignment in Korea, $3,000 for contributions to a defined contribution pension plan by us, and $4,967 for personal tax advisory expenses; (b) $12,196 for insurance premiums paid during the fiscal year 2007 for the benefit of Mr. Rowe; and (c) $268 for reimbursement of the use of a car.

(11) Includes the following personal benefits paid to Mr. Rowe: (a) $58,724 for monthly rent of Mr. Rowe's housing lease for nine months; (b) $13,681 for insurance premiums paid during the fiscal year 2006 for the benefit of Mr. Rowe; (c) $7,198 for Mr. Rowe's relocation allowance when he was assigned to Korea, $3,000 for contributions to a defined contribution pension plan by us, and $1,752 for personal tax advisory expenses; and (d) $93 for reimbursement of the use of a car.

(12) Reflects $6,028 recognized for restricted units previously purchased by Ms. Miller Nam.

(13) Includes the following personal benefits paid to Ms. Miller Nam: (a) $27,228 for insurance premiums paid during the fiscal year 2007 for the benefit of Ms. Miller Nam; (b) $71,819 for reimbursement of tuition expenses for Ms. Miller Nam's children; (c) $54,903 of reimbursement for the difference between the actual tax Ms. Miller Nam already paid and the hypothetical tax she had to pay for the fiscal year 2006; (d) $10,576 for reimbursement of the use of a car; (e) $1,896 for Ms. Miller Nam's home leave flight; and (f) $2,482 for personal tax advisory expenses.

(14) Reflects $11,307 recognized for restricted units previously purchased by Ms. Miller Nam.

(15) Includes the following personal benefits paid to Ms. Miller Nam: (a) $22,924 for insurance premiums paid during the fiscal year 2006 for the benefit of Ms. Miller Nam; (b) $68,376 for reimbursement of tuition expenses for Ms. Miller Nam's children; and (c) $6,628 for reimbursement of the use of a car.

(16) Includes the following personal benefits paid to Ms. Sakai: (a) $72,661 equivalent to housing expenses for one year calculated from the key money deposit for Ms. Sakai's housing lease for two years; (b) $30,649 for reimbursement of tuition expenses for Ms. Sakai's children; (c) $18,709 for Ms. Sakai's home leave flights; (d) $28,165 for insurance premiums paid during the fiscal year 2007 for the benefit of Ms. Sakai; and (e) $13,674 for other personal benefits (including reimbursement of the use of a car, personal tax advisory expenses, and communication expenses).

(17) Includes $976 for reimbursements of the use of a car.

Outstanding Equity Awards at 2007 Fiscal Year-End

	Option Awards					Stock Awards	
Name	Number of Securities Underlying Options (#) Exercisable (column b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (column c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (column d)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
Sang Park	300,000	500,000(1)		1.02	05/27/16		
Robert J. Krakauer			185,000(2)	1.50	03/09/16	127,921.3125(3)	524,477.38(4)
Victoria Miller Nam			40,000(2)	1.50	03/09/16	25,584.375(3)	104,895.94(4)
Brent Rowe	75,000	125,000(5)		1.04	04/25/16		
Margaret Sakai	18,750	56,250(6)		3.00	11/01/16		

Footnotes:

(1) An installment of 25% of the common units subject to the options vested and became exercisable on May 27, 2007, and an additional 6.25% of the options vest at the end of each three month period thereafter on the same day of the month as the grant date or, if earlier, the last day of such month.

(2) An installment of 25% of the common units subject to the options become vested and exercisable upon the earlier of: (i) the date of the first closing of a firmly underwritten public offering for any of our equity securities, and (ii) the date as designated in the sole discretion of the Committee as the date upon which our equityholders as of October 6, 2004, have achieved a 250% return on their investment. The remaining 75% of the common units subject to the options become vested and exercisable in three equal installments on each of the first three successive annual anniversaries of the first vesting event, subject to the grantee's continuous employment from the grant date to each such vesting date.

(3) Restricted common units received upon the exercise of a fully vested option granted November 30, 2004. The restrictions on the units lapse on the last day of each calendar quarter as to 6.25% of the total amount of restricted common units originally awarded.

(4) During fiscal year 2007, there was no established public trading market for our outstanding common equity. The reported value is based upon our estimate of the value of our common units as of December 31, 2007.

(5) An installment of 25% of the common units subject to the options vested and became exercisable on April 6, 2007, and an additional 6.25% of the options vest at the end of each three month period thereafter on the same day of the month as the grant date or, if earlier, the last day of such month.

(6) An installment of 25% of the common units subject to the options vested and became exercisable on November 1, 2007, and an additional 6.25% of the options vest at the end of each three month period thereafter on the same day of the month as the grant date or, if earlier, the last day of such month.

MagnaChip Semiconductor LLC California Equity Incentive Plan and the MagnaChip Semiconductor LLC Equity Incentive Plan

In October 2004 and March 2005, respectively, the board of directors of MagnaChip Semiconductor LLC adopted the MagnaChip Semiconductor LLC Equity Incentive Plan and the MagnaChip Semiconductor LLC California Equity Incentive Plan, which we refer to as the Prior Plans. The equityholders of MagnaChip Semiconductor LLC approved only the MagnaChip Semiconductor LLC California Equity Incentive Plan in March 2005. The Prior 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 and its subsidiaries. However, only options and restricted unit awards have been granted under the Prior Plans. 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 both plans collectively is 7,890,864, all of which may be granted under either plan provided that the aggregate number of units granted under both plans collectively does not exceed 7,890,864. Units subject to awards that expire, are forfeited or otherwise terminate will again be available for grant under the plans.

The Prior Plans are substantially identical, except that the California Equity Incentive Plan contains certain provisions required for compliance with then applicable California law. In connection with our corporate reorganization, we will assume the rights and obligations of MagnaChip Semiconductor LLC under the Prior Plans and convert MagnaChip Semiconductor LLC unit options outstanding under the Prior Plans into options to acquire a number of shares of our common stock at a ratio of on substantially equivalent terms and conditions. Following the corporate reorganization, a combined total of shares of common stock will be reserved for issuance under the Prior Plans. As of December 31, 2007, based upon the common units of MagnaChip Semiconductor LLC outstanding as of December 31, 2007 and after giving pro forma effect to the corporate reorganization pursuant to which each common unit will be exchanged for shares of our common stock at a ratio of , there would have been outstanding under the Prior Plans options to purchase shares of common stock, at a weighted average exercise price of $ per share. Our board of directors will terminate the Prior Plans effective upon the closing of this offering, and no additional options or other equity awards may be granted under the Prior Plans following their termination. However, options granted under the Prior Plans prior to their termination will remain outstanding until they are either exercised or expire.

The Prior Plans are administered by the compensation committee of our board of directors. Subject to the provisions of the Prior Plans, the compensation committee determines in its discretion the persons to whom and the times at which awards were granted, the sizes of such awards, and all of their terms and conditions. All awards are evidenced by a written agreement between us and the holder of the award. The committee has the authority to construe and interpret the terms of the Prior Plans and awards granted under them.

In the event of a merger, consolidation, change in control or liquidation of our company, the committee has the authority to take any of the following actions with respect to one or more outstanding options: accelerate the vesting of outstanding options or SARs; require that awards be assumed or replaced with awards of equivalent value by the successor corporation; terminate any award immediately prior to any such transaction, provided that at least seven days written notice is provided to the option or SAR holders affording them an opportunity to exercise the options or SARs; cancel the outstanding awards in exchange for a payment in cash of the fair market value of restricted units or the excess, if any, of the fair market value of the shares subject to an option or SAR less the exercise price per share of such option or base price of such SAR; or any other action that the committee considers to be reasonable under the circumstances.

2008 Equity Incentive Plan

Our 2008 Equity Incentive Plan, or the 2008 Plan, was approved by our board of directors in February 2008 and will be effective upon its approval by our stockholders, currently anticipated in May 2008.

A total of shares of our common stock will be initially authorized and reserved for issuance under the 2008 Plan. This reserve will automatically increase on January 1, 2009 and each subsequent anniversary through 2017, by an amount equal to the smaller of (a) 2.5% of the number of shares of common stock issued and outstanding on the immediately preceding December 31, or (b) a lesser amount determined by the board. Appropriate adjustments will be made in the number of authorized shares and other numerical limits in the 2008 Plan and in outstanding awards to prevent dilution or enlargement of participants' rights in the event of a stock split or other change in our capital structure. Shares subject to awards which expire or are cancelled or forfeited will again become available for issuance under the 2008 Plan. The shares available will not be reduced by awards settled in cash or by shares withheld to satisfy tax withholding obligations. Only the net number of shares issued upon the exercise of stock appreciation rights or options exercised by means of a net exercise or by tender of previously owned shares will be deducted from the shares available under the 2008 Plan.

Awards may be granted under the 2008 Plan to our employees, including officers, directors, or consultants or those of any present or future parent or subsidiary corporation or other affiliated entity. While we may grant incentive stock options only to employees, we may grant nonstatutory stock options, stock appreciation rights, restricted stock purchase rights or bonuses, restricted stock units, performance shares, performance units and cash-based awards or other stock-based awards to any eligible participant.

Only members of the board of directors who are not employees at the time of grant are eligible to participate in the nonemployee director awards component of the 2008 Plan. The board or the compensation committee will set the amount and type of nonemployee director awards to be awarded on a periodic, non-discriminatory basis. Nonemployee director awards may be granted in the form of nonstatutory stock options, stock appreciation rights, restricted stock awards and restricted stock unit awards.

In the event of a change in control as described in the 2008 Plan, the acquiring or successor entity may assume or continue all or any awards outstanding under the 2008 Plan or substitute substantially equivalent awards. Any awards which are not assumed or continued in connection with a change in control or are not exercised or settled prior to the change in control will terminate effective as of the time of the change in control. The compensation committee may provide for the acceleration of vesting of any or all outstanding awards upon such terms and to such extent as it determines, except that the vesting of all nonemployee director awards will automatically be accelerated in full. The 2008 Plan also authorizes the compensation committee, in its discretion and without the consent of any participant, to cancel each or any outstanding award denominated in shares upon a change in control in exchange for a payment to the participant with respect to each share subject to the cancelled award of an amount equal to the excess of the consideration to be paid per share of common stock in the change in control transaction over the exercise price per share, if any, under the award.

2008 Employee Stock Purchase Plan

Our 2008 Employee Stock Purchase Plan, or the Purchase Plan, was adopted by our board of directors in February 2008 and will be effective upon its approval by our stockholders, currently anticipated in May 2008.

A total of shares of our common stock are initially authorized and reserved for sale under the Purchase Plan. In addition, the Purchase Plan provides for an automatic annual increase in the number of shares available for issuance under the plan on January 1 of each year beginning in 2009 and continuing through and including January 1, 2017 equal to the lesser of (1) one percent of our then issued and outstanding shares of common stock on the immediately preceding December 31, (2) shares or (3) a number of shares as our board may determine. Appropriate adjustments will be made in the number of authorized shares and in outstanding purchase rights to prevent dilution or enlargement of participants' rights in the event of a stock split or other change in our capital structure. Shares subject to purchase rights which expire or are canceled will again become available for issuance under the Purchase Plan.

Our employees and employees of any parent or subsidiary corporation designated by the administrator are eligible to participate in the Purchase Plan if they are customarily employed by us for more than 20 hours per week and more than five months in any calendar year. However, an employee may not be granted a right to purchase stock under the Purchase Plan if: (1) the employee immediately after such grant would own stock possessing 5% or more of the total combined voting power or value of all classes of our capital stock or of any parent or subsidiary corporation, or (2) the employee's rights to purchase stock under all of our employee stock purchase plans would accrue at a rate that exceeds $25,000 in value for each calendar year of participation in such plans.

The Purchase Plan is implemented through a series of sequential offering periods, generally three months in duration beginning on the first trading days of February, May, August, and November each year. However, the administrator may establish an offering period to commence on the effective date of the Purchase Plan that will end on a date determined by the administrator. The administrator is authorized to establish additional or alternative sequential or overlapping offering periods and offering periods having a different duration or different starting or ending dates, provided that no offering period may have a duration exceeding 27 months.

Amounts accumulated for each participant, generally through payroll deductions, are credited toward the purchase of shares of our common stock at the end of each offering period at a price generally equal to 95% of the fair market value of our common stock on the purchase date. Prior to commencement of an offering period, the administrator is authorized to change the purchase price discount for that offering period, but the purchase price may not be less than 85% of the lower of the fair market value of our common stock at the beginning of the offering period or at the end of the offering period.

No participant may purchase under the Purchase Plan in any calendar year shares having a value of more than $25,000 measured by the fair market value per share of our common stock on the first day of the applicable offering period. Prior to the beginning of any offering period, the administrator may alter the maximum number of shares that may be purchased by any participant during the offering period or specify a maximum aggregate number of shares that may be purchased by all participants in the offering period. If insufficient shares remain available under the plan to permit all participants to purchase the number of shares to which they would otherwise be entitled, the administrator will make a pro rata allocation of the available shares. Any amounts withheld from participants' compensation in excess of the amounts used to purchase shares will be refunded, without interest.

In the event of a change in control, an acquiring or successor corporation may assume our rights and obligations under the Purchase Plan. If the acquiring or successor corporation does not assume such rights and obligations, then the purchase date of the offering periods then in progress will be accelerated to a date prior to the change in control.

Option Exercises and Stock Vested for the Fiscal Year Ended December 31, 2007

	Stock Awards	
Name	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Sang Park	—	—
Robert J. Krakauer	170,561.75(1)	699,303.175(2)
Brent Rowe	—	—
Victoria Miller Nam	34,112.50(1)	139,861.25(2)
Margaret Sakai	—	—

Footnote:

(1) Restricted common units received upon the exercise of a fully vested option granted November 30, 2004. The restrictions on the units lapsed as to 6.25% of the initial grant on the last day of each calendar quarter of 2007.

(2) During fiscal year 2007, there was no established public trading market for our outstanding common equity. The reported value is based upon our estimate of the value of our common units as of December 31, 2007.

Pension Benefits for the Fiscal Year Ended December 31, 2007

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit ($)[1]	Payments During the Last Fiscal Year
Sang Park	—	—	—	—
Robert J. Krakauer	—	—	—	—
Brent Rowe	401(K) plan	2	40,598	—
Victoria Miller Nam	Statutory Severance with Multiplier for Partial Period	3	79,927	—
Margaret Sakai	Statutory Severance with Multiplier for Partial Period	1	23,910	—

Footnote:

(1) Actual present value of the accumulated benefit, as if the employment of the named executive officer had been terminated on the last day of our fiscal year ended December 31, 2007.

Potential Payments Upon Termination or Change of Control of Us

We are obligated to make certain payments to our named executive officers upon termination or a change of control as further described below.

Sang Park. If Mr. Park's employment is terminated without cause or if he resigns for good reason, Mr. Park is entitled to receive payment of all salary and benefits accrued up to the date of termination, payment of his base salary for twelve months and 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, Mr. Park is entitled to receive payment of all salary and benefits accrued and unpaid up to the date of termination, payment of his base salary for two years and 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, Mr. Park (or his beneficiaries) will be entitled to receive payment of all salary and benefits accrued and unpaid 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. Park'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.

Robert Krakauer. 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, continued participation in our benefit plans for twelve months and, to the extent Mr. Krakauer's place of employment is located outside the United States on the termination date, costs of repatriation. 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.

Victoria Miller Nam. 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, each of the foregoing net of any statutory severance accrued and payable, 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. All severance payable pursuant to Ms. Miller Nam's service agreement will be offset by any accrued statutory severance.

Brent Rowe. If Mr. Rowe's employment is terminated without cause, he is entitled to a six-month severance payment.

Margaret Sakai. If Ms. Sakai's employment is terminated by us without cause, Ms. Sakai is entitled to receive payment of all salary and benefits accrued and unpaid up to the date of termination, payment of her salary for six months at the rate in effect on the date of termination, payment of a prorated portion of the annual incentive bonus for the year in which termination occurs and paid benefits for Ms. Sakai and her dependents for six months. The severance payable to Ms. Sakai under her offer letter will be reduced to the extent that MagnaChip makes any severance payments to Ms. Sakai pursuant to the Korean Commercial Code or any other statute.

Director Compensation for the Fiscal Year Ended December 31, 2007

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)(1)	All Other Compensation ($)	Total ($)
Jerry M. Baker	50,000	24,110(2)	20,644(3)	94,754
Dipanjan Deb	—	—	—	—
Armando Geday	50,000	15,163(4)	—	65,163
Roy Kuan	—	—	—	—
R. Douglas Norby	87,849(5)	7,480(6)	—	95,329
Phokion Potamianos	—	—	—	—
Paul C. Schorr IV	—	—	—	—
David F. Thomas	—	—	—	—

Footnotes:

(1) We describe the option award calculation method under SFAS No. 123(R) in "Note 13. Equity Incentive Plan" to the MagnaChip Semiconductor LLC audited consolidated financial statements for the years ended December 31, 2007, 2006 and 2005.

(2) Amount recognized for restricted units received upon the exercise of options previously granted to Mr. Baker. The grant date fair value of Mr. Baker's option award is $209,394.

(3) Includes $18,803 for medical and accident insurance premiums and $1,841 for life insurance premiums.

(4) The grant date fair value of Mr. Geday's option award is $55,253.

(5) Includes $32,849 for director fees earned in 2006 but paid in 2007.

(6) The grant date fair value of Mr. Norby's option award is $12,445.

Further Information Regarding Director Compensation Table

Effective January 2006, our board of directors began providing director fees to non-employee directors who do not have a current or past affiliation with Court Square, Francisco Partners, or CVC Asia Pacific. Jerry Baker and Armando Geday each receive $50,000 annually for service on our board of directors. R. Douglas Norby became our director on May 27, 2006. He receives board fees of $55,000 per year for his service as a director and Chairman of our Audit Committee.

Compensation Committee Interlocks and Insider Participation

The Committee is comprised of directors Dipanjan Deb, Paul C. Schorr IV, and David Thomas, none of whom has been an officer or employee of our company during the last fiscal year. Prior to the Original Acquisition, both Mr. Deb and Mr. Schorr served as officers of our company. None of our executive officers currently serves, or in the past has served, on the Committee or 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.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock by each of the following persons based on the outstanding common units of MagnaChip Semiconductor LLC as of December 31, 2007 as adjusted to reflect the corporate reorganization and the repurchase of all of the shares of our Series B preferred stock:

- each person or entity known to us to beneficially own more than 5% of the common stock;
- each member of our board of directors;
- each of our named executive officers;
- all of the members of our board of directors and executive officers, as a group; and
- each selling stockholder.

As of December 31, 2007, MagnaChip Semiconductor LLC's outstanding securities consisted of 52,844,222 common units and 93,997 Series B preferred units and, after giving pro forma effect to the corporate reorganization and the repurchase of all of the shares of our Series B preferred stock, we would have had outstanding shares of common stock and no shares of preferred stock.

The amounts and percentages of common stock 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 shares of common stock shown as beneficially owned by them. Unless otherwise indicated, the address of each person listed in the table below is c/o MagnaChip Semiconductor Ltd., 1 Hyang jeong-dong, Hungduk-gu, Cheongju-si, 361-725, Korea.

Name and Address of Beneficial Owner	Shares of Common Stock Owned Prior to Offering		Shares of Common Stock Owned Following Offering Assuming No Exercise of Underwriters' Option		Shares of Common Stock to be Sold upon the Exercise of the Underwriters' Option	Shares of Common Stock Owned Following Offering Assuming Exercise of Underwriters' Option	
	Amount	Percent	Amount	Percent		Amount	Percent
Citigroup Venture Capital Equity Partners, L.P.[1][2]							
CVC Executive Fund LLC[2][3]							
CVC/SSB Employee Fund, L.P.[2][4]							
Francisco Partners, L.P.[2][5]							
Francisco Partners Fund A, L.P.[2][6]							
FP-MagnaChip Co-Invest, LLC[2][7]							
FP Annual Fund Investors, LLC[2][8]							
CVC Capital Partners Asia Pacific L.P.[2][9]							
CVC Capital Partners Asia Pacific II L.P.[2][10]							
CVC Capital Partners Asia Pacific II Parallel Fund—A, L.P.[2][11]							
Asia Investors LLC[2][12]							
Peninsula Investment Pte. Ltd.[2][13]							
Jerry M. Baker[14]							
Dipanjan Deb[15]							
Armando Geday[16]							
Robert J. Krakauer[17]							
Roy Kuan[18]							
Victoria Miller Nam[19]							
R. Douglas Norby[20]							
Sang Park[21]							
Phokion Potamianos[15]							
Brent Rowe[22]							
Margaret Sakai[23]							
Paul C. Schorr IV[24]							
David F. Thomas[25]							
Baker Family Revocable Trust [c/o Jerry & Paula Baker, Trustees][26]							
Robert & Theresa Krakauer JTWROS[27]							
Krakauer Family Partnership [c/o Robert & Theresa Krakauer][27]							
Directors and executive officers as a group (16 persons)[28]							

* Less than one percent.

(1) Voting and investment power belongs to an investment committee whose members include managing partners of Court Square (including Mr. Thomas). The voting and investment power belongs to the committee and not to any individual member. Each of the committee members disclaims beneficial ownership of these securities. Citigroup Venture Capital Equity Partners, L.P. purchased the securities in the ordinary course of business, and at the time of purchase, it had no agreements or understandings, directly or indirectly, with any person to distribute them. Citigroup Venture Capital Equity Partners, L.P. may be deemed to beneficially own shares of common stock held by CVC Executive Fund LLC and shares of common stock held by CVC/SSB Employee Fund, L.P. The address of Citigroup Venture Capital Equity Partners, L.P. is c/o Court Square Capital Partners, 55 East 52nd Street, 34th Floor, New York, NY 10055.

(2) As a result of the voting agreement among our sponsors and Peninsula Investments Pte. Ltd. set forth in our securityholders' agreement, each of Citigroup Venture Capital Equity Partners, L.P., CVC Executive Fund LLC, CVC/SSB Employee Fund, L.P., Francisco Partners, L.P., Francisco Partners Fund A, L.P., FP-MagnaChip Co-Invest, LLC, FP Annual Fund Investors, LLC, CVC Capital Partners Asia Pacific L.P., CVC Capital Partners Asia Pacific II L.P., CVC Capital Partners Asia Pacific II Parallel Fund—A, L.P., Asia Investors LLC and Peninsula Investment Pte. Ltd. may be deemed to beneficially own the shares of common stock beneficially owned collectively by these persons but each such entity disclaims such beneficial ownership resulting from such voting agreement. These shares represent % of the total number of shares of common stock outstanding as of December 31, 2007. As a result of certain provisions of the securityholders' agreement, including the ability of Court Square and Francisco Partners to cause each stockholder party to our securityholders' agreement to transfer their securities under certain circumstances, each of Citigroup Venture Capital Equity Partners, L.P., CVC Executive Fund LLC, CVC/SSB Employee Fund, L.P., Francisco Partners, L.P., Francisco Partners Fund A, L.P., FP-MagnaChip Co-Invest, LLC and FP Annual Fund Investors, LLC may be deemed to beneficially own all of our securities beneficially owned by all of the stockholders party to our securityholders' agreement but each such entity disclaims such beneficial ownership resulting from such arrangement.

(3) Voting and investment power belongs to an investment committee whose members include managing partners of Court Square (including Mr. Thomas). The voting and investment power belongs to the committee and not to any individual member. Each of the committee members disclaims beneficial ownership of these securities. CVC Executive Fund LLC purchased the securities in the ordinary course of business, and at the time of purchase, it had no agreements or understandings, directly or indirectly, with any person to distribute them. CVC Executive Fund LLC may be deemed to beneficially own shares of common stock held by Citigroup Venture Capital Equity Partners, L.P. and shares of common stock held by CVC/SSB Employee Fund, L.P. The address of CVC Executive Fund LLC is c/o Court Square Capital Partners, 55 East 52nd Street, 34th Floor, New York, NY 10055.

(4) Voting and investment power belongs to an investment committee whose members include managing partners of Court Square (including Mr. Thomas). The voting and investment power belongs to the committee and not to any individual member. Each of the committee members disclaims beneficial ownership of these securities. CVC/SSB Employee Fund, L.P. purchased the securities in the ordinary course of business, and at the time of purchase, it had no agreements or understandings, directly or indirectly, with any person to distribute them. CVC/SSB Employee Fund, L.P. may be deemed to beneficially own shares of common stock held by Citigroup Venture Capital Equity Partners, L.P. and shares of common stock held by CVC Executive Fund LLC. The address of CVC/SSB Employee Fund, L.P. is c/o Court Square Capital Partners, 55 East 52nd Street, 34th Floor, New York, NY 10055.

(5) The sole general partner of Francisco Partners, L.P. is Francisco Partners GP, LLC. Voting and investment power over securities held by Francisco Partners, L.P. belongs to the managers of Francisco Partners GP, LLC. The managers of Francisco Partners GP, LLC are Benjamin H. Ball, Dipanjan Deb, Neil M. Garfinkel, Keith B. Geeslin, David R. Golob, Sanford R. Robertson and David M. Stanton. Each of these managers disclaims beneficial ownership of the securities held by Francisco Partners, L.P. Francisco Partners, L.P. may be deemed to beneficially own shares of common stock held by Francisco Partners Fund A, L.P., shares of common stock held by FP-MagnaChip Co-Invest, LLC and shares of common stock held by FP Annual Fund Investors, LLC. The address of Francisco Partners, L.P. is Letterman Digital Arts Center, One Letterman Drive, Building C, Suite 410, San Francisco, CA 94129.

(6) The sole general partner of Francisco Partners Fund A, L.P. is Francisco Partners GP, LLC. Voting and investment power over securities held by Francisco Partners Fund A, L.P. belongs to the managers of Francisco Partners GP, LLC. The managers of Francisco Partners GP, LLC are Benjamin H. Ball, Dipanjan Deb, Neil M. Garfinkel, Keith B. Geeslin, David R. Golob, Sanford R. Robertson and David M. Stanton. Each of these managers disclaims beneficial ownership of the securities held by Francisco Partners Fund A, L.P. Francisco Partners Fund A, L.P. may be deemed to beneficially own shares of common stock held by Francisco Partners, L.P., shares of common stock held by FP-MagnaChip Co-Invest, LLC and shares of common stock held by FP Annual Fund Investors, LLC. The address of Francisco Partners Fund A, L.P. is Letterman Digital Arts Center, One Letterman Drive, Building C, Suite 410, San Francisco, CA 94129.

(7) The sole manager of FP-MagnaChip Co-Invest, LLC is Francisco Partners GP, LLC. Voting and investment power over securities held by FP-MagnaChip Co-Invest, LLC belongs to the managers of Francisco Partners GP, LLC. The managers of Francisco Partners GP, LLC are Benjamin H. Ball, Dipanjan Deb, Neil M. Garfinkel, Keith B. Geeslin, David R. Golob, Sanford R. Robertson and David M. Stanton. Each of these managers disclaims beneficial ownership of the securities held by FP-MagnaChip Co-Invest, LLC. FP-MagnaChip Co-Invest, LLC may be deemed to beneficially own shares of common stock held by Francisco Partners, L.P., shares of common stock held by FP Annual Fund Investors, LLC and shares of common stock held by Francisco Partners Fund A, L.P. The address of FP-MagnaChip Co-Invest LLC is Letterman Digital Arts Center, One Letterman Drive, Building C, Suite 410, San Francisco, CA 94129.

(8) The sole manager of FP Annual Fund Investors, LLC is Francisco Partners Management, LLC. Voting and investment power over securities held by FP Annual Fund Investors, LLC belongs to the managers of Francisco Partners Management, LLC. The managers of Francisco Partners Management, LLC are Benjamin H. Ball, Dipanjan Deb, Neil M. Garfinkel, Keith B. Geeslin, David R. Golob, Sanford R. Robertson and David M. Stanton. Each of these managers disclaims beneficial ownership of the securities held by FP Annual Fund Investors, LLC. FP Annual Fund Investors, LLC may be deemed to beneficially own shares of common stock held by Francisco Partners, L.P., shares of common stock held by FP-MagnaChip Co-Invest, LLC and shares of common stock held by Francisco Partners Fund A, L.P. The address of FP Annual Fund Investors, LLC is Letterman Digital Arts Center, One Letterman Drive, Building C, Suite 410, San Francisco, CA 94129.

(9) No individual has beneficial ownership over these securities. CVC Capital Partners Asia Pacific L.P. (collectively with CVC Capital Partners Asia Pacific II L.P. and CVC Capital Partners Asia Pacific II Parallel Fund—A, L.P., "CVC Asia Pacific") purchased the securities in the ordinary course of business, and at the time of purchase, it had no agreements or understandings, directly or indirectly, with any person to distribute them. CVC Capital Partners Asia Pacific L.P. may be deemed to beneficially own shares of common stock held by CVC Capital Partners Asia Pacific II L.P., shares of common stock held by CVC Capital Partners Asia Pacific II Parallel Fund—A, L.P. and shares of common stock of Asia Investors LLC. The address of CVC Capital Partners Asia Pacific L.P. is c/o CVC Capital Partners Asia Limited, 18 Grenville Street, St. Helier, Jersey JE4 8PX, Channel Islands.

(10) No individual has beneficial ownership over these securities. CVC Capital Partners Asia Pacific II L.P. purchased the securities in the ordinary course of business, and at the time of purchase, it had no agreements or understandings, directly or indirectly, with any person to distribute them. CVC Capital Partners Asia Pacific II L.P. may be deemed to beneficially own shares of common stock held by CVC Capital Partners Asia Pacific L.P., shares of common stock held by CVC Capital Partners Asia Pacific II Parallel Fund—A, L.P. and shares of common stock of Asia Investors LLC. The address of CVC Capital Partners Asia Pacific II L.P. is c/o CVC Capital Partners Asia II Limited, 22 Grenville Street, St. Helier, Jersey JE4 8PX, Channel Islands.

(11) No individual has beneficial ownership over these securities. CVC Capital Partners Asia Pacific II Parallel Fund--A, L.P. purchased the securities in the ordinary course of business, and at the time of purchase, it had no agreements or understandings, directly or indirectly, with any person to distribute them. CVC Capital Partners Asia Pacific II Parallel Fund—A, L.P. may be deemed to beneficially own shares of common stock held by CVC Capital Partners Asia Pacific L.P., shares of common stock held by CVC Capital Partners Asia Pacific II L.P. and shares of common stock of Asia Investors LLC. The address of CVC Capital Partners Asia Pacific II Parallel Fund—A, L.P. is c/o CVC Capital Partners Asia II Limited, 22 Grenville Street, St. Helier, Jersey JE4 8PX, Channel Islands.

(12) No individual has beneficial ownership over these securities. Asia Investors LLC may be deemed to beneficially own shares of common stock held by CVC Capital Partners Asia Pacific L.P., shares of common stock held by CVC Capital Partners Asia Pacific II L.P. and shares of common stock held by CVC Capital Partners Asia Pacific II Parallel Fund—A, L.P. Asia Investors LLC has co-invested alongside of CVC Capital Partners Asia Pacific L.P., but is not a subsidiary of the CVC Capital Partners group of companies. The address of Asia Investors, LLC is c/o Citicorp Securities Asia Pacific Limited, 50th floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong.

(13) No individual has beneficial ownership over these securities. The address of Peninsula Investment Pte. Ltd. is 255 Shoreline Drive, Suite 600, Redwood City, CA 94065. Pursuant to a management agreement, Peninsula Investment Pte. Ltd. shares the power to vote and power to dispose of these securities with each of GIC Special Investments Pte Ltd and the Government of Singapore Investment Corporation Pte Ltd., each of which is a Singapore private limited company. No individual has beneficial ownership over these securities.

(14) Includes shares of common stock held by the Baker Family Revocable Trust [c/o Jerry & Paula Baker, Trustees] and shares of restricted common stock held by Mr. Baker. Restricted shares of common stock are subject to a right of repurchase by MagnaChip. The address of Mr. Baker is 3101 North First Street, San Jose, CA 95134.

(15) Includes shares of common stock held by Francisco Partners, L.P., shares of common stock held by Francisco Partners Fund A, L.P., shares of common stock held by FP-MagnaChip Co-Invest, LLC and shares of common stock held by FP Annual Fund Investors, LLC. Each of Mr. Deb and Mr. Potamianos is a member of management of Francisco Partners, L.P. and disclaims beneficial ownership of the shares of common stock held by Francisco Partners, L.P., Francisco Partners Fund A, L.P., FP-MagnaChip Co-Invest, LLC and FP Annual Fund Investors, LLC and the shares of common stock which such entities may be deemed to beneficially own as described in footnote 2. The address of each of Mr. Deb and Mr. Potamianos is c/o Francisco Partners, L.P., Letterman Digital Arts Center, One Letterman Drive, Building C, Suite 410, San Francisco, CA 94129.

(16) Includes shares of common stock that Mr. Geday may purchase pursuant to the exercise of options that are exercisable within 60 days of December 31, 2007. The address of Mr. Geday is 16 Rue de Belzunce, 75010, Paris, France.

(17) Includes shares of common stock held by Robert & Theresa Krakauer JTWROS, for which Mr. Krakauer shares voting and investment power with his spouse, Theresa Krakauer, shares of common stock held by the Krakauer Family Partnership [c/o Robert & Theresa Krakauer], for which Mr. Krakauer shares voting and investment power with Theresa Krakauer and restricted shares of common stock. Restricted shares of common stock are subject to a right of repurchase by MagnaChip.

(18) 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 Partners Asia Pacific II Parallel Fund - A, L.P., as well as to Asia Investors LLC. The address of Mr. Kuan is CVC Asia Pacific Limited, Suite 901-3, ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong. Because he has no direct or indirect voting or investment power over the shares of common stock held by such entities, Mr. Kuan disclaims beneficial ownership of all of the shares of common stock held by such entities. Asia Investors LLC has previously co-invested alongside of CVC Capital Partners Asia Pacific L.P. but is not a subsidiary of the CVC Capital Partners group of companies.
(19) Includes shares of restricted common stock that are subject to a right of repurchase by MagnaChip.
(20) Includes shares of common stock that Mr. Norby may purchase pursuant to the exercise of options that are exercisable within 60 days of December 31, 2007. The address of Mr. Norby is 12169 Hilltop Drive, Los Altos Hills, CA 94024.
(21) Includes shares of common stock that Mr. Park may purchase pursuant to the exercise of options that are exercisable within 60 days of December 31, 2007.
(22) Includes shares of common stock that Mr. Rowe may purchase pursuant to the exercise of options that are exercisable within 60 days of December 31, 2007. The address of Mr. Rowe is c/o MagnaChip Semiconductor, Inc., 787 N. Mary Ave., Sunnyvale, CA 94085.
(23) Includes shares of common stock that Ms. Sakai may purchase pursuant to the exercise of options that are exercisable within 60 days of December 31, 2007.
(24) Includes shares of common stock held by BG Partners LP and shares of common stock held by BG/CVC-1. The address of Mr. Schorr is c/o The Blackstone Group, 345 Park Avenue, New York, NY 10154.
(25) Includes shares of common stock held by Citigroup Venture Capital Equity Partners, L.P., shares of common stock held by CVC Executive Fund LLC and shares of common stock held by CVC/SSB Employee Fund, L.P. Mr. Thomas is a member of management of Court Square and disclaims beneficial ownership of the shares of common stock held by Citigroup Venture Capital Equity Partners, L.P., CVC Executive Fund LLC and CVC/SSB Employee Fund, L.P. and the shares of common stock which such entities may be deemed to beneficially own as described in footnote 2. The address of Mr. Thomas is c/o Court Square Capital Partners, 55 E. 52nd Street, 34th Floor, New York, NY 10055.
(26) Mr. Baker holds voting and investment power with respect to these securities.
(27) Mr. Krakauer shares voting and investment power with respect to these securities with his spouse, Theresa Krakauer.
(28) Includes shares of common stock issuable upon the exercise of options that are exercisable within 60 days of December 31, 2007.

The following table sets forth information regarding the beneficial ownership of the outstanding equity interests of MagnaChip Semiconductor LLC as of December 31, 2007 by: (1) each person or entity known to us to beneficially own more than 5% of any class of our outstanding securities; (2) each member of our board of directors; (3) each of our named executive officers; (4) all of the members of our board of directors and executive officers, as a group; and (5) each selling stockholder. As of December 31, 2007, MagnaChip Semiconductor LLC's outstanding securities consisted of 52,844,222 common units and 93,997 Series B preferred units.

The amounts and percentages of equity interests 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. Unless otherwise indicated, the address of each person listed in the table below is c/o MagnaChip Semiconductor Ltd., 1 Hyang jeong-dong, Hungduk-gu, Cheongju-si, 361-725, Korea.

Name and Address of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership	Percent of Class
Citigroup Venture Capital Equity Partners, L.P.[1][2]	Common Units Series B Preferred Units	17,630,628.4200 33,093.7702	33.4 35.2
CVC Executive Fund LLC[2][3]	Common Units Series B Preferred Units	156,381.7100 293.5380	* *
CVC/SSB Employee Fund, L.P.[2][4]	Common Units Series B Preferred Units	175,511.8000 329.4464	* *
Francisco Partners, L.P.[2][5]	Common Units Series B Preferred Units	16,941,762.2000 31,800.7261	32.1 33.8
Francisco Partners Fund A, L.P.[2][6]	Common Units Series B Preferred Units	83,423.4000 156.5909	* *
FP-MagnaChip Co-Invest, LLC[2][7]	Common Units Series B Preferred Units	909,067.7600 1,706.3760	1.7 1.8
FP Annual Fund Investors, LLC[2][8]	Common Units Series B Preferred Units	28,268.5600 53.0617	* *
CVC Capital Partners Asia Pacific L.P.[2][9]	Common Units Series B Preferred Units	3,219,903.5200 6,043.9566	6.1 6.4
CVC Capital Partners Asia Pacific II L.P.[2][10]	Common Units Series B Preferred Units	4,048,152.3700 7,598.6306	7.7 8.1
CVC Capital Partners Asia Pacific II Parallel Fund—A, L.P.[2][11]	Common Units Series B Preferred Units	781,702.9100 1,467.3043	1.5 1.6
Asia Investors LLC[2][12]	Common Units Series B Preferred Units	1,609,951.7600 3,021.9784	3.0 3.2
Peninsula Investment Pte. Ltd.[2][13]	Common Units Series B Preferred Units	3,636,271.0700 6,825.5041	6.9 7.3
Jerry M. Baker[14]	Common Units Series B Preferred Units	682,158.1600 255.9564	1.3 *
Dipanjan Deb[15]	Common Units Series B Preferred Units	17,962,521.9200 33,716.7547	34.0 35.9
Armando Geday[16]	Common Units Series B Preferred Units	87,500.0000 —	* —
Robert J. Krakauer[17]	Common Units Series B Preferred Units	773,153.7700 170.6375	1.5 *
Roy Kuan[18]	Common Units Series B Preferred Units	— —	— —
Victoria Miller Nam[19]	Common Units Series B Preferred Units	181,903.3800 85.3188	* *
R. Douglas Norby[20]	Common Units Series B Preferred Units	17,500.0000 —	* —
Sang Park[21]	Common Units Series B Preferred Units	350,000.0000 —	* —
Phokion Potamianos[15]	Common Units Series B Preferred Units	17,962,521.9200 33,716.7547	34.0 35.9
Brent Rowe[22]	Common Units Series B Preferred Units	87,500.0000 —	* —

Name and Address of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership	Percent of Class
Margaret Sakai[23]	Common Units Series B Preferred Units	23,437.5000 —	* —
Paul C. Schorr IV[24]	Common Units Series B Preferred Units	36,362.7200 68.2551	* *
David F. Thomas[25]	Common Units Series B Preferred Units	18,035,247.3400 33,853.2646	34.1 36.0
Baker Family Revocable Trust [c/o Jerry & Paula Baker, Trustees][26]	Common Units Series B Preferred Units	136,360.1600 255.9564	* *
Robert & Theresa Krakauer JTWROS[27]	Common Units Series B Preferred Units	54,544.0600 102.3825	* *
Krakauer Family Partnership [c/o Robert & Theresa Krakauer][27]	Common Units Series B Preferred Units	36,362.7100 68.2550	* *
Directors and executive officers as a group (16 persons)[28]	Common Units Series B Preferred Units	38,705,120.6650 68,150.1871	71.8 72.5

* Less than one percent.

(1) Voting and investment power belongs to an investment committee whose members include managing partners of Court Square (including Mr. Thomas). The voting and investment power belongs to the committee and not to any individual member. Each of the committee members disclaims beneficial ownership of these securities. Citigroup Venture Capital Equity Partners, L.P. purchased the securities in the ordinary course of business, and at the time of purchase, it had no agreements or understandings, directly or indirectly, with any person to distribute them. Citigroup Venture Capital Equity Partners, L.P. may be deemed to beneficially own (a) 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) 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. The address of Citigroup Venture Capital Equity Partners, L.P. is c/o Court Square Capital Partners, 55 East 52nd Street, 34th Floor, New York, NY 10055.

(2) As a result of the voting agreement among our sponsors and Peninsula Investments Pte. Ltd. set forth in our securityholders' agreement, each of Citigroup Venture Capital Equity Partners, L.P., CVC Executive Fund LLC, CVC/SSB Employee Fund, L.P., Francisco Partners, L.P., Francisco Partners Fund A, L.P., FP-MagnaChip Co-Invest, LLC, FP Annual Fund Investors, LLC, CVC Capital Partners Asia Pacific L.P., CVC Capital Partners Asia Pacific II L.P., CVC Capital Partners Asia Pacific II Parallel Fund—A, L.P., Asia Investors LLC and Peninsula Investment Pte. Ltd. may be deemed to beneficially own 49,221,025.48 common units and 92,390.8833 Series B preferred units beneficially owned collectively by these persons but each such entity disclaims such beneficial ownership resulting from such voting agreement. These common units represent 93.2% of the total number of common units outstanding as of December 31, 2007, and these Series B preferred units represent 98.3% of the total number of Series B preferred units outstanding as of December 31, 2007. As a result of certain provisions of the securityholders' agreement, including the ability of Court Square and Francisco Partners to cause each stockholder party to our securityholders' agreement to transfer their securities under certain circumstances, each of Citigroup Venture Capital Equity Partners, L.P., CVC Executive Fund LLC, CVC/SSB Employee Fund, L.P., Francisco Partners, L.P., Francisco Partners Fund A, L.P., FP-MagnaChip Co-Invest, LLC and FP Annual Fund Investors, LLC may be deemed to beneficially own all of our securities beneficially owned by all of the stockholders party to our securityholders' agreement but each such entity disclaims such beneficial ownership resulting from such arrangement.

(3) Voting and investment power belongs to an investment committee whose members include managing partners of Court Square (including Mr. Thomas). The voting and investment power belongs to the committee and not to any individual member. Each of the committee members disclaims beneficial ownership of these securities. CVC Executive Fund LLC purchased the securities in the ordinary course of business, and at the time of purchase, it had no agreements or understandings, directly or indirectly, with any person to distribute them. CVC Executive Fund LLC may be deemed to beneficially own (a) 17,630,628.4200 common units held by Citigroup Venture Capital Equity Partners, L.P. 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. and 329.4464 Series B preferred units held by CVC/SSB Employee Fund, L.P. The address of CVC Executive Fund LLC is c/o Court Square Capital Partners, 55 East 52nd Street, 34th Floor, New York, NY 10055.

(4) Voting and investment power belongs to an investment committee whose members include managing partners of Court Square (including Mr. Thomas). The voting and investment power belongs to the committee and not to any individual member. Each of the committee members disclaims beneficial ownership of these securities. CVC/SSB Employee Fund,

L.P. purchased the securities in the ordinary course of business, and at the time of purchase, it had no agreements or understandings, directly or indirectly, with any person to distribute them. CVC/SSB Employee Fund, L.P. may be deemed to beneficially own (a) 17,630,628.4200 common units held by Citigroup Venture Capital Equity Partners, L.P. and 156,381.7100 common units by CVC Executive Fund LLC and (b) 33,093.7702 Series B preferred units held by Citigroup Venture Capital Equity Partners, L.P. and 293.5380 Series B preferred units held by CVC Executive Fund LLC. The address of CVC/SSB Employee Fund, L.P. is c/o Court Square Capital Partners, 55 East 52nd Street, 34th Floor, New York, NY 10055.

(5) The sole general partner of Francisco Partners, L.P. is Francisco Partners GP, LLC. Voting and investment power over securities held by Francisco Partners, L.P. belongs to the managers of Francisco Partners GP, LLC. The managers of Francisco Partners GP, LLC are Benjamin H. Ball, Dipanjan Deb, Neil M. Garfinkel, Keith B. Geeslin, David R. Golob, Sanford R. Robertson and David M. Stanton. Each of these managers disclaims beneficial ownership of the securities held by Francisco Partners, L.P. Francisco Partners, L.P. Francisco Partners, L.P. may be deemed to beneficially own (a) 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) 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. The address of Francisco Partners, L.P. is Letterman Digital Arts Center, One Letterman Drive, Building C, Suite 410, San Francisco, CA 94129.

(6) The sole general partner of Francisco Partners Fund A, L.P. is Francisco Partners GP, LLC. Voting and investment power over securities held by Francisco Partners Fund A, L.P. belongs to the managers of Francisco Partners GP, LLC. The managers of Francisco Partners GP, LLC are Benjamin H. Ball, Dipanjan Deb, Neil M. Garfinkel, Keith B. Geeslin, David R. Golob, Sanford R. Robertson and David M. Stanton. Each of these managers disclaims beneficial ownership of the securities held by Francisco Partners Fund A, L.P. Francisco Partners Fund A, L.P. may be deemed to beneficially own (a) 16,941,762.2000 common units held by Francisco Partners, 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., 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. The address of Francisco Partners Fund A, L.P. is Letterman Digital Arts Center, One Letterman Drive, Building C, Suite 410, San Francisco, CA 94129.

(7) The sole manager of FP-MagnaChip Co-Invest, LLC is Francisco Partners GP, LLC. Voting and investment power over securities held by FP-MagnaChip Co-Invest, LLC belongs to the managers of Francisco Partners GP, LLC. The managers of Francisco Partners GP, LLC are Benjamin H. Ball, Dipanjan Deb, Neil M. Garfinkel, Keith B. Geeslin, David R. Golob, Sanford R. Robertson and David M. Stanton. Each of these managers disclaims beneficial ownership of the securities held by FP-MagnaChip Co-Invest, LLC. FP-MagnaChip Co-Invest, LLC may be deemed to beneficially own (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. and 28,268.5600 common units held by FP Annual 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. and 53.0617 Series B preferred units held by FP Annual Fund Investors, LLC. The address of FP-MagnaChip Co-Invest, LLC is Letterman Digital Arts Center, One Letterman Drive, Building C, Suite 410, San Francisco, CA 94129.

(8) The sole manager of FP Annual Fund Investors, LLC is Francisco Partners Management, LLC. Voting and investment power over securities held by FP Annual Fund Investors, LLC belongs to the managers of Francisco Partners Management, LLC. The managers of Francisco Partners Management, LLC are Benjamin H. Ball, Dipanjan Deb, Neil M. Garfinkel, Keith B. Geeslin, David R. Golob, Sanford R. Robertson and David M. Stanton. Each of these managers disclaims beneficial ownership of the securities held by FP Annual Fund Investors, LLC. FP Annual Investors, LLC may be deemed to beneficially own (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. and 909,067.7600 common units held by FP-MagnaChip Co-Invest, 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. and 1,706.3760 Series B preferred units held by FP-MagnaChip Co-Invest, LLC. The address of FP Annual Investors, LLC is Letterman Digital Arts Center, One Letterman Drive, Building C, Suite 410, San Francisco, CA 94129.

(9) No individual has beneficial ownership over these securities. CVC Capital Partners Asia Pacific L.P. purchased the securities in the ordinary course of business, and at the time of purchase, it had no agreements or understandings, directly or indirectly, with any person to distribute them. CVC Capital Partners Asia Pacific L.P. may be deemed to beneficially own (a) 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 of Asia Investors LLC and (b) 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 of Asia Investors LLC. The address of CVC Capital Partners Asia Pacific L.P. is c/o CVC Capital Partners Asia Limited, 18 Grenville Street, St. Helier, Jersey JE4 8PX, Channel Islands.

(10) No individual has beneficial ownership over these securities. CVC Capital Partners Asia Pacific II L.P. purchased the securities in the ordinary course of business, and at the time of purchase, it had no agreements or understandings, directly or indirectly, with any person to distribute them. CVC Capital Partners Asia Pacific II L.P. may be deemed to beneficially own (a) 3,219,903.5200 common units held by CVC Capital Partners Asia Pacific 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 of Asia Investors LLC and (b) 6,043.9566 Series B preferred units held by CVC Capital Partners Asia Pacific 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 of Asia Investors LLC. The address of CVC Capital Partners Asia Pacific II L.P. is c/o CVC Capital Partners Asia II Limited, 22 Grenville Street, St. Helier, Jersey JE4 8PX, Channel Islands.

(11) No individual has beneficial ownership over these securities. CVC Capital Partners Asia Pacific II Parallel Fund—A, L.P. purchased the securities in the ordinary course of business, and at the time of purchase, it had no agreements or understandings, directly or indirectly, with any person to distribute them. CVC Capital Partners Asia Pacific II Parallel Fund—A, L.P. may be deemed to beneficially own (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. and 1,609,951.7600 common units of 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. and 3,021.9784 Series B preferred units of Asia Investors LLC. The address of CVC Capital Partners Asia Pacific II Parallel Fund—A, L.P. is c/o CVC Capital Partners Asia II Limited, 22 Grenville Street, St. Helier, Jersey JE4 8PX, Channel Islands.

(12) No individual has beneficial ownership over these securities. Asia Investors LLC may be deemed to beneficially own (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. and 781,702.9100 common units held by CVC Capital Partners Asia Pacific II Parallel Fund—A, L.P. 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. and 1,467.3043 Series B preferred units held by CVC Capital Partners Asia Pacific II Parallel Fund—A, L.P. Asia Investors LLC has co-invested alongside of CVC Capital Partners Asia Pacific L.P., but is not a subsidiary of the CVC Capital Partners group of companies. The address of Asia Investors, LLC is c/o Citicorp Securities Asia Pacific Limited, 50th floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong.

(13) No individual has beneficial ownership over these securities. The address of Peninsula Investment Pte. Ltd. is 255 Shoreline Drive, Suite 600, Redwood City, CA 94065. Pursuant to a management agreement, Peninsula Investment Pte. Ltd. shares the power to vote and power to dispose of these securities with each of GIC Special Investments Pte Ltd and the Government of Singapore Investment Corporation Pte Ltd., each of which is a Singapore private limited company. No individual has beneficial ownership over these securities.

(14) Includes (a) 136,360.16 common units held by the Baker Family Revocable Trust [c/o Jerry & Paula Baker, Trustees] and 102,337.1250 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. The address of Mr. Baker is 3101 North First Street, San Jose, CA 95134.

(15) 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. 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 and the units which such entities may be deemed to beneficially own as described in footnote 2. 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.

(16) Includes 87,500 common units that Mr. Geday may purchase pursuant to the exercise of options that are exercisable within 60 days of December 31, 2007. The address of Mr. Geday is 16 Rue de Belzunce, 75010, Paris, France.

(17) Includes (a) 54,544.0600 common units held by Robert & Theresa Krakauer JTWROS, for which Mr. Krakauer shares voting and investment power with his spouse, Theresa Krakauer, (b) 36,362.7100 common units held by the Krakauer Family Partnership [c/o Robert & Theresa Krakauer], for which Mr. Krakauer shares voting and investment power with Theresa Krakauer and (c) 127,921.3125 restricted common units. Restricted common units are subject to a right of repurchase by MagnaChip.

(18) 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., as well as to Asia Investors LLC. The address of Mr. Kuan is CVC Asia Pacific Limited, Suite 901-3, ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong. Because he has no direct or indirect voting or investment power over the units held by such entities, Mr. Kuan disclaims beneficial ownership of all the units held by such entities. Asia Investors LLC has previously co-invested alongside of CVC Capital Partners Asia Pacific L.P. but is not a subsidiary of the CVC Capital Partners group of companies.

(19) Includes 25,584.3750 restricted common units that are subject to a right of repurchase by MagnaChip.

(20) Includes 17,500 common units that Mr. Norby may purchase pursuant to the exercise of options vesting on February 27, 2008. The address of Mr. Norby is 12169 Hilltop Drive, Los Altos Hills, CA 94024.
(21) Includes 350,000 common units that Mr. Park may purchase pursuant to the exercise of options vesting on February 27, 2008.
(22) Includes 87,500 common units that Mr. Rowe may purchase pursuant to the exercise of options vesting on April 6, 2008. The address of Mr. Rowe is c/o MagnaChip Semiconductor, Inc., 787 N. Mary Ave., Sunnyvale, CA 94085.
(23) Includes 23,437.5 common units that Ms. Sakai may purchase pursuant to the exercise of options vesting on February 1, 2008.
(24) 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. The address of Mr. Schorr is c/o The Blackstone Group, 345 Park Avenue, New York, NY 10154.
(25) 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. 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., and the units which such entities may be deemed to beneficially own as described in footnote 2. The address of Mr. Thomas is c/o Court Square Capital Partners, 55 E. 52nd Street, 34th Floor, New York, NY 10055.
(26) Mr. Baker holds voting and investment power with respect to these securities.
(27) Mr. Krakauer shares voting and investment power with respect to these securities with his spouse, Theresa Krakauer.
(28) Includes 1,033,773.375 common units issuable upon the exercise of options that are exercisable within 60 days of December 31, 2007.

Each of the selling stockholders acquired the shares of common stock to be sold by such stockholders in this offering in exchange for common units of MagnaChip Semiconductor LLC pursuant to the corporate reorganization which will occur immediately prior to the closing of this offering. Such selling stockholders acquired such common units of MagnaChip Semiconductor LLC as follows:

- In September 30, 2004, Citigroup Venture Capital Equity Partners, L.P., CVC Executive Fund LLC, CVC/SSB Employee Fund, L.P., Francisco Partners, L.P., Francisco Partners Fund A, L.P., CVC Capital Partners Asia Pacific L.P., CVC Capital Partners Asia II Limited, Asia Investors LLC and Peninsula Investment Pte. Ltd. acquired common units of MagnaChip Semiconductor LLC;
- In October 2004, Francisco Partners, L.P. and Francisco Partners Fund A, L.P. transferred certain of their common units to FP-MagnaChip Co-Invest, LLC and FP Annual Fund Investors, LLC;
- In May 2005, CVC Capital Partners Asia II Limited transferred all of its common units to CVC Capital Partners Asia Pacific II L.P. and CVC Capital Partners Asia Pacific II Parallel Fund—A, L.P.; and
- In November 2004, Victoria Miller Nam, Jerry M. Baker, Baker Family Revocable Trust [c/o Jerry & Paula Baker, Trustees], Robert & Theresa Krakauer JTWROS, Krakauer Family Partnership [c/o Robert & Theresa Krakauer] and Robert J. Krakauer acquired their common units.

MagnaChip Semiconductor LLC received $1.00 in consideration for each of its common units issued to the selling stockholders as described above.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Advisory Agreements

In connection with the Original Acquisition and the related equity financing, MagnaChip Korea and MagnaChip Semiconductor LLC entered into advisory agreements with each of Court Square Advisor, LLC (successor in interest to CVC Management LLC), Francisco Partners Management, LLC and CVC Capital Partners Asia Limited, which are related to Court Square, Francisco Partners and CVC Asia Pacific, respectively, pursuant to which agreements such entities may provide financial, advisory and consulting services to MagnaChip Korea and MagnaChip Semiconductor LLC. Each advisory agreement has an initial term of ten years from the date of the Original 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 Court Square Advisor, Francisco Partners Management and CVC Capital Partners Asia Limited. Pursuant to the advisory agreements, we will pay to the sponsors an aggregate of $9.75 million for services provided prior to the completion of this offering. Following such payment, the sponsors will no longer be required to provide advisory services under the advisory agreements, and all future annual advisory fees under the advisory agreements will cease. However, we may pay future services fees to the sponsors in exchange for any acquisition, financing or other advisory services as we and the sponsors may agree.

Securityholders' Agreement and Amended and Restated Bylaws

Our securityholders' agreement also contains restrictions on transfer of our securities, tag-along rights, rights to compel a sale, registration rights and information rights, all as described below.

Corporate Governance. Our amended and restated bylaws and securityholders' agreement provide that our board of directors will consist of ten members. Court Square, Francisco Partners, CVC Asia Pacific and Peninsula and we have agreed that the nominees to our board of directors will include three representatives of Court Square, three representatives of Francisco Partners, one representative of CVC Asia Pacific, our chief executive officer, our chief financial officer and one independent director chosen by Court Square, Francisco Partners and our chief executive officer. Until such time as we no longer qualify for the "controlled company exception," the board of directors may not take certain significant actions without the approval of the board designees of Court Square or Francisco Partners. These actions include, among others: mergers, acquisitions or sales of assets; the declaration of dividends or other distributions; any liquidation, dissolution or bankruptcy; any incurrence or refinancing of indebtedness in excess of $2.0 million; issuances of securities; appointment, dismissal and compensation and benefits for our chief executive officer and chief financial officer; approval of our business plan, budget and strategy; amendments to the securityholders' agreement and our certificate of incorporation and bylaws; and any increase or decrease in the number of directors that comprise the board. See "Management—Board Composition."

Restrictions on Transfer. Generally, the parties to the amended and restated securityholders' agreement are prohibited from transferring their MagnaChip securities without complying with restrictions relating to the timing of the transfer, the number of securities subject to the transfer and the transferee of such securities. Subject to certain exceptions reflected in the securityholders' agreement, each transfer of securities by a party to the securityholders' agreement is subject to the following provisions:

Tag-Along Sale. Neither Court Square nor Francisco Partners shall transfer its securities, subject to limited exceptions, without permitting each other stockholder that is party to the securityholders' agreement to participate ratably in the sale as a tagging person on the basis of the tagging person's percentage ownership of the common shares being transferred. The tag-along provisions expire on the date on which Court Square and Francisco Partners together cease to own an aggregate of 35% or

more of their initial ownership of common shares. The tag-along provisions do not apply to sales in a public offering, pursuant to Rule 144 of the Securities Act or in a compelled sale, as described below.

Compelled Sale. Court Square and Francisco Partners together have the right to effect a compelled sale, which means that if they negotiate a transfer of a significant percentage of their MagnaChip securities, they can require the other stockholders party to the agreement to participate ratably in that transfer. The compelled sale provision terminates on the third anniversary of the closing of this offering.

Registration Rights. Court Square, Francisco Partners, CVC Asia Pacific and the other parties to the securityholders' agreement have registration rights with respect to our common stock. See "Description of Capital Stock—Registration Rights."

Information Rights. Pursuant to the securityholders' agreement we are obligated to deliver to the parties to the agreement financial information, management reports, reports from our independent public accountants, information related to our indebtedness and any additional information regarding our financial position or business that they reasonably request, subject to the confidentiality obligations under the agreement.

Related Party Transactions

Under our Code of Business Conduct and Ethics, all conflicts of interest and related party transactions that are determined to be material by the Chief Financial Officer must be reviewed and approved in writing by our audit committee. All conflicts of interest and related party transactions involving our directors or executive officers must be reviewed and approved in writing by our full board of directors. In the approval process, the approving authority will review all aspects of the conflict of interest or related party transaction, including but not limited to: (1) compliance with laws, rules and regulations, (2) the adverse affect on our business and results of operations, (3) the adverse affect on our relationships with third parties such as customers, vendors and potential investors, (4) the benefit to the director, officer or employee at issue, and (5) the creation of morale problems among other employees.

In addition, the securityholders' agreement provides that, until such time as we no longer qualify for the "controlled company exception," our board of directors, and the director designees of Court Square or Francisco Partners, must approve any contract with, obligation to or transaction or series of transactions between, us and one or more of our securityholders or their affiliates.

In November 2006, Sang Park, our Chief Executive Officer and Chairman, purchased in the open market $69,000 aggregate principal amount of our 8% senior subordinated notes due 2014, which we refer to as the 8% Notes, at a price of approximately $50,000 (which includes approximately $2,500 paid with respect to accrued interest), and Robert J. Krakauer, our President and Chief Financial Officer and a director, purchased in the open market $138,000 aggregate principal amount of the 8% Notes at a price of approximately $100,000 (which includes approximately $5,000 paid with respect to accrued interest). Mr. Park and Mr. Krakauer received interest on the 8% notes which they purchased at the stated interest rate throughout 2007 in the aggregate amount of $5,520 and $11,040, respectively. Additionally, Paul C. Schorr IV, a director, purchased $175,000 in aggregate principal amount of the 8% notes in the open market in February 2007 at a price of approximately $127,000 and an additional $280,000 in aggregate principal amount of the 8% notes in August 2007 at a price of approximately $178,000. Mr. Schorr received interest on these 8% notes at the stated interest rate throughout 2007 in the aggregate amount of $25,200. None of the foregoing purchases of the 8% notes was subject to our related party transaction or conflict of interest approval process set forth in our Code of Business Conduct and Ethics or the securityholders' agreement because the 8% notes were not purchased from us.

DESCRIPTION OF CAPITAL STOCK

The following description of our capital stock and provisions of our amended and restated certificate of incorporation and our amended and restated bylaws are summaries and are qualified by reference to the amended and restated certificate of incorporation and the amended and restated bylaws that will be in effect upon the closing of this offering. We have filed copies of these documents with the SEC as exhibits to our registration statement of which this prospectus forms a part. The descriptions of the common stock and preferred stock reflect changes to our capital structure that will occur immediately prior to and upon the closing of this offering.

Upon the closing of this offering, our authorized capital stock will consist of shares of common stock, par value $0.01 per share, shares of Series B preferred stock, stated value $1,000 per share and shares of our preferred stock, par value $0.01 per share, the rights and preferences of which may be established from time to time by our board of directors.

As of December 31, 2007, MagnaChip Semiconductor LLC had issued and outstanding 52,844,222 common units held by 212 holders of record and 450,692 issued and 93,997 outstanding Series B preferred units held by 39 holders of record. As of December 31, 2007, MagnaChip Semiconductor LLC also had outstanding options to purchase 4,916,840 common units at a weighted average exercise price of $1.86 per unit.

Prior to the closing of this offering, we will consummate the corporate reorganization. As part of the corporate reorganization, a subsidiary of MagnaChip Semiconductor Corporation will be merged with and into MagnaChip Semiconductor LLC, after which MagnaChip Semiconductor LLC will become a wholly owned subsidiary of MagnaChip Semiconductor Corporation. Pursuant to the corporate reorganization:

- Ÿ all of the outstanding common units of MagnaChip Semiconductor LLC will be exchanged for shares of our common stock at a ratio of ;
- Ÿ all of the Series B preferred units of MagnaChip Semiconductor LLC which are being repurchased by us will be exchanged for shares of our Series B preferred stock at a ratio of 1:1;
- Ÿ all of the Series B preferred units of MagnaChip Semiconductor LLC which are not being repurchased by us, if any, will be exchanged for shares of our common stock at a ratio of ; and
- Ÿ each outstanding option to purchase common units of MagnaChip Semiconductor LLC will be exchanged into an option to purchase shares of our common stock at an exercise price of $ per share.

On or about the closing of this offering, all of the Series B preferred stock issued as part of the corporate reorganization will be repurchased by us using a portion of the proceeds of this offering.

The following description summarizes the terms of our capital stock. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description, you should refer to our amended and restated certificate of incorporation and amended and restated bylaws, as in effect immediately following the closing of this offering, copies of which have been filed as exhibits to the registration statement of which this prospectus is a part.

Common Stock

Assuming the exchange of all of the common units of MagnaChip Semiconductor LLC for our common stock immediately prior to the closing of this offering, there will be shares of our common stock outstanding upon the closing of this offering. MagnaChip Semiconductor LLC has

reserved an aggregate of 7,890,864 common units for issuance to current and future directors, employees and consultants of MagnaChip Semiconductor LLC and its subsidiaries pursuant to the MagnaChip Semiconductor LLC California Equity Incentive Plan and the MagnaChip Semiconductor LLC Equity Incentive Plan. Of this amount, at December 31, 2007, 4,916,840 common units were subject to outstanding options, 702,032 were available for future issuance and 2,271,992 had been purchased in connection with the exercise of previously issued options. In connection with the corporate reorganization, the existing options will be converted into options to acquire shares of our common stock and we have reserved shares of our common stock for future issuance. In addition, our board of directors may issue options exercisable for up to shares of our common stock under our 2008 Equity Incentive Plan and 2008 Employee Stock Purchase Plan.

Holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders. Our stockholders do not have cumulative voting rights in the election of directors. Except as required by law or our amended and restated certificate of incorporation and bylaws, the vote of a majority of the shares represented in person or by proxy at any meeting at which a quorum is present will be sufficient for the transaction of any business at a meeting. Subject to preferences held by, or that may be granted to, any outstanding shares of preferred stock, holders of our common stock will be entitled to receive ratably those dividends as may be declared by our board of directors out of funds legally available for such distributions, as well as any other distributions made to our stockholders. See “Dividend Policy.” In the event of our liquidation, dissolution or winding up, holders of our common stock are entitled to share ratably in all of our assets remaining after we pay our liabilities and distribute the liquidation preference to holders of our outstanding shares of preferred stock. Holders of our common stock have no preemptive or other subscription or conversion rights. See “Certain Relationships and Related Party Transactions – Securityholders’ Agreement.” There are no redemption or sinking fund provisions applicable to our common stock.

Preferred Stock

Pursuant to the corporate reorganization, holders of the Series B preferred units of MagnaChip Semiconductor LLC who decide, prior to the time of the corporate reorganization, to sell us their Series B preferred stock (following the exchange of the Series B preferred units for Series B preferred stock pursuant to the corporate reorganization) will receive shares of our Series B preferred stock in exchange for such Series B preferred units at a ratio of 1:1. Holders of Series B preferred units who decide not to sell us their Series B preferred stock will receive shares of our common stock in exchange for such Series B preferred units at a ratio of .

Holders of shares of our Series B preferred stock are entitled to receive cumulative cash dividends, whether or not earned or declared by our board of directors, at the rate of 10% per share annually on the original issue price of $1,000, compounded semi-annually. The Series B preferred stock is not convertible into any of our other securities. Except as required by law or as set forth in our amended and restated certificate of incorporation, the holders of shares of our Series B preferred stock are not entitled to vote on any matters submitted to a vote of our stockholders. If any shares of Series B preferred stock remain outstanding ten years after the issuance of such shares, then the holders of a majority of the then outstanding shares of Series B preferred stock have the right to cause us to redeem all of the outstanding shares of Series B preferred stock at a price per share equal to $1,000 plus an amount per share equal to full cumulative dividends accrued and unpaid thereon to the redemption date. In the event of liquidation, the holders of the shares of Series B preferred stock are entitled to receive after all of our creditors have been paid in full but before any amounts are paid to the holders of any shares of stock ranking junior to the Series B preferred with respect to dividends or upon liquidation (including our common stock), out of our assets legally available for distribution, whether from capital, surplus or earnings, an amount per share equal to $1,000 plus an amount equal to full cumulative dividends accrued and unpaid thereon to the date of final distribution.

After the closing of this offering, we intend to use a portion of the proceeds of this offering to repurchase all of the outstanding shares of the Series B preferred stock from the holders thereof at an aggregate purchase price of approximately $ million which is equal to the original issue price of such shares plus an amount equal to the full cumulative dividends accrued and unpaid thereon to the date of repurchase.

In addition, our amended and restated certificate of incorporation authorizes the issuance of shares of blank check preferred stock with such designation, rights and preferences as may be determined from time to time by our board of directors. No shares of preferred stock are being issued or registered in this offering. Accordingly, our board of directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights which could adversely affect the voting power or other rights of the holders of common stock. The preferred stock could be utilized as a method of discouraging, delaying or preventing a change in control of us. Although we do not currently intend to issue any shares of preferred stock, there can be no assurance that we will not do so in the future.

Registration Rights

Upon the closing of this offering, holders of shares of our common stock will be entitled to certain rights with respect to the registration of their shares under the Securities Act.

Under our securityholders' agreement, after 180 days following the effective date of the registration statement relating to this prospectus (or such lesser period of time as may be agreed to by us and the lead managing underwriter), the representative of Court Square, together with the representative of Francisco Partners, may demand that we file a registration statement under the Securities Act covering some or all of such holders' shares of our common stock. In addition, after the first anniversary of our initial public offering, the representative of any of Court Square, Francisco Partners or CVC Asia Pacific also may demand that we file a registration statement under the Securities Act, subject to the limitation described below, provided that the representative of CVC Asia Pacific is not entitled to make more than two requests for demand registration.

We are required to pay the registration expenses in connection with each demand registration. If a demand registration is underwritten by an investment banking firm that advises us that the number of securities offered to the public needs to be reduced, priority of inclusion in the demand registration shall be allocated first to Court Square, Francisco Partners, CVC Asia Pacific and Peninsula Investments Pte. Ltd., *pro rata* on the basis of the relative number of securities requested to be registered by such stockholder, and second to any other participating person (including us), on such basis as we determine.

In no event will we be required to effect more than one demand registration under the securityholders' agreement within any four-month period, and we will not be obligated to effect any demand registration unless the aggregate gross proceeds to be received from the sale of common stock equals or exceeds $25 million (or $5 million, in the case of any registration under Form S-3 or any similar "short-form" registration statement).

In addition, following our initial public offering, all holders party to the securityholders' agreement will have certain "incidental" registration rights. If we propose to register any of our equity securities under the Securities Act other than pursuant to specified excluded registrations (such as on Forms S-4 or S-8, or any successor or similar forms), holders may require us to include all or a portion of their registrable securities in the registration. Expenses relating to these "incidental registrations" are

required to be paid by us. If an incidental registration, other than a demand registration, is underwritten by an investment banking firm that advises us that the number of securities offered to the public needs to be reduced, priority of inclusion in the incidental registration shall be given first to us, second to Court Square, Francisco Partners, CVC Asia Pacific and Peninsula Investments Pte. Ltd., *pro rata* on the basis of the relative number of securities requested to be registered by such stockholder, and third to any other participating person on such basis as we determine. We and the stockholders selling securities under a registration statement are required to enter into customary indemnification and contribution arrangements with respect to each registration statement.

Anti-takeover Effects of our Certificate of Incorporation and Bylaws

Our amended and restated certificate of incorporation and amended and restated bylaws contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of the board of directors and which may have the effect of delaying, deferring or preventing a future takeover or change in control of our company unless such takeover or change in control is approved by the board of directors, including:

- ***Authorized but Unissued Preferred Stock***. Our board of directors is authorized to issue, without stockholder approval, preferred stock with such terms as the board of directors may determine. For more information, see "Description of Capital Stock—Preferred Stock."
- ***Calling Special Stockholder Meetings***. Our bylaws provide that special meetings of our stockholders may be called only pursuant to the request of two members of our board of directors or by the chairman of our board of directors.
- ***Advanced Notice Procedures***. Our amended and restated bylaws provide that, in order for stockholder proposals and director nominations to be properly brought before an annual meeting of our stockholders, stockholders must deliver a notice of such proposals or nominations to our secretary within ninety to one hundred and twenty days prior to the first anniversary of the preceding year's annual meeting (or if the annual meeting is advanced by more than thirty days or delayed by more than seventy days from such anniversary date, notice must be delivered not earlier than one hundred and twenty days prior to such annual meeting and not later than the later of ninety days prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made). In order for a stockholder's director nominations to be considered before a special meeting of stockholders, notice of such nominations must be given to our secretary not earlier than one hundred twenty days prior to such special meeting and not later than the later of ninety days prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by our board of directors to be elected at such meeting.
- ***Supermajority Voting Requirements***. The affirmative vote of the holders of at least 66 2/3% in voting power of all shares of our stock entitled to vote generally in the election of directors, voting together as a single class, is required in order for our stockholders to alter, amend or repeal the provisions of our bylaws relating to the advance notice requirements and the ability to call special stockholder meetings. In addition, any amendments to the provisions of our bylaws relating to the board designation and other rights of our sponsors require the consent of the sponsors for as long as they own shares of our capital stock.

In addition, pursuant to the securityholders' agreement, Court Square, Francisco Partners and CVC Asia Pacific, or their affiliates, have agreed to elect their respective designees to serve as members of our board of directors.

Listing

We intend to apply to have our common stock quoted on the New York Stock Exchange under the symbol “MX”.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer and Trust Company, and its telephone number is (800) 937-5449.

DESCRIPTION OF CERTAIN INDEBTEDNESS

The following discussion is a summary and is not complete and is subject in its entirety by reference to the actual provisions of the documents referred to below.

Senior Secured Credit Facility

On December 23, 2004, MagnaChip Semiconductor LLC and its subsidiaries entered into a senior secured credit agreement with a syndicate of banks, financial institutions and other entities, as lenders, UBS Securities LLC, as arranger, and UBS AG, Stamford Branch, as administrative agent and priority lien collateral agent, providing for a $100 million senior secured revolving credit facility which will mature on December 22, 2009. The borrowers under the senior secured credit facility are MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, two of our wholly owned subsidiaries. We intend to use a portion of the proceeds of this offering to repay amounts drawn under our senior secured credit facility. As of December 31, 2007, we had borrowings of $80 million outstanding under this facility.

Subject to compliance with customary conditions precedent, revolving loans, swing line loans and letters of credit are available at any time prior to the final maturity of the senior secured credit facility. Standby letters of credit of up to $40 million have an expiry date of no later than one year after issuance and, in any case, no later than 15 days prior to the final maturity of the senior secured credit facility.

MagnaChip Semiconductor LLC and each of its current direct and indirect subsidiaries are (and each future direct and indirect subsidiary (to the extent legally permissible) will be) guarantors of the senior secured credit facility (except for MagnaChip Semiconductor (Shanghai) Company Limited). The senior secured credit facility is secured on a first-priority basis, directly or through one or more secured guarantees, by collateral that principally consists of (1) substantially all of the owned real property and equipment of MagnaChip Korea, (2) substantially all of the assets of each of the other guarantors, (3) material patents and trademarks owned by MagnaChip Korea (exclusive of any jointly owned intellectual property) and (4) the intercompany loans owing by and among MagnaChip Semiconductor LLC and its subsidiaries, in each case subject to certain exceptions. The senior secured credit facility is also secured by pledges of the equity interests of the subsidiaries of MagnaChip Semiconductor LLC that are guarantors.

Loans made under the senior secured credit facility bear interest equal to a margin based on the ratio of consolidated indebtedness of MagnaChip Semiconductor LLC to its consolidated EBITDA plus, at the option of the borrowers, either LIBOR or the greater of the corporate base rate of the administrative agent or the federal funds rate plus 0.50%. As of December 31, 2007, this margin was 4.75% per annum for LIBOR-based loans and 3.75% per annum for base rate-based loans.

If at any time an event of default has occurred and is continuing, interest will accrue at 5.75% plus the greater of the corporate base rate of the administrative agent or the federal funds rate plus 0.50%. Default interest is payable on demand. All other interest on all loans under the senior secured credit facility are payable at maturity and, with respect to LIBOR-rate loans, at the end of the applicable interest periods (which may be 1, 2, 3, 6 or 9 months), and with respect to the base rate loans, on the last business day of each calendar quarter. In addition, the borrowers are required to pay an unused facility fee to the senior lenders equal to 0.5% per annum of the average unused daily balance of the senior secured credit facility, commencing on the execution and delivery of the senior secured credit facility and payable quarterly in arrears, based upon the actual number of days elapsed in a 360-day year.

The borrowers also pay a participation fee and fronting fees with respect to the letters of credit issued under the credit facility.

Other than with respect to mandatory prepayments, outstanding amounts under the senior secured credit facility may be reborrowed and repaid from time to time without premium or penalty, provided that availability requirements are met. In addition, under certain circumstances, loans outstanding under the senior secured credit facility must be prepaid with the proceeds of asset sales and casualty and condemnation proceeds. 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 reduce permanently the outstanding commitments available under the senior secured credit facility.

The senior secured credit facility agreement contains certain customary covenants and restrictions for a facility of this type, including those with respect to the future maintenance and conduct of the business, the incurrence of debt or liens, the making of certain investments, and the consummation of sale/leaseback transactions, affiliate transactions, mergers and consolidations, asset sales, distributions and dividends on capital stock, and certain acquisitions.

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

- maintaining a minimum coverage of interest expense;
- maintaining debt leverage below specified levels;
- maintaining a minimum level of consolidated EBITDA;
- maintaining a minimum level of liquidity; and
- limiting capital expenditures under specified thresholds.

Borrowings under the senior secured credit facility are subject to the satisfaction of certain conditions, including the representations and warranties being true in all material respects, compliance with the covenants included in the senior secured credit facility (including the financial covenants) and no default occurring or continuing on the date of the borrowing.

The senior secured credit facility includes certain customary events of default, including payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults to certain indebtedness, including the notes, certain events of bankruptcy, material judgments, the invalidity of the documentation with respect to the senior secured credit facility in any material respect, the failure of the security interests in any material collateral created under the security documents for the senior secured credit facility to be enforceable or to have the purported priority thereunder or the occurrence of a change of control. If an event of default occurs (other than as a result of bankruptcy or a similar proceeding, in which case acceleration of the indebtedness will be automatic), the senior lenders will be entitled to take certain actions, including the acceleration of all amounts due under the senior secured credit facility and all actions permitted to be taken by a secured creditor.

In November 2007, the lenders under the senior secured credit facility waived certain provisions of the credit agreement to permit us to consummate the corporate reorganization and this offering and to use the proceeds from the offering as described in this prospectus. Upon consummation of the corporate reorganization, we will become a guarantor and grant a security interest with respect to the obligations under the senior secured credit facility.

The Second Priority Senior Secured Notes

On December 23, 2004, MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, two of our wholly owned subsidiaries, 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 due 2011 and $200 million aggregate principal amount of 6 7/8% second priority senior secured notes due 2011. As of December 31, 2007, we had $500 million aggregate principal amount of the second priority senior secured notes outstanding.

The notes issuers' obligations under the second priority senior secured notes are jointly and severally guaranteed on a senior secured basis by MagnaChip Semiconductor LLC and its current direct and indirect subsidiaries (except for MagnaChip Semiconductor (Shanghai) Company Limited) and future direct and indirect subsidiaries (to the extent legally permissible). The obligations of the issuers and guarantors under the indenture governing the second priority senior secured notes are secured by second priority liens on substantially all of the collateral owned by such entities (other than any equity interests owned by such entities). These security interests are junior in priority to the security interests securing the obligations under the senior secured credit facility and all other permitted prior liens under the indenture.

If there is a change of control, the issuers must give the holders of the second priority senior secured notes the opportunity to sell their notes to the issuers at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest (plus liquidated damages, if any). A change of control means the occurrence of any of the following events: (1) the direct or indirect disposition (other than by way of merger or consolidation) of all or substantially all of the properties or assets of MagnaChip Semiconductor LLC and its subsidiaries taken as a whole to any "person" (as defined in Section 13(d) of the Exchange Act) other than a principal stockholder, officer or director or any of their respective related parties; (2) the adoption of a plan of liquidation of MagnaChip Semiconductor S.A.; (3) the consummation of any transaction, the result of which is that any person, other than the principal stockholders, officers or directors or any of their respective related parties, becomes the beneficial owner, directly or indirectly, of more than 50% of the voting stock of MagnaChip Semiconductor S.A.; or (4) after the closing of this offering, the first day on which a majority of the members of the board of directors are not continuing directors. A continuing director means any director who: (1) was a member of the board on December 23, 2004; (2) was nominated for election or elected to such board with the approval of a majority of the continuing directors who were members of such board at the time of such nomination or election; or (3) was elected to the board under our securityholders' agreement.

Interest on the floating rate second priority senior secured notes accrues at a rate equal to the LIBOR rate plus 3.25%. The LIBOR interest rate resets quarterly. Interest on the floating rate second priority senior secured notes is payable quarterly in arrears on March 15, June 15, September 15 and December 15, to holders of record as of March 1, June 1, September 1 and December 1, respectively. Interest on the floating rate second priority senior secured notes accrues 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, accrues at a rate that is 1% higher than the then applicable interest rate on the floating rate second priority senior secured notes.

Interest on the fixed rate second priority senior secured notes accrues at the rate of 6 7/8% per annum and is payable semi-annually in arrears on June 15 and December 15 to holders of record as of June 1 and December 1, respectively. Interest on the fixed rate second priority senior secured notes accrues 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, accrues at a rate that is 1% higher than the then applicable interest rate on the fixed rate second priority senior secured notes.

The indenture governing the second priority senior secured notes contains covenants that limit the ability of MagnaChip Semiconductor LLC and the restricted subsidiaries to do the following (subject to certain specified exceptions):

- Ÿ incur additional indebtedness;
- Ÿ issue certain types of preferred equity interests;
- Ÿ create liens;
- Ÿ pay dividends or make other equity distributions or restricted payments;

- Ÿ purchase or redeem capital stock;
- Ÿ make certain investments;
- Ÿ sell assets; and
- Ÿ engage in transactions with affiliates.

The indenture governing the second priority senior secured notes contains certain events of default, including payment defaults, covenant defaults, cross-defaults to certain indebtedness, including the other notes and the credit facility, certain events of bankruptcy, material judgments against us, the invalidity of the documentation with respect to the second priority senior secured indenture or the failure of the security interests in any material collateral created under the indenture to be enforceable or to have the purported priority thereunder. If an event of default occurs (other than as a result of bankruptcy or a similar proceeding, in which case acceleration of the indebtedness will be automatic), the trustee or the holders of 25% or more of the aggregate principal amount of the second priority senior secured notes will be entitled to take certain actions, including the acceleration of all amounts due under the second priority senior secured indenture.

MagnaChip Semiconductor S.A. may redeem all or a part of the floating rate second priority senior notes at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and liquidated damages, if any, thereon 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 senior notes on the relevant record date to receive interest on the relevant interest payment date:

Year	Percentage
2007	101.000%
2008 and thereafter	100.000%

On or after December 15, 2008, MagnaChip Semiconductor S.A. may redeem all or a part of the fixed rate second priority senior notes at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and liquidated damages, if any, on such notes to be 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 senior 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, 2008, MagnaChip Semiconductor S.A. may also redeem all or a part of the fixed rate second priority senior notes at a redemption price equal to 100% of the principal amount of notes redeemed plus the premium described below 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 foregoing 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, 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 defined in the second priority senior secured indenture) as of such redemption date plus 50 basis points; over (b) the principal amount of the note, if greater.

Unless MagnaChip Semiconductor S.A. 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.

The Senior Subordinated Notes

On December 23, 2004, MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company also issued $250 million aggregate principal amount of our 8% senior subordinated notes due 2014. As of December 31, 2007, we had $250 million aggregate principal amount of the senior subordinated notes outstanding.

The notes issuers' obligations under the senior subordinated notes are jointly and severally guaranteed by MagnaChip Semiconductor LLC and its current direct and indirect subsidiaries (except for MagnaChip Korea and MagnaChip Semiconductor (Shanghai) Company Limited) and future direct and indirect subsidiaries (to the extent legally permissible). Each guarantee is subordinated to the prior payment in full of all senior debt of that guarantor.

Interest on the senior subordinated notes accrues at the rate of 8% per annum and is payable semi-annually in arrears on June 15 and December 15, commencing on June 15, 2005, to the holders of record on the June 1 and December 1, respectively. Interest on the senior subordinated notes accrues from the date of original issuance or, if interest has already been paid, from the date it was most recently paid.

The payment of principal, interest and premium, if any, on the senior subordinated notes is subordinated to the extent provided for in the senior subordinated indenture to the prior payment in full of all senior debt of the notes issuers (including the amounts owing under the senior secured credit facility and the second priority senior secured notes, and other senior debt incurred after the date of the indenture). Except under specified limited circumstances, the holders of senior debt are entitled to receive payment in full of all obligations due in respect of such senior debt before the holders of the senior subordinated notes are entitled to receive any payment with respect to the senior subordinated notes in the event of:

- Ÿ any liquidation, dissolution, bankruptcy, insolvency or similar proceeding of the notes issuers; or
- Ÿ if there is a payment default (or other default which permits the holder of the senior debt to accelerate maturity) with respect to certain designated senior debt.

If the trustee or any holder of the senior subordinated notes receives a payment on or for the senior subordinated notes when the payment is prohibited by these subordination provisions and the trustee or the holder has actual knowledge that the payment is prohibited, then 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.

If there is a change of control, the issuers must give the holders of the senior subordinated notes the opportunity to sell their notes to the issuers at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest (plus liquidated damages, if any). A change of control means the occurrence of any of the following events: (1) the direct or indirect disposition (other than by way of merger or consolidation) of all or substantially all of the properties or assets of MagnaChip Semiconductor LLC and its subsidiaries taken as a whole to any "person" (as defined in Section 13(d) of the Exchange Act) other than a principal stockholder, officer or director, or any of their related parties; (2) the adoption of a plan of liquidation of MagnaChip Semiconductor S.A.; (3) the consummation of any transaction, the result of which is that any person, other than the any of the principal stockholders, officers, directors or any of their respective related parties, becomes the

beneficial owner, directly or indirectly, of more than 50% of the voting stock of MagnaChip Semiconductor S.A.; or (4) after the closing of this offering, the first day on which a majority of the members of the board of directors of such company are not continuing directors. A continuing director means any director who: (1) was a member of the board on December 23, 2004; (2) was nominated for election or elected to such board with the approval of a majority of the continuing directors who were members of such board at the time of such nomination or election; or (3) was elected to the board under our securityholders' agreement.

The indenture governing the senior subordinated notes contains covenants that limit the ability of MagnaChip Semiconductor LLC and the restricted subsidiaries to do the following (subject to certain specified exceptions):

- Ÿ incur additional indebtedness;
- Ÿ issue certain types of preferred equity interests;
- Ÿ create liens;
- Ÿ pay dividends or make other equity distributions;
- Ÿ purchase or redeem capital stock;
- Ÿ make certain investments;
- Ÿ sell assets; and
- Ÿ engage in transactions with affiliates.

The indenture governing the senior subordinated notes contains certain events of default, including payment defaults, covenant defaults, cross-defaults to certain indebtedness, including the senior secured credit facility and other notes, certain events of bankruptcy, material judgments against us or the invalidity of the documentation with respect to the senior subordinated indenture. If an event of default occurs (other than as a result of bankruptcy or a similar proceeding, in which case acceleration of the indebtedness will be automatic), the trustee or the holders of 25% or more of the aggregate principal amount of the senior subordinated notes will be entitled to take certain actions, including the acceleration of all amounts due under the senior subordinated indenture.

On or after December 15, 2009, MagnaChip Semiconductor S.A. may redeem all or a part of the senior subordinated notes at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and liquidated damages, if any, on such notes to be 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, 2009, MagnaChip Semiconductor S.A. may also redeem all or a part of the senior subordinated notes, at a redemption price equal to 100% of the principal amount of senior subordinated notes redeemed plus the premium described below 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 foregoing 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, 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 defined in the senior subordinated indenture) as of such redemption date plus 50 basis points; over (b) the principal amount of the note, if greater.

Unless MagnaChip Semiconductor S.A. 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.

We intend to use a portion of the proceeds of this offering to reduce our indebtedness including by repurchasing certain of our floating rate second priority senior secured notes due 2011, 6 7/8% second priority senior secured notes due 2011 and/or 8% senior subordinated notes due 2014.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and a significant public market for our common stock may not develop or be sustained after this offering. Future sales of significant amounts of our common stock, including shares of our outstanding common stock and shares of our common stock issued upon exercise of outstanding options, in the public market after this offering could adversely affect the prevailing market price of our common stock and could impair our future ability to raise capital through the sale of securities.

Sale of Restricted Shares and Lock-Up Agreements

Upon the closing of this offering, we will have outstanding shares of common stock, based upon the common units of MagnaChip Semiconductor LLC outstanding as of December 31, 2007 after giving pro forma effect to the corporate reorganization and the repurchase of all of the Series B preferred units pursuant to which each common unit will be exchanged for shares of our common stock at a ratio of .

Of these shares, the shares of common stock sold in this offering, or shares if the underwriters exercise their option to purchase additional shares in full, will be freely tradable without restriction under the Securities Act, unless purchased by affiliates of our company, as that term is defined in Rule 144 under the Securities Act.

The remaining shares of common stock were issued and sold by us in private transactions pursuant to the corporate reorganization, and are eligible for public sale if registered under the Securities Act or sold in accordance with Rule 144 of the Securities Act. These shares are subject to a securityholders' agreement that restricts their sale for 180 days after the date of this prospectus unless we and the managing underwriters, agree to a lesser period. Furthermore, of these remaining shares of common stock are held by officers, directors and existing stockholders who are subject to lock-up agreements and other trading restrictions for a period of 180 days after the date of this prospectus.

Goldman, Sachs & Co., UBS Securities LLC and Credit Suisse Securities (USA) LLC, as joint book-running underwriters, may, at any time without notice, release all or any portion of the securities subject to the lock-up agreements. We have been advised by the joint book-running underwriters that, when determining whether or not to release shares from the lock-up agreements, the joint book-running underwriters will consider, among other factors, the stockholder's reasons for requesting the release, the number of shares for which the release is being requested and market conditions at the time. The joint book-running underwriters have advised us that they have no present intention to release any of the shares subject to the lock-up agreements prior to the expiration of the lock-up period.

As of the date of this prospectus, of the remaining shares may be eligible for immediate sale in the public market, absent registration, subject to certain time and volume limitations under Rule 144. Notwithstanding the securityholders' agreement and the lock-up agreements, beginning six months after the date of the corporate reorganization, the rest of the additional shares will be eligible for sale in the public market, although all of these shares will be subject initially, absent registration, to the restrictions under Rule 144 as described in more detail below.

Rule 144

In general, Rule 144, as amended effective as of February 15, 2008, allows a stockholder (or stockholders where shares of common stock are aggregated) who has beneficially owned shares of

our common stock for at least six months to sell an unlimited number of shares of our common stock provided current public information about us is available and, after one year, an unlimited number of shares of our common stock without restriction. Our affiliates who have beneficially owned shares of our common stock for at least six months are entitled to sell within any three-month period commencing 90 days after the date of this prospectus a number of those shares that does not exceed the greater of:

- Ÿ one percent of the number of shares of common stock then outstanding, which will equal approximately shares immediately after this offering; or
- Ÿ the average weekly trading volume of the common stock on all national securities exchanges and/or reported through the automated quotation system of a registered securities association during the four calendar weeks preceding the sale.

Sales under Rule 144 by our affiliates are subject to specific manner of sales provisions, notice requirements and the availability of current information about us. We cannot estimate the number of shares of common stock our existing stockholders will sell under Rule 144, as this will depend on the market price for our common stock, the personal circumstances of the stockholders and other factors.

Options

In addition to the shares of common stock outstanding immediately after this offering, based upon the common units of MagnaChip Semiconductor LLC outstanding as of December 31, 2007 after giving pro forma effect to the corporate reorganization pursuant to which each common unit will be exchanged for shares of our common stock at a ratio of , there were outstanding options to purchase shares of our common stock. As soon as practicable after the closing of this offering, we intend to file a registration statement on Form S-8 under the Securities Act covering shares of our common stock reserved for issuance upon exercise of stock options outstanding as of at a weighted average exercise price of per share and shares of our common stock reserved as of for issuance pursuant to future grants under our 2008 Equity Incentive Plan and 2008 Employee Stock Purchase Plan. Accordingly, shares of our common stock registered under such registration statement will be available for sale in the open market upon exercise by the holders, subject to vesting restrictions with us, contractual lock-up restrictions, our securities trading policy and/or market stand-off provisions applicable to each other agreement that prohibit the sale or other disposition of the shares of common stock underlying the options for a period of 180 days after the date of this prospectus without the prior written consent from us or Goldman, Sachs & Co., UBS Securities LLC and Credit Suisse Securities (USA) LLC.

Registration Rights

Upon the closing of this offering, certain holders of our shares of common stock will have the right to register their remaining shares of common stock pursuant to a securityholders' agreement. In addition, some holders will have certain "incidental" registration rights, pursuant to that agreement. See "Description of Capital Stock."

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following is a summary of the material U.S. federal income and estate tax consequences of the ownership and disposition of shares of our common stock to a non-U.S. holder who purchases our common stock in this offering. For purposes of this discussion, a non-U.S. holder is any beneficial owner of our common stock that for U.S. federal income tax purposes is not a U.S. person (other than a partnership, as discussed below); the term U.S. person means:

- Ÿ an individual citizen or resident of the United States;
- Ÿ a corporation or other entity taxable as a corporation created or organized in the United States or under the laws of the United States or any political subdivision thereof;
- Ÿ an estate whose income is subject to U.S. federal income tax regardless of its source; or
- Ÿ a trust (x) whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (y) which has made a valid election to be treated as a U.S. person.

If a partnership or other pass-through entity holds common stock, the tax treatment of a partner or member in the partnership or other entity will generally depend on the status of the partner or member and upon the activities of the partnership or other entity. Accordingly, we urge partnerships or other pass-through entities which hold shares of our common stock and partners or members in these partnerships or other entities to consult their tax advisors.

This discussion assumes that non-U.S. holders will hold shares of our common stock issued pursuant to the offering as a capital asset (generally, property held for investment). This discussion does not address all aspects of U.S. federal income taxation that may be relevant in light of a non-U.S. holder's special tax status or special tax situations. U.S. expatriates, life insurance companies, tax-exempt organizations, dealers in securities or currency, banks or other financial institutions, pension funds and investors that hold shares of common stock as part of a hedge, straddle or conversion transaction are among those categories of potential investors that are subject to special rules not covered in this discussion. This discussion does not address any non-income tax consequences except as noted under "Federal Estate Tax" or any income tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction. Furthermore, the following discussion is based on current provisions of the Internal Revenue Code, Treasury Regulations and administrative and judicial interpretations thereof, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. Additionally, we have not sought any ruling from the Internal Revenue Service or IRS, with respect to statements made and conclusions reached in this discussion, and there can be no assurance that the IRS will agree with these statements and conclusions. We urge each prospective purchaser to consult a tax advisor regarding the U.S. federal, state, local and non-U.S. income and other tax consequences of acquiring, holding and disposing of shares of our common stock.

Dividends

If we make distributions on our common stock, those payments will constitute dividends for U.S. tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those distributions exceed our current and accumulated earnings and profits, the distributions will constitute a return of capital and will first reduce a holder's basis, but not below zero, and then will be treated as gain from the sale of shares and may be subject to U.S. federal income tax as described below.

Any distribution that is a dividend, as defined above, paid to a non-U.S. holder of common shares generally will be subject to U.S. withholding tax either at a rate of 30% of the gross amount of the

dividend or such lower rate as may be specified by an applicable tax treaty. In order to receive a reduced treaty rate, a non-U.S. holder must provide us with an IRS Form W-8BEN or other appropriate version of IRS Form W-8 certifying qualification for the reduced rate.

Dividends received by a non-U.S. holder that are effectively connected with a U.S. trade or business conducted by the non-U.S. holder (and dividends attributable to a non-U.S. holder's permanent establishment in the United States if a tax treaty applies) are exempt from this withholding tax. In order to obtain this exemption, a non-U.S. holder must provide us with an IRS Form W-8ECI properly certifying this exemption. Effectively connected dividends (and dividends attributable to a permanent establishment), although not subject to withholding tax, are taxed at the same graduated rates applicable to U.S. persons, net of specified deductions and credits. In addition, dividends received by a corporate non-U.S. holder that are effectively connected with a U.S. trade or business of the corporate non-U.S. holder (and dividends attributable to a corporate non-U.S. holder's permanent establishment in the United States if a tax treaty applies) may also be subject to a branch profits tax at a rate of 30% (or such lower rate as may be specified in a tax treaty).

A non-U.S. holder of common shares that is eligible for a reduced rate of withholding tax pursuant to a tax treaty may obtain a refund of any excess amounts withheld if an appropriate claim for refund is filed with the IRS.

Gain on Disposition of Shares of Common Stock

A non-U.S. holder generally will not be subject to United States federal income tax on gain realized upon the sale or other disposition of shares of our common stock unless:

- Ÿ the gain is effectively connected with a U.S. trade or business of the non-U.S. holder (or attributable to a permanent establishment in the United States if a tax treaty applies), which gain, in the case of a corporate non-U.S. holder, must also be taken into account for branch profits tax purposes;
- Ÿ the non-U.S. holder is an individual who is present in the United States for a period or periods aggregating 183 days or more during the taxable year in which the sale or disposition occurs and certain other conditions are met; or
- Ÿ our common shares constitute a U.S. real property interest by reason of our status as a "United States real property holding corporation" for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding the date of disposition or the holder's holding period for shares of our common stock. We believe that we are not currently, and we believe that we will not become, a "United States real property holding corporation" for U.S. federal income tax purposes. If we are or become a "United States real property holding corporation," so long as our common stock continues to be regularly traded on an established securities market, only a non-U.S. holder who, actually or constructively, holds or held (at any time during the shorter of the five year period preceding the date of disposition or the holder's holding period) more than 5% of shares of our common stock will be subject to U.S. federal income tax on the disposition of shares of our common stock.

Backup Withholding and Information Reporting

Generally, we must report annually to the IRS the amount of dividends paid, the name and address of the recipient, and the amount, if any, of tax withheld. A similar report is sent to the holder. Pursuant to tax treaties or other agreements, the IRS may make its reports available to tax authorities in the recipient's country of residence.

Payments of dividends or of proceeds on the disposition of shares made to a non-U.S. holder may be subject to information reporting and backup withholding at the then effective rate unless the

non-U.S. holder establishes an exemption, for example, by properly certifying its non-U.S. status on a Form W-8BEN or another appropriate version of Form W-8. Notwithstanding the foregoing, information reporting and backup withholding may apply if either we or our paying agent has actual knowledge, or reason to know, that the holder is a U.S. person.

Backup withholding is not an additional tax. Rather, the U.S. 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 or credit may be obtained, so long as the required information is furnished to the IRS in a timely manner.

Federal Estate Tax

An individual non-U.S. holder who is treated as the owner, or has made certain lifetime transfers, of an interest in our common stock will be required to include the value thereof in his or her gross estate for U.S. federal estate tax purposes, and may be subject to U.S. federal estate tax unless an applicable estate tax treaty provides otherwise. Under current law, the U.S. federal estate tax has been repealed for the estates of decedents dying in the year 2010, but is in force for all prior and subsequent years.

UNDERWRITING

We, the selling stockholders and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co., UBS Securities LLC, Credit Suisse Securities (USA) LLC, Citigroup Global Markets Inc. and Lehman Brothers Inc. are the representatives of the underwriters.

Underwriters	Number of Shares
Goldman, Sachs & Co	
UBS Securities LLC	
Credit Suisse Securities (USA) LLC	
Citigroup Global Markets Inc.	
Lehman Brothers Inc.	
Jefferies & Company, Inc.	
JMP Securities LLC	
Total	

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

If the underwriters sell more shares than the total number set forth in the table above, the underwriters have an option to buy up to an additional shares from the selling stockholders, including certain of our executive officers and other members of senior management. They may exercise that option in whole or in part and from time to time for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discount to be paid to the underwriters by MagnaChip and the selling stockholders. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

Paid by MagnaChip

	No Exercise	Full Exercise
Per share	$	$
Total	$	$

Paid by the Selling Stockholders

	No Exercise	Full Exercise
Per share	$	$
Total	$	$

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the initial public offering price. If all the shares are not sold at the initial public offering price, the representatives may change the offering price

and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

We and our officers, directors, selling stockholders and certain other stockholders have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180-days after the date of this prospectus, except with the prior written consent of the representatives. See "Shares Available for Future Sale" for a discussion of certain transfer restrictions.

The 180-day restricted period described in the preceding paragraph will be automatically extended if: (1) during the last 17 days of the 180-day restricted period MagnaChip issues an earnings release or announces material news or a material event; or (2) prior to the expiration of the 180-day restricted period, MagnaChip announces that it will release earnings results during the 15-day period following the last day of the 180-day period, in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or material event.

Prior to the offering, there has been no public market for the shares. The initial public offering price has been negotiated among MagnaChip and the representatives. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be MagnaChip's historical performance, estimates of the business potential and earnings prospects of MagnaChip, an assessment of MagnaChip's management and the consideration of the above factors in relation to market valuation of companies in related businesses.

An application has been made to list the common stock on the New York Stock Exchange under the symbol "MX". In order to meet one of the requirements for listing the common stock on the NYSE, the underwriters have undertaken to sell lots of 100 or more shares to a minimum of 400 U.S. beneficial holders and thereby establish at least 1,100,000 shares in the U.S. public float having a minimum aggregate market value of $60,000,000 in the United States with a global market capitalization of at least $750 million.

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares from the selling stockholders in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option granted to them. "Naked" short sales are any sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the closing of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of MagnaChip's stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the New York Stock Exchange, in the over-the-counter market or otherwise.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares to the public in that Relevant Member State at any time:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43 million and (3) an annual net turnover of more than €50 million, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

(d) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of shares to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the shares in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

The shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32,

Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

The securities have not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”) and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

A prospectus in electronic format will be available on the websites maintained by one or more of the underwriters participating in this offering. The representatives may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters that make internet distributions on the same basis as other allocations.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered. The underwriters may not confirm sales to discretionary accounts without prior written approval of the customer.

MagnaChip estimates that its share of the total expenses of the offering, excluding underwriting discount but including the expenses of the selling stockholders, will be approximately $3.9 million.

MagnaChip and the selling stockholders have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933, and to contribute to payments that the underwriters may be required to make for any such liabilities.

If you purchase shares of common stock offered in this prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus.

Certain of the underwriters and their respective affiliates have, from time to time, performed various financial advisory and investment banking services for us for which they received customary fees and expenses. UBS Securities LLC and UBS AG, Stamford Branch, an affiliate of UBS Securities LLC, serve as arranger, and as administrative agent and priority lien collateral agent, respectively, under our senior secured credit facility for which they receive customary fees and expenses. In addition, UBS Loan Finance (an affiliate of UBS Securities LLC), Goldman Sachs Credit Partners LP (an affiliate of Goldman, Sachs & Co.) and Citicorp North America LLC (an affiliate of Citigroup Global Markets Inc.) serve as lenders under our senior secured credit facility for which they receive customary fees and expenses. Affiliates of Credit Suisse Securities (USA) LLC hold a portion of our 6 7/8% second priority senior secured notes due 2011. Goldman, Sachs & Co., UBS Securities LLC, Credit Suisse Securities (USA) LLC and Citigroup Global Markets Inc. are managing underwriters in this offering. Certain of the underwriters and their respective affiliates may in the future perform various financial advisory and/or investment banking services for us, for which they will receive customary fees and expenses.

Because affiliates of Citigroup Global Markets Inc. hold in excess of 10% of the outstanding equity of Court Square and CVC Asia Pacific, Citigroup Global Markets Inc. is deemed to be an affiliate of ours under Rule 2720(b)(1) of the FINRA Conduct Rules and, therefore, Citigroup Global Markets Inc. is also deemed to have a conflict of interest under Rule 2720 of the FINRA Conduct Rules. Affiliates of Citigroup Global Markets, Inc. also hold shares of our common stock and Class B preferred stock. Accordingly, this offering will be made in compliance with the applicable provisions of Rule 2720 of the FINRA Conduct Rules which requires that the initial public offering price can be no higher than that recommended by a “qualified independent underwriter,” as defined by FINRA. Lehman Brothers Inc. has served in that capacity and performed due diligence investigations and reviewed and participated in the preparation of the registration statement of which this prospectus forms a part.

We intend to use $9.75 million of the net proceeds of this offering to pay Court Square, Francisco Partners and CVC Asia Pacific certain amounts in connection with the termination of our sponsors’ advisory agreements. We intend to use $ of the net proceeds of this offering to repurchase all of the outstanding shares of our Series B preferred stock held by Court Square, Francisco Partners and CVC Asia Pacific. We may use a portion of the net proceeds of this offering to repurchase some of our 6 7/8% second priority senior secured notes due 2011 and to reduce amounts drawn under our senior secured credit facility.

LEGAL MATTERS

The validity of our common stock offered hereby will be passed on for us by DLA Piper US LLP, East Palo Alto, California. Certain legal matters in connection with this offering will be passed on for the underwriters by Kirkland & Ellis LLP, Los Angeles, California.

EXPERTS

Our consolidated financial statements as of December 31, 2007 and 2006 and for the years ended December 31, 2007, 2006 and 2005 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-1 under the Securities Act of 1933, covering our common stock to be issued pursuant to this offering (Registration No. 333-147388). 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 MagnaChip and the shares of common stock to be issued in the offering, please refer to 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.

We are 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 100 F Street N.E., 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, Gangnam-gu, Seoul 135-738, Korea, Attention: Senior Vice President, General Counsel and Secretary; the telephone number at that address is 011-82-2-6903-3376.

The Gartner report described herein represents data, research opinion or viewpoints published, as part of a syndicated subscription service available only to clients, by Gartner, Inc., a corporation organized under the laws of the State of Delaware, USA, and its subsidiaries, and is not a representation of fact. The Gartner report does not constitute a specific guide to action. Each Gartner report speaks as of its original publication date (and not as of the date of this prospectus) and the opinions expressed in the Gartner report are subject to change without notice. Although we believe that this report is reliable, we have not independently verified the information contained in it.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Unitholders of
MagnaChip Semiconductor LLC

In our opinion, the accompanying consolidated balance sheets 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 (the "Company") at December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, 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 audits. We conducted our audits of these statements in accordance with the 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 audits provide a reasonable basis for our opinion.

/s/ Samil PricewaterhouseCoopers

Seoul, Korea
January 30, 2008

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands of US dollars, except unit data)

	December 31, 2007	December 31, 2006
Assets		
Current assets		
Cash and cash equivalents	$ 64,345	$ 89,173
Accounts receivable, net	123,789	76,665
Inventories, net	75,867	57,846
Other receivables	5,771	6,754
Other current assets	10,951	13,626
Total current assets	280,723	244,064
Property, plant and equipment, net	279,669	336,279
Intangible assets, net	104,725	139,729
Other non-current assets	42,766	49,981
Total assets	$ 707,883	$ 770,053
Liabilities and Unitholders' Equity		
Current liabilities		
Accounts payable	$ 89,977	$ 62,399
Other accounts payable	30,661	32,423
Accrued expenses	18,100	23,647
Short-term borrowings	80,000	—
Other current liabilities	6,377	2,980
Total current liabilities	225,115	121,449
Long-term borrowings	750,000	750,000
Accrued severance benefits, net	74,176	62,836
Other non-current liabilities	6,666	2,935
Total liabilities	1,055,957	937,220
Commitments and contingencies		
Series A redeemable convertible preferred units, $1,000 par value; 60,000 units authorized, 50,091 units issued and 0 unit outstanding at December 31, 2007 and 2006	—	—
Series B redeemable convertible preferred units, $1,000 par value; 550,000 units authorized, 450,692 units issued and 93,997 units outstanding at December 31, 2007 and 2006	129,405	117,374
Total redeemable convertible preferred units	129,405	117,374
Unitholders' equity		
Common units, $1 par value; 65,000,000 units authorized, 52,844,222 and 52,720,784 units issued and outstanding at December 31, 2007 and 2006, respectively	52,844	52,721
Additional paid-in capital	3,077	2,451
Accumulated deficit	(564,449)	(370,314)
Accumulated other comprehensive income	31,049	30,601
Total unitholders' equity	(477,479)	(284,541)
Total liabilities, redeemable convertible preferred units and unitholders' equity	$ 707,883	$ 770,053

The accompanying notes are an integral part of these financial statements

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of US dollars, except unit data)

	Years ended		
	December 31, 2007	December 31, 2006	December 31, 2005
Net sales	$ 792,356	$ 744,352	$ 937,656
Cost of sales	654,787	644,911	728,999
Gross profit	137,569	99,441	208,657
Selling, general and administrative expenses	92,990	87,677	123,211
Research and development expenses	138,863	131,252	107,590
Restructuring and impairment charges	12,084	94,266	36,234
Operating income (loss)	(106,368)	(213,754)	(58,378)
Other expenses			
Interest expense, net	(60,311)	(57,159)	(57,236)
Foreign currency gain (loss), net	(4,732)	50,861	16,532
	(65,043)	(6,298)	(40,704)
Income (loss) before income taxes	(171,411)	(220,052)	(99,082)
Income tax expenses	9,139	9,258	1,816
Net income (loss)	$ (180,550)	$ (229,310)	$ (100,898)
Dividends accrued on preferred units	12,031	10,912	9,928
Net income (loss) attributable to common units	$ (192,581)	$ (240,222)	$ (110,826)
Net income (loss) per common unit — Basic and diluted	$ (3.68)	$ (4.54)	$ (2.10)
Weighted average number of units — Basic and diluted	52,297,192	52,911,734	52,898,497

The accompanying notes are an integral part of these financial statements

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY
(In thousands of US dollars, except unit data)

	Common Units		Additional Paid-In Capital	Accumulated deficit	Accumulated Other Comprehensive Income (loss)	Total
	Units	Amount				
Balance at January 1, 2005	52,533,003	$52,533	$ 2,100	$ (19,266)	$ 20,505	$ 55,872
Issuance of common units	504,317	504	10	—	—	514
Exercise of unit options	54,250	55	59	—	—	114
Dividends accrued on preferred units	—	—	—	(9,928)	—	(9,928)
Comprehensive income (loss):						
Net income (loss)	—	—	—	(100,898)	—	(100,898)
Fair valuation of derivatives	—	—	—	—	4,534	4,534
Foreign currency translation adjustments	—	—	—	—	3,308	3,308
Total comprehensive income (loss)						(93,056)
Balance at December 31, 2005	53,091,570	$53,092	$ 2,169	$ (130,092)	$ 28,347	$ (46,484)
Exercise of unit options	46,062	46	42	—	—	88
Repurchase of common units	(416,848)	(417)	(3)	—	—	(420)
Unit-based compensation	—	—	243	—	—	243
Dividends accrued on preferred units	—	—	—	(10,912)	—	(10,912)
Comprehensive income (loss):						
Net income (loss)	—	—	—	(229,310)	—	(229,310)
Fair valuation of derivatives	—	—	—	—	(193)	(193)
Foreign currency translation adjustments	—	—	—	—	2,447	2,447
Total comprehensive income (loss)						(227,056)
Balance at December 31, 2006	52,720,784	$52,721	$ 2,451	$ (370,314)	$ 30,601	$(284,541)
Exercise of unit options	124,938	125	26	—	—	151
Repurchase of common units	(1,500)	(2)	(4)	—	—	(6)
Unit-based compensation	—	—	604	—	—	604
Dividends accrued on preferred units	—	—	—	(12,031)	—	(12,031)
Impact on beginning accumulated deficit upon adoption of FIN 48	—	—	—	(1,554)	—	(1,554)
Comprehensive income (loss):						
Net income (loss)	—	—	—	(180,550)	—	(180,550)
Fair valuation of derivatives	—	—	—	—	(3,477)	(3,477)
Foreign currency translation adjustments	—	—	—	—	3,925	3,925
Total comprehensive income (loss)						(180,102)
Balance at December 31, 2007	52,844,222	$52,844	$ 3,077	$ (564,449)	$ 31,049	$(477,479)

The accompanying notes are an integral part of these financial statements

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of US dollars)

	2007	2006	2005
Cash flows from operating activities			
Net income (loss)	$(180,550)	$(229,310)	$(100,898)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities			
Depreciation and amortization	163,434	188,560	202,929
Provision for severance benefits	18,834	11,497	16,583
Amortization of debt issuance costs	3,919	3,701	3,432
Loss (gain) on foreign currency translation, net	5,398	(54,188)	(15,880)
Loss (gain) on disposal of property, plant and equipment, net	(68)	1,490	(829)
Impairment charges	10,106	92,858	33,576
Unit-based compensation	604	243	—
Other	(3,579)	3,023	721
Changes in operating assets and liabilities			
Accounts receivable	(46,504)	44,091	(25,812)
Inventories	(18,398)	37,064	(806)
Other receivables	971	3,180	62,821
Deferred tax assets	952	1,954	(12,935)
Accounts payable	26,442	(38,423)	24,928
Other accounts payable	(6,021)	(15,897)	(66,069)
Accrued expenses	(5,504)	(7,453)	(5,184)
Other current assets	9,840	5,063	2,713
Other current liabilities	5,007	(7,329)	200
Payment of severance benefits	(7,151)	(8,589)	(13,831)
Other	(1,443)	(1,065)	(2,012)
Net cash provided by (used in) operating activities	(23,711)	30,470	103,647
Cash flows from investing activities			
Proceeds from disposal of plant, property and equipment	364	3,651	673
Proceeds from disposal of intangible assets	4,204	2,819	—
Purchase of plant, property and equipment	(85,294)	(39,196)	(62,334)
Payment for intellectual property registration	(1,256)	(2,203)	(2,174)
Acquisition of business, net of cash acquired of $4,620 for the year ended December 31, 2005	—	—	(11,749)
Decrease in restricted cash	—	3,002	10,307
Other	176	(1,458)	1,205
Net cash used in investing activities	(81,806)	(33,385)	(64,072)
Cash flows from financing activities			
Proceeds from short-term borrowings	130,100	—	—
Issuance of common units	151	88	628
Repayment of short-term borrowings	(50,100)	—	(12,883)
Repurchase of common units	(6)	(420)	—
Debt issuance costs paid	—	—	(594)
Net cash provided by (used in) financing activities	80,145	(332)	(12,849)
Effect of exchange rates on cash and cash equivalents	544	5,846	1,452
Net increase (decrease) in cash and cash equivalents	(24,828)	2,599	28,178
Cash and cash equivalents			
Beginning of the year	89,173	86,574	58,396
End of the year	$ 64,345	$ 89,173	$ 86,574
Supplemental cash flow information			
Cash paid for interest	$ 57,468	$ 56,025	$ 53,373
Cash paid for income taxes	$ 5,680	$ 12,685	$ 15,370

The accompanying notes are an integral part of these financial statements

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular dollars in thousands, except unit data)

1. General

The Company

MagnaChip Semiconductor LLC and its subsidiaries (the "Company") is a designer, developer and manufacturer of mixed-signal and digital multimedia semiconductors addressing the convergence of consumer electronics and communication devices.

The Company operates in three segments—Display Solutions, Imaging Solutions and Semiconductor Manufacturing Services. The Display Solutions segment offers flat panel display drivers for the entire product range of small to large panel displays, including mobile phones, digital cameras, photo printers, games, monitors, and LCD TVs. The Imaging Solutions segment addresses a broad spectrum of consumer electronics products ranging from camera-equipped mobile handsets to personal computer webcams, offering VGA, 1.3, 2.1 and 3.1 megapixel CMOS image sensors. The Semiconductor Manufacturing Services segment uses the Company's process technology and manufacturing facilities to manufacture semiconductor wafers for third parties based on their designs. The Company has five wafer fabrication facilities located in Cheongju and Gumi in the Republic of Korea.

MagnaChip Semiconductor LLC was created on November 26, 2003 and was capitalized on September 10, 2004 under the laws of the State of Delaware. 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 "Original Acquisition").

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 the Company including 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, restructuring accrual 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

Foreign Currency Translation

The Company has assessed in accordance with Statements of Financial Accounting Standards ("SFAS") No. 52, *Foreign Currency Translation*, the functional currency of each of its subsidiaries in Luxembourg, the Netherlands and the United Kingdom and has designated the U.S. dollar to be their respective functional currencies. The Company and its other subsidiaries are utilizing their local currencies as their functional currencies. The financial statements of the subsidiaries in functional currencies other than the U.S. dollar are translated into the U.S. dollar in accordance with SFAS No. 52. 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 therefore 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 (expense) 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.

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 cost method, which approximates the first in, first out method ("FIFO"). 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 within cost of sales. Inventory reserves are established when conditions indicate that the net realizable value is less than costs due to physical deterioration, obsolescence, changes in price levels, or other causes based on individual facts and circumstances. Reserves are also established for excess inventory based on inventory levels in excess of six months of projected demand, as judged by management, for each specific product.

In addition, as prescribed in SFAS No. 151, the cost of inventories is determined based on the normal capacity of each fabrication facility. In case the capacity utilization is lower than a certain level, that the management believes to be normal, the fixed overhead costs per production unit which exceeds those under normal capacity, are charged to cost of sales rather than capitalized as inventories.

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

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 impairment is measured as the difference between the carrying value of the assets and the fair value of assets using the present value of the future net cash flows generated by the respective long-lived assets.

Restructuring Charges

The Company recognizes restructuring charges in accordance with SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities.* Certain costs and expenses related to exit or disposal activities are recorded as restructuring charges when liabilities for those costs and expenses are incurred.

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 (“SOP”) 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.

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

Intangible Assets

Intangible assets 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.

Goodwill

Goodwill is evaluated for impairment by computing the fair value and carrying value of the reporting unit to which the goodwill relates. Specifically, the Company uses the two-step method for evaluating goodwill for impairment as prescribed in SFAS No.142. In the first step, the fair value of a reporting unit is compared to the carrying amount of such reporting unit. If the carrying amount exceeds the fair value, a potential impairment condition exists. In the second step, impairment is measured as the excess of the carrying amount of reporting unit goodwill over the implied fair value of reporting unit goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired, and thus the second step of the impairment test is unnecessary.

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. Carrying amounts of accounts receivable and accounts payable approximate fair value due to the short maturity of these financial instruments.

The estimated fair value of the Company's debt was $614.5 million, $612.6 million and $738.8 million as of December 31, 2007, 2006 and 2005, respectively. The fair value estimates presented herein were based on market interest rates and other market information available to management as of each balance sheet date presented. The use of different market assumptions and/or estimation methodologies could have a material effect on the estimated fair value amounts. Approximate fair values do not take into consideration expenses that could be incurred in an actual settlement. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

Accrued Severance Benefits

The majority of accrued severance benefits is for employees in the Company's Korean subsidiary. Pursuant to the Labor Standards Act of Korea, most employees and executive officers with one or more years of service are entitled to severance benefits upon the termination of their employment based on their length of service and rate of pay. As of December 31, 2007, 95% of all employees of the Company were eligible for severance benefits.

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.

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

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

Revenue is recognized when persuasive evidence of an arrangement exists, the product has been delivered and title and risk of loss have transferred, the price is fixed and determinable, and collection of the resulting receivable is reasonably assured. Utilizing these criteria, product revenue is recognized either upon shipment, upon delivery of the product at the customer's location or upon customer acceptance, depending on the terms of the arrangements, when the risks and rewards of ownership have passed to the customer. The Company's customers can return defective products, including products that do not meet the yield criteria. The Company accrues for the estimated costs that may be incurred for the defective products. In addition, the Company offers early payment discounts to customers who make early payments. The Company estimates the amount to be paid to customers based on historical experience and expected rate of discount. The estimated discount amount is recorded as a deduction from net sales.

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. The amounts charged to selling expenses are $1,418 thousand, $1,332 thousand and $1,867 thousand for the years ended December 31, 2007, 2006 and 2005, respectively.

Derivative Financial instruments

The Company applies the provisions of SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities*," as amended. This Statement requires the recognition of all derivative instruments as either assets or liabilities measured at fair value.

Under the provisions of SFAS No. 133, the Company may designate a derivative instrument as hedging the exposure to variability in expected future cash flows that are attributable to a particular risk (a "cash flow hedge") or hedging the exposure to changes in the fair value of an asset or a liability (a "fair value hedge"). Special accounting for qualifying hedges allows the effective portion of a derivative instrument's gains and losses to offset related results on the hedged item in the consolidated statements of operations and requires that a company formally document, designate and assess the effectiveness of the transactions that receive hedge accounting treatment. Both at the inception of a hedge and on an ongoing basis, a hedge must be expected to be highly effective in achieving offsetting changes in cash flows or fair value attributable to the underlying risk being hedged. If the Company determines that a derivative instrument is no longer highly effective as a hedge, it discontinues hedge accounting prospectively and future changes in the fair value of the derivative are recognized in current earnings. The Company assesses hedge effectiveness at the end of each quarter.

In accordance with SFAS No. 133, changes in the fair value of derivative instruments that are cash flows hedges are recognized in accumulated other comprehensive income (loss) and reclassified into earnings in the period in which the hedged item affects earnings. Ineffective portions of a derivative instrument's change in fair value are immediately recognized in earnings. Derivative instruments that do not qualify, or cease to qualify, as hedges must be adjusted to fair value and the adjustments are recorded through net income (loss).

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

Advertising

The Company expenses advertising costs as incurred. Advertising expense was approximately $148 thousand, $81 thousand and $310 thousand for the years ended December 31, 2007, 2006 and 2005.

Product Warranties

The Company records, in other current liabilities, warranty liabilities for the estimated costs that may be incurred under its basic limited warranty. This warranty covers defective products, and related liabilities are accrued when product revenues are recognized. Factors that affect the Company's warranty liability include historical and anticipated rates of warranty claims and repair costs 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 when necessary.

Research and Development

Research and development costs are expensed as incurred and include wafer, masks, employee expense, contractor fees, building costs, utilities, and administrative expenses.

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 payments, 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

Effective January 1, 2006, the Company adopted the provisions of SFAS 123(R), *Share-Based Payment (revised 2004).* As the Company elected to use the modified prospective application method, no restatement was made to the consolidated statements of operations for prior periods. Under SFAS 123(R), unit-based compensation cost is measured at grant date, based on the fair value of the award, and is recognized as expense over the requisite service period. As permitted under SFAS No. 123(R), the Company elected to recognize compensation expense for all options with graded vesting based on the graded attribution method.

Prior to 2006, the Company accounted for its unit-based compensation using the intrinsic value method prescribed in Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees,* and provided the required pro forma disclosures of SFAS No. 123, *Accounting for Stock-Based Compensation.* As the exercise prices for all option grants were in excess of the fair value of the underlying units on the respective grant dates, no compensation cost was recorded for the year ended December 31, 2005.

Consistent with the valuation method for the disclosure-only provisions of FAS No. 123, the Company uses the Black-Scholes option pricing-model to measure the grant-date-fair-value of options. The Black-Scholes model requires certain assumptions to determine an option's fair value, including

expected term, risk free interest, expected volatility and fair value of underlying common unit. The expected term of each option grant was based on employees' expected exercises and post-vesting employment termination behavior and the risk free interest rate was based on the U.S. Treasury yield curve for the period corresponding with the expected term at the time of grant. The expected volatility was estimated using historical volatility of share prices of similar public entities. No dividends were assumed for this calculation of option value. The Company estimates the fair value of the underlying common unit because there is no public trading market for its common units.

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 to purchase common units and warrants to purchase common units. Diluted earnings per unit 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 operates a number of subsidiaries, which are subject to local income taxes in those markets.

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.

On January 1, 2007, the Company adopted the provisions of FASB issued interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109*, which prescribes a recognition threshold and measurement attribute for tax positions taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The evaluation of a tax position in accordance with this interpretation is a two-step process. In the first step, recognition, the Company determines whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The second step addresses measurement of a tax position that meets the more-likely-than-not criteria. The tax position is measured at the largest amount of benefit that has a likelihood of greater than 50 percent of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in (a) an increase in a liability for income taxes payable or a reduction of an income tax refund receivable, (b) a reduction in a deferred tax asset or an increase in a deferred tax liability or (c) both (a) and (b). Tax

positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be de-recognized in the first subsequent financial reporting period in which that threshold is no longer met. Use of a valuation allowance as described in FAS 109 is not an appropriate substitute for the de-recognition of a tax position. The requirement to assess the need for a valuation allowance for deferred tax assets based on sufficiency of future taxable income is unchanged by this interpretation.

Segment Information

The Company has determined, based on the nature of its operations and products offered to customers, that its reportable segments are Display Solutions, Imaging Solutions, and Semiconductor Manufacturing Services. The Display Solutions segment's primary products are flat panel display drivers and the Imaging Solutions segment's primary products are CMOS image sensors. The Semiconductor Manufacturing Service segment provides for wafer foundry services to clients. Net sales and gross profit for the "All other" category primarily relates to certain business activities that do not constitute operating or reportable segments.

The Company's chief operating decision maker ("CODM") as defined by SFAS 131, *Disclosure about Segments of an Enterprise and Related Information*, allocates resources to and assesses the performance of each segment using information about its revenue and gross profit. The Company does not identify or allocate assets by segments, nor does the CODM evaluate operating segments using discrete asset information. In addition, the Company does not allocate operating expenses, interest income or expense, other income or expense, or income tax expenses to the segments. Management does not evaluate segments based on these criteria.

Prior to 2006, the Company had a single reportable segment. In 2006, subsequent to the appointment of our new CODM, the Company changed the manner in which the CODM reviewed the Company's operational results and made significant business decisions to include disaggregated financial information of its three primary business units. Segment information for the year ended December 31, 2005 was prepared in conformity with the current segment structure.

Concentration of Credit Risk

The Company performs periodic credit evaluations of its 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 overseas subsidiaries in Asia, North America and Europe.

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards ("SFAS") No. 141 (revised 2007), "*Business Combinations*" ("FAS 141R"), which replaces FASB Statement No. 141. FAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. This Statement also establishes disclosure requirements which will enable users to evaluate

(Tabular dollars in thousands, except unit data)

the nature and financial effects of the business combination. FAS 141R is effective as of the beginning of an entity's fiscal year that begins after December 15, 2008. The Company is currently evaluating the potential impact, if any, of the adoption of FAS 141R on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in *Consolidated Financial Statement—amendments of ARB No. 51* ("FAS 160")." FAS 160 states that accounting and reporting for minority interests will be recharacterized as noncontrolling interests and classified as a component of equity. FAS 160 also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. FAS 160 applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. This Statement is effective as of the beginning of an entity's first fiscal year beginning after December 15, 2008. The Company is currently evaluating the potential impact, if any, of the adoption of FAS 160 on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities,*" which provides companies with an option to report selected financial assets and liabilities at fair value in an attempt to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. This Statement is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. The Company is currently evaluating the impact that the adoption may have on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements*." This Statement defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. SFAS 157 requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy, as defined and may be required to provide additional disclosures based on that hierarchy. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact that the adoption may have on its consolidated financial statements.

3. Accounts Receivable

Accounts receivable as of December 31, 2007 and 2006 consist of the following:

	December 31, 2007	December 31, 2006
Accounts receivable	$ 102,151	$ 65,203
Notes receivable	25,179	16,812
Less:		
Allowances for doubtful accounts	(1,367)	(1,418)
Cash return reserve	(914)	(1,450)
Low yield compensation reserve	(1,260)	(2,482)
Accounts receivable, net	$ 123,789	$ 76,665

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

Changes in allowance for doubtful accounts for each year are as follows:

	Years ended December 31,		
	2007	2006	2005
Beginning balance	$(1,418)	$ (617)	$(383)
Bad debt expense	(161)	(739)	(229)
Write off	208	—	—
Translation adjustments	4	(62)	(5)
Ending balance	$(1,367)	$(1,418)	$(617)

Changes in cash return reserve for each year are as follows:

	Years ended December 31,		
	2007	2006	2005
Beginning balance	$(1,450)	$(3,000)	$(2,156)
Addition to reserve	(2,509)	(2,100)	(8,131)
Payment made	3,040	3,862	7,351
Translation adjustments	5	(212)	(64)
Ending balance	$ (914)	$(1,450)	$(3,000)

Changes in low yield compensation reserve for each year are as follows:

	Years ended December 31,		
	2007	2006	2005
Beginning balance	$(2,482)	$(2,666)	$(2,911)
Addition to reserve	(1,307)	(4,117)	(4,747)
Payment made	2,523	4,520	5,059
Translation adjustments	6	(219)	(67)
Ending balance	$(1,260)	$(2,482)	$(2,666)

4. Inventories

Inventories as of December 31, 2007 and 2006 consist of the following:

	December 31, 2007	December 31, 2006
Finished goods	$ 19,557	$ 16,169
Semi-finished goods and work-in-process	56,877	39,492
Raw materials	7,498	11,774
Materials in-transit	555	2,063
Less: valuation allowances	(8,620)	(11,652)
Inventories, net	$ 75,867	$ 57,846

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

Changes in valuation allowances for each year are as follows:

	Years ended December 31,		
	2007	2006	2005
Beginning balance	$(11,652)	$ (7,612)	$(6,274)
Reversal of (addition to) reserve	1,101	(10,212)	(2,816)
Write off	1,888	6,868	1,627
Translation adjustments	43	(696)	(149)
Ending balance	$ (8,620)	$(11,652)	$(7,612)

5. Property, Plant and Equipment

Property, plant and equipment as of December 31, 2007 and 2006 are comprised of the following:

	December 31, 2007	December 31, 2006
Buildings and related structures	$ 150,951	$ 162,383
Machinery and equipment	429,259	369,683
Vehicles and others	54,556	42,772
	634,766	574,838
Less: accumulated depreciation	(367,501)	(252,814)
Land	12,404	12,481
Construction in-progress	—	1,774
Property, plant and equipment, net	$ 279,669	$ 336,279

Aggregate depreciation expenses totaled $129,871 thousand, $153,245 thousand and $157,678 thousand for the years ended December 31, 2007, 2006 and 2005, respectively. In addition, capitalized interest costs totaled $0, $64 thousand and $144 thousand for the years ended December 31, 2007, 2006 and 2005, respectively.

Property, plant and equipment are pledged as collateral for our senior secured revolving credit facility and our Second Priority Senior Secured Notes to a maximum of $780 million as of December 31, 2007 and 2006.

6. Intangible assets

Intangible assets at December 31, 2007 and 2006 are as follows:

	December 31, 2007	December 31, 2006
Technology	$ 21,157	$ 21,289
Customer relationships	169,300	170,209
Goodwill	14,245	15,095
Intellectual property assets	9,320	9,742
Less: accumulated amortization	(109,297)	(76,606)
Intangible assets, net	$ 104,725	$ 139,729

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

On March 6, 2005, the Company acquired ISRON Corporation for cash consideration of $16,158 thousand. In connection with this acquisition, the Company recorded $8,000 thousand in technology, $5,310 thousand in customer relationships and $14,245 thousand in goodwill, respectively.

Aggregate amortization expenses for intangible assets totaled $33,564 thousand, $35,315 thousand and $45,251 thousand for the years ended December 31, 2007, 2006 and 2005, respectively. The estimated aggregate amortization expense of intangible assets for the next five years is $27,161 thousand in 2008, $18,324 thousand in 2009, $16,723 thousand in 2010, $13,964 thousand in 2011 and $10,499 thousand in 2012.

Intangible assets are pledged as collateral for our senior secured revolving credit facility and our Second Priority Senior Secured Notes as of December 31, 2007 and 2006.

7. Product Warranties

Changes in accrued warranty liabilities for each year are as follows:

	Years ended December 31,		
	2007	2006	2005
Beginning balance	$ 112	$1,036	$ 1,448
Addition to warranty reserve	586	(340)	1,362
Payments made	(486)	(647)	(1,804)
Translation adjustments	(1)	63	30
Ending balance	$ 211	$ 112	$ 1,036

8. Short-term Borrowings

On December 23, 2004, the Company and its subsidiaries, including MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, entered into a senior credit agreement with a syndicate of banks, financial institutions and other entities providing for a $100 million senior secured revolving credit facility. Interest is charged at current rates when drawn upon.

Presently, borrowings under the credit agreement bear interest equal to the 3-month London Inter-bank Offering Rate (“LIBOR”) plus 4.75% or Alternate Base Rate (“ABR”) plus 3.75%. Additionally, the Company is required to pay the administrative agent for the account of each lender a commitment fee equal to 0.5% on the average daily unused amount of the commitment of each lender during the period from December 23, 2004 to one day before the termination date of such commitments. As of December 31, 2007 and 2006, the Company had borrowed $80,000 thousand and $0 under this credit agreement, respectively.

Borrowings under the senior secured credit facility are subject to significant conditions, including compliance with financial ratios and other covenants and obligations.

On March 26, 2007, the Company entered into the Sixth Amendment to Credit Agreement, dated as of March 26, 2007 (the “Sixth Amendment”), with MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, the Subsidiary Guarantors party thereto, the Lenders party thereto, and the Agent. Under the Sixth Amendment, among other things, the existing financial

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

covenants set forth in Section 6.10 of the Credit Agreement were revised to provide that authorized but unspent capital expenditures in a calendar quarter during 2007 carry over to increase the authorized limit on capital expenditures in successive quarters.

On June 28, 2007, the Company entered into the Seventh Amendment to Credit Agreement, dated as of June 28, 2007 (the "Seventh Amendment"), with MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, the Subsidiary Guarantors party thereto, the Lenders party thereto, and UBS AG, Stamford Branch, as administrative agent and collateral agent. Under the Seventh Amendment, among other things, the use of proceeds provision under Section 3.12 of the Credit Agreement was revised to provide increased flexibility for MagnaChip Semiconductor S.A. to use proceeds of any borrowing under the Credit Agreement.

On September 28, 2007, the Company entered into the Eighth Amendment to Credit Agreement, dated as of September 28, 2007 (the "Eighth Amendment"), with MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, the Subsidiary Guarantors party thereto, the Lenders party thereto, and UBS AG, Stamford Branch, as administrative agent and collateral agent. Under the Eighth Amendment, among other things, the financial covenants regarding total leverage, interest coverage, capital expenditure limitations and minimum levels of EBITDA and liquidity were modified. In addition, the monthly requirement of the obligors to provide certain financial and other reports to the lenders were modified.

On November 13, 2007, the Company entered into the Ninth Amendment and Waiver to Credit Agreement, dated as of November 13, 2007 (the "Ninth Amendment"), with MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, the Subsidiary Guarantors party thereto, the Lenders party thereto, and UBS AG, Stamford Branch, as administrative agent and collateral agent. Under the Ninth Amendment, the lenders under the senior secured credit facility waived certain provisions of the credit agreement to permit us to consummate the corporate reorganization and this offering, and to use the proceeds from the offering as described in this prospectus. Pursuant to the Ninth Amendment, the Company will become a guarantor, and grant a security interest with respect to the obligations, under the senior secured credit facility upon the consummation of the corporate reorganization, and the credit agreement will be amended effective as of the corporate reorganization to provide for such guarantee and the grant of such security interest.

Details of short-term borrowings as of December 31, 2007 are presented as below:

	Maturity	Annual interest rate (%)	Amount of principal
Euro dollar Revolving Loan	2008-1-22 ~2008-1-28	3 month LIBOR + 4.75	$ 30,000
ABR Revolving Loan	2008-1-2 ~ 2008-3-31	ABR + 3.75	50,000
			$ 80,000

9. Long-Term Borrowings

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

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

6 7/8% Second Priority Senior Secured Notes. At the same time, such subsidiaries issued $250 million aggregate principal amount of 8% Senior Subordinated Notes.

Details of long-term borrowings as of December 31, 2007 and 2006 are presented as below:

	Maturity	Annual interest rate (%)	Amount of principal
Floating Rate Second Priority Senior Secured Notes	2011	3 month LIBOR + 3.250	$ 300,000
6 7/8% Second Priority Senior Secured Notes	2011	6.875	200,000
8% Senior Subordinated Notes	2014	8.000	250,000
			$ 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. These notes will be paid in full upon maturity.

Each indenture governing the notes contains covenants that limit the ability of the Company 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 the Company by its subsidiaries, and (vii) sell all or substantially all of its assets or merge with or into other companies.

As of December 31, 2007, the Company and all of its subsidiaries except for MagnaChip Semiconductor (Shanghai) Company Limited have jointly and severally guaranteed each series of the Second Priority Senior Secured Notes on a second priority senior secured basis. As of December 31, 2007, the Company and all of its subsidiaries except for MagnaChip Semiconductor Ltd. (Korea) and MagnaChip Semiconductor (Shanghai) Company Limited have jointly and severally guaranteed the Senior Subordinated Notes on an unsecured, senior subordinated basis. In addition, the Company and each of its current and future direct and indirect subsidiaries (subject to certain exceptions) will be guarantors of Second Priority Senior Secured Notes and Senior Subordinated Notes.

In connection with the issuance of the notes and obtaining of the credit facility, the Company capitalized certain costs and fees, which are being amortized using the effective interest method or straight-line method over their respective terms, 2009 to 2014. Amortization costs, which were included in interest expense in the accompanying statements of operations, amounted to $3,919 thousand, $3,701 thousand and $3,432 thousand for the years ended December 31, 2007, 2006 and 2005, respectively. The remaining capitalized costs as of December 31, 2007, 2006 and 2005 were $17,917 thousand, $21,860 thousand and $25,113 thousand, respectively.

Interest Rate Swap

Effective June 27, 2005, the Company entered into an interest rate swap agreement (the “Swap”) to hedge the effect of the volatility of the 3-month London Inter-Bank Offering Rate (“LIBOR”) resulting from the Company’s $300 million of Floating Rate Second Priority Senior Secured Notes (the “Notes”). Under the terms of the Swap, the Company receives a variable interest rate equal to the three-month LIBOR rate plus 3.25%. In exchange, the Company pays interest at a fixed rate of 7.34%. The Swap

(Tabular dollars in thousands, except unit data)

effectively replaces the variable interest rate on the notes with a fixed interest rate through the expiration date of the Swap on June 15, 2008.

The Swap qualifies as a cash flow hedge under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, since at both the inception of the hedge and on an ongoing basis, the hedging relationship was and is expected to be highly effective in achieving offsetting cash flows attributable to the hedged risk during the term of the hedge. The Company is utilizing the "hypothetical derivative method" to measure the effectiveness by comparing the changes in value of the actual derivative versus the change in fair value of the "hypothetical derivative." Under this methodology, the actual swap was effective when compared to the hypothetical hedge, and there was no hedge ineffectiveness for the years ended December 31, 2007, 2006 and 2005.

The fair value of the Swap was estimated applying a discounted cash flow model using expected net cash flows from the fixed interest outflows and variable interest inflows during the term of the Swap. The resulting $992 thousand of the derivative asset and $4,521 thousand of derivative asset were recorded as current assets as of December 31, 2007 and non-current assets as of December 31, 2006, respectively, in the accompanying consolidated financial statements. Changes in fair value of the Swap are recorded under other comprehensive income in the accompanying condensed consolidated financial statements. The Company recorded decreases in the fair value of $3,477 thousand and $193 thousand and an increase in the fair value of $4,534 thousand for the years ended December 31, 2007, 2006 and 2005, respectively. The Company recognized interest income of $4,005 thousand, interest expense of $2,944 thousand and interest expense of $550 thousand for the years ended December 31, 2007, 2006 and 2005, respectively, which represents the differences between fixed and variable rates.

10. Accrued Severance Benefits

Changes in accrued severance benefits for each year are as follows:

	Years ended December 31,		
	2007	2006	2005
Beginning balance	$64,642	$56,967	$ 52,925
Provisions	18,834	11,497	16,583
Transferred from acquired company	—	—	196
Severance payments	(7,151)	(8,589)	(13,831)
Translation adjustments	(456)	4,767	1,094
	75,869	64,642	56,967
Less: Cumulative contributions to the National Pension Fund	(784)	(867)	(900)
Group severance insurance plan	(909)	(939)	(943)
	$74,176	$62,836	$ 55,124

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

The severance benefits are funded approximately 2.23%, 2.79% and 3.24% as of December 31, 2007, 2006 and 2005, respectively, through severance insurance deposits for the 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 ages:

	Severance benefit
2008	$ —
2009	70
2010	223
2011	81
2012	159
2013 – 2017	5,144

The above amounts were determined based on the employees' current salary rates and the number of service years that will be accumulated upon their retirement dates. These amounts do not include amounts that might be paid to employees that will cease working with the Company before their normal retirement ages.

11. Redeemable Convertible Preferred Unit

The Company issued 49,727 units as Series A redeemable convertible preferred unit (the "Series A") and 447,420 units as Series B redeemable convertible preferred unit (the "Series B") on September 23, 2004 and additionally issued 364 units of Series A and 3,272 units of Series B on November 30, 2004, respectively. Each Series A and Series B unit has a stated value of $1,000 per unit. As the Series A and B units are redeemable at the option of the holders, the Company classified the Series A and B units outside of permanent equity. All of Series A were redeemed by cash on December 27, 2004 and parts of Series B were redeemed by cash on December 15, 2004 and December 27, 2004.

Changes in Series B for the years ended December 31, 2007, 2006 and 2005 are as follows:

	Years ended December 31,					
	2007		2006		2005	
	Units	Amount	Units	Amount	Units	Amount
- Series B						
Beginning of year	93,997	$ 117,374	93,997	$ 106,462	93,997	$ 96,534
Accrual of preferred dividends	—	12,031	—	10,912	—	9,928
End of year	93,997	$ 129,405	93,997	$ 117,374	93,997	$ 106,462

The Series B were issued to the original purchasers of the Company in 2004. Holders of Series B 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 10% per unit per annum on the Series B original issue price, compounded semi-annually.

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

Conversion

The outstanding 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 the Company at the Company's option or the holder's option based on a formula, represented by the conversion ratio. The conversion ratio for the Series 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 the Company's first public offering of equity securities.

Dividends

Holders of Series B 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 10% per unit per annum on the Series B original issue price, compounded semi-annually. Such dividends are payable in semi-annual installments in arrears commencing March 15, 2005.

Liquidation

In the event of liquidation, the holders of Series B are entitled to receive after all creditors of the Company have been paid in full but before any amounts are paid to the holders of any units ranking junior to the Series B with respect to dividends or upon liquidation (including the common units), out of the assets of the Company legally available for distribution to its members, whether from capital, surplus or earnings, an amount equal to the Series B original issue price in cash per unit plus an amount equal to full cumulative dividends accrued and unpaid thereon to the date of final distribution, and no more. If the net assets of the Company are insufficient to pay the holders of all outstanding Series B and of any units ranking on a parity with the Series B, 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 and any units ranking on a parity with the Series B in accordance with the amounts which would be payable on such distribution if the amount to which the holders of the Series B and any units ranking on a parity with the Series B are entitled were paid in full.

Voting

As provided in Company Operating Agreement, the holders of Series B shall not be entitled to vote on any matter submitted to a vote of the Members, and not be entitled to notice of any meeting of Members.

Redemption

If any outstanding Series B remain outstanding on the 14th anniversary after issuance of the Series B, then the holders of a majority of the then outstanding Series B shall have the right to elect to have the Company redeem all outstanding Series B 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 B may be redeemed from funds legally available, 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 of $1,000 per unit plus any cumulative dividends accrued and unpaid.

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

12. Warrant

In connection with the Original Acquisition, the Company issued a warrant, which is recorded as additional paid in capital, to Hynix, which enables Hynix to purchase 5,079,254 common units of the Company. The value of each warrant to purchase one common unit 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 expired unexercised in accordance with its terms on October 6, 2006.

13. Equity Incentive Plans

The Company adopted two equity incentive plans effective October 6, 2004 and March 21, 2005, respectively, which are administered by the Compensation Committee designated by the board of directors. Employees, consultants and non-employee directors are eligible for the grant of options to purchase the Company's common units or restricted common units subject to terms and conditions determined by the Committee. The term of options in no event exceed ten years from the date of grant. As of December 31, 2007, an aggregate maximum of 7,890,864 common units were authorized and reserved for all future and outstanding grants of options.

Unit options are generally granted with exercise prices of no less than the fair market value of the Company's common units on the grant date. Generally, options vest and become exercisable in periodic installments, with 25% of the options vesting on the first anniversary of the grant date and 6.25% of options vesting on the last day of each calendar quarter thereafter. In most cases, the requisite service period, or the period during which a grantee is required to provide service in exchange for option grants, coincides with the vesting period.

Upon the termination of a unit option grantee's employment prior to a public offering, the Company shall have the right to repurchase all or any of the common units acquired by the grantee upon exercise of any of his or her options for a cash payment equal to the fair market value of such common units on the date of repurchase. The Company's repurchase right shall terminate ninety days after the termination date.

During the three months ended December 31, 2004, restricted units were issued upon the exercise of certain options to purchase restricted common units at the exercise price of $1 per unit. Restricted units issued are subject to restrictions which generally lapse in installments over a four-year period. Under the terms and conditions of these restricted common units, the restricted units are subject to forfeiture upon the termination of the restricted unitholder's employment with the Company. Upon termination, the Company may repurchase all, or any portion of the restricted common units for either $1.00 per unit (the exercise price) or the fair market value of the restricted common units at the time of repurchase. If the termination is for Cause, as defined in the Service Agreements entered into with each restricted unitholder, the repurchase price per unit will be $1. However, if the termination is for any other reason, then the Company may repurchase all or any portion of the restricted common units for which the restricted period has not lapsed as of the date of termination for a repurchase price per unit of $1, and may repurchase all or any portion of the restricted common units for which the restricted period has lapsed as of the date of termination for a repurchase price per unit equal to fair market value. Termination for "Cause" is defined in the Service Agreements to mean a termination of the restricted unitholder's employment with the Company because of (a) a failure by the restricted

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

unitholder to substantially perform the restricted unitholder's customary duties with the Company in the ordinary course (other than in certain specified circumstances); (b) the restricted unitholder's gross negligence, intentional misconduct or fraud in the performance of his or her employment; (c) the restricted unitholder's indictment for a felony or to a crime involving fraud or dishonesty; (d) a judicial determination that the restricted unitholder committed fraud or dishonesty against any person or entity; or (e) the restricted unitholder's material violation of one or more of the Company's policies applicable to the restricted unitholder's employment as may be in effect from time to time. Prior to the adoption of SFAS 123(R), the Company accounted for its unit awards under Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees.* Using the intrinsic value method prescribed by APB 25, the Company did not record any compensation expense because the fair market value of the common unit underlying the options was below the exercise price of the options on the date of grant. Upon the adoption of FAS 123(R), the compensation costs relating to the unvested units are expensed over the remaining requisite service period.

The following summarizes unit option and restricted unit activities for the years ended December 31, 2007 and 2006. At the date of grant, all options had an exercise price at or above the fair value of common units:

	Number of restricted units	Number of options	Weighted average exercise price of unit options (in US dollars)	Aggregate intrinsic value of unit options	Weighted average remaining contractual life of unit options
Outstanding at January 1, 2006	1,726,062	3,780,643	1.6		
Granted	—	2,107,500	1.6		
Exercised	—	46,063	1.9	—	
Forfeited / Repurchased	409,348	772,552	1.5		
Released from restriction	694,747	—	N/A		
Outstanding at December 31, 2006	621,967	5,069,528	1.6	35	8.6 years
Vested and expected to vest at December 31, 2006	N/A	4,388,110	1.6	31	8.5 years
Exercisable at December 31, 2006	N/A	1,588,000	1.6	19	7.9 years
Outstanding at January 1, 2007	621,967	5,069,528	1.6		
Granted	—	710,000	3.5		
Exercised	—	124,938	1.2	19	
Forfeited / Repurchased	—	737,750	1.8		
Released from restriction	353,624	—	N/A		
Outstanding at December 31, 2007	268,343	4,916,840	1.9	11,019	7.9 years
Vested and expected to vest at December 31, 2007	N/A	4,444,627	1.8	10,114	7.8 years
Exercisable at December 31, 2007	N/A	2,541,944	1.6	6,318	7.3 years

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

Total compensation expense recorded for the restricted units and unit options pursuant to SFAS No. 123(R) for the years ended December 31, 2007 and 2006 were $604 thousand and $243 thousand, respectively. As of December 31, 2007 and 2006, there were $457 thousand and $701 thousand, respectively, of total unrecognized compensation cost related to unvested restricted units and unit options, which are expected to be recognized over a weighted average future period of 1.2 years and 1.2 years, respectively. Total fair value of restricted units released from restriction for the years ended December 31, 2007 and 2006 are $164 thousand and $459 thousand, respectively. Total fair value of options vested for the years ended December 31, 2007 and 2006 are $316 thousand and $167 thousand, respectively.

The Company utilizes the Black-Scholes option-pricing model to measure the fair value of each option grant. The following summarizes the grant-date fair value of options granted during the specified periods and assumptions used in the Black-Scholes option-pricing model on a weighted average basis:

	Years ended December 31		
	2007	2006	2005
Grant-date fair value of option (in US dollars)	$ 0.67	$ 0.22	$ 0.22
Expected term	2.1 Years	2.3 Years	2.1 Years
Risk-free interest rate	4.4%	4.9%	3.3%
Expected volatility	46.6%	46.7%	57.8%
Expected dividends	—	—	—

The total cash received from employees as a result of option exercises was $151 thousand, $88 thousand and $112 thousand for the years ended December 31, 2007, 2006 and 2005, respectively.

The following presents pro forma net loss and per unit data as if the fair value based method had been applied to account for the unit-based compensation for the year ended December 31, 2005:

	Year ended December 31, 2005
Net income (loss), as reported	$ (100,898)
Dividends accrued on preferred units	9,928
Net income (loss) attributable to common units	(110,826)
Add: unit-based compensation expense included in reported net income (loss), net of tax	—
Deduct: unit-based compensation expense determined under the fair value method, net of tax	(411)
Pro forma net income (loss)	$ (111,237)
As reported income (loss) per unit	$ (2.10)
Pro forma income (loss) per unit	$ (2.10)

14. Restructuring and Impairment Charges

2007 Restructuring and Impairment Charges

During the year ended December 31, 2007, the Company recorded restructuring and impairment charges totaling $12,084 thousand, which included $10,106 thousand of impairment charges under

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

SFAS No. 144, *Accounting for the Impairment or Disposal of Long Lived Assets* ("SFAS No. 144"), and $1,978 thousand of restructuring charges and SFAS 146, *Accounting for Cost Associated with Exit of Disposal Activities* ("SFAS No. 146"). The Impairment charges and restructuring charges were recorded related to the closure of one of the Company's five-inch wafer fabrication facilities (the "asset group") that has generated losses and no longer supported the Company's strategic technology roadmap.

SFAS No. 144 requires the Company to evaluate the recoverability of certain long-lived assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The net book value of the asset group before the impairment charges as of July 1, 2007 was approximately $10,228 thousand.

The impairment charge was measured as an excess of the carrying value of the asset group over its fair value. The fair value of the asset group was estimated using a present value technique, where expected future cash flows from the use and eventual disposal of the asset group were discounted by an interest rate commensurate with the risk of the cash flows.

The restructuring charges were related to the decision to close the Company's five-inch wafer fabrication facility.

2006 Restructuring and Impairment Charges

During the year ended December 31, 2006, the Company recorded restructuring and impairment charges totaling $94,266 thousand, which included $92,858 thousand of impairment charges under SFAS 144 and $1,408 thousand of restructuring charges under SFAS 146.

The impairment charges of $92,540 thousand recorded during 2006 related to certain fixed assets and technology and customer-based intangible asset (the "asset group") comprising our Imaging Solution business. At the end of fiscal year 2005, the capacity utilization of the fabrication facility was under the level that we believe to be normal. This was primarily due to a transition in product mix coupled with a seasonal decrease in market demand, which was deemed to be temporary and recoverable. However, in 2006, our management determined, based on revised forecasting, that the projected demand for certain of its products was significantly less than previously forecasted and that this decline was not temporary or seasonal. Therefore, we assessed whether there had been a material impairment on the asset group pursuant to SFAS 144 and, based on the assessment, recorded impairment charges.

The impairment charge was measured as the excess of the carrying value of the asset group over its fair value. The fair value of the asset group was estimated using a present value technique, where expected future cash flows from the use and eventual disposal of the asset group were discounted by an interest rate commensurate with the risk of the cash flows. The net book value of the asset group before the impairment charges was approximately $185,985 thousand.

In addition, the Company recorded an impairment charges in the amount of $318 thousand related to the disposition of certain assets previously designated as assets held-for-sale and $1,408 thousand of restructuring charges in connection with the termination of certain of our management and employees.

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

2005 Restructuring and Impairment Charges

During the year ended December 31, 2005, the Company recorded $36,234 thousand of restructuring and impairment charges which included $33,576 thousand of asset impairments and $2,658 thousand of restructuring.

In an effort to focus on its major business segments—Display Solutions, Imaging Solutions and Semiconductor Manufacturing Services, the Company made a strategic decision to divest its Application Processor business. Based on this decision, the Company recognized impairment charges on certain tangible and intangible assets related to the divesture. The impairment charge was measured as the excess of the carrying value of the asset group over the fair value measured at the selling price of the assets.

In addition, the Company took a total of $2,658 thousand of restructuring charges which included early retirement costs and other related costs associated with the sale of Application Processor business.

15. Income Tax Expenses

The Company's income tax expenses are composed of domestic and foreign income taxes depending on the relevant tax jurisdiction. "Domestic" refers to the income before taxes, current income taxes and deferred income taxes generated or incurred in the United States, where the ultimate parent of the Company resides.

The components of income tax expense are as follows:

	Years ended December 31,		
	2007	2006	2005
Income before income taxes			
Domestic	$ 1,184	$ 5,862	$ (3,528)
Foreign	(172,595)	(225,914)	(95,554)
	$(171,411)	$(220,052)	$(99,082)
Current income taxes expense (benefits)			
Domestic	$ 533	$ (17)	$ (9)
Foreign	8,104	7,226	14,041
FIN 48 liability (foreign)	163	—	—
	8,800	7,209	14,032
Deferred income taxes expense (benefits)			
Domestic	—	—	—
Foreign	339	2,049	(12,216)
	339	2,049	(12,216)
Total income tax expenses	$ 9,139	$ 9,258	$ 1,816

The ultimate parent of the Company is a limited liability company, a non-taxable entity for US tax purposes and thus the statutory income tax rate is expected to be zero. A substantial portion of the

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

income tax expenses above is incurred from MagnaChip Korea, which is the principal operating entity within the Company. The statutory income tax rate of MagnaChip Korea, including tax surcharges, applicable to the Company was approximately 27.5% in 2007 and 2006. MagnaChip Korea is eligible for tax exemption where its corporate income tax is reduced by 50% from 2004 to 2006 and 30% from 2007 to 2008.

The provision for domestic and foreign income taxes incurred is different from the amount calculated by applying the statutory tax rate to the net income before income taxes. The significant items causing this difference are as follows:

	Years ended December 31,		
	2007	2006	2005
Provision computed at statutory rate	$ —	$ —	$ —
Permanent differences	5,134	1,850	(521)
Change in statutory tax rate	(18,242)	13,035	1,256
Adjustment for overseas tax rate	(44,929)	(58,493)	(27,745)
Change in valuation allowance	67,013	52,866	28,826
FIN 48 liability	163	—	—
Total statutory income taxes	$ 9,139	$ 9,258	$ 1,816

A summary of the composition of net deferred income tax assets (liabilities) at December 31, 2007 and 2006 are as follows:

	December 31, 2007	December 31, 2006
Deferred tax assets		
Inventories	$ 3,679	$ 7,587
Accrued expenses	1,833	1,030
Product warranties	248	321
Other reserves	399	575
Severance benefits	13,040	7,802
Property, plant and equipments	28,413	34,712
NOL carry-forwards	114,408	46,537
Tax credit	18,564	15,752
Royalty income	9,500	10,163
Others	699	815
Total deferred tax assets	190,783	125,294
Less: valuation allowance	(165,977)	(100,016)
	24,806	25,278
Deferred tax liabilities		
Foreign currency gain	438	—
Debt issuance cost	95	63
Intangible assets	14,445	15,048
Total deferred tax liabilities	14,978	15,111
Net deferred tax assets	$ 9,828	$ 10,167

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

Changes in valuation allowance for deferred tax assets for the years ended December 31, 2007 and 2006 are as follows:

	December 31, 2007	December 31, 2006
Beginning balance	$ 100,016	$ 42,695
Charge to expenses	67,013	52,866
Translation adjustment	(1,052)	4,455
Ending balance	$ 165,977	$ 100,016

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 accounting and tax losses, management determined that it was more likely than not, that the Company would realize benefits related to its deferred tax assets in the amount of $9,828 thousand as of December 31, 2007 and $10,167 thousand as of December 31, 2006. Accordingly, the Company recorded a valuation allowance of $165,977 thousand and $100,016 thousand on its net deferred tax assets for 2007 and 2006, respectively.

At December 31, 2007, the Company had approximately $421,349 thousand of net operating loss carry-forwards available to offset future taxable income, which expires in varying amounts starting from 2011 to 2025. The majority of net operating loss is related to MagnaChip Korea. The Company also has Korean and Dutch tax credit carry-forwards of approximately $10,357 thousand and $8,207 thousand, respectively. The Korean tax credits expire at various dates starting from 2011 to 2013, and the Dutch credits are carried forward to be used for an indefinite period of time.

Uncertainty in Income Taxes

The Company's subsidiaries file income tax returns in Korea, Japan, Taiwan, U.S. and various other jurisdictions. The Company is subject to income tax examinations by tax authorities of these jurisdictions for all years since the beginning of its operation in October 2004.

The Company adopted the provisions of FASB Interpretation ("FIN") No. 48, *Accounting for Uncertainty in Income Taxes*—an interpretation of SFAS No. 109, on January 1, 2007. As a result of the implementation of FIN No. 48, the Company recognized $1,554 thousand of liabilities for unrecognized tax benefits, which are related to the temporary difference arising from the timing of expensing certain inventories. Such liabilities were accounted for as an increase to the January 1, 2007 balance of accumulated deficits. As of December 31, 2007, the Company recorded $1,724 thousand of liabilities for unrecognized tax benefits.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits as income tax expenses. The Company recognized $163 thousand of interest and penalties as income tax expense for the year ended December 31, 2007. Total interest and penalties accrued as of December 31, 2007 and as of the FIN No. 48 adoption date were $694 thousand and $530 thousand, respectively.

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

A tabular reconciliation of the total amounts of unrecognized tax benefits at the beginning and end of the year ended December 31, 2007 is as follows:

	Year ended December 31, 2007
Unrecognized tax benefits, balance at January 1, 2007	$ 2,299
Additions based on tax positions related to the current year	—
Additions for tax positions of prior years	475
Reductions for tax positions of prior years	(1,197)
Settlements	—
Lapse of statute of limitations	—
Translation adjustment	16
Unrecognized tax benefits, balance at December 31, 2007	$ 1,593

16. Geographic and Segment Information

The following sets forth information relating to the reportable segments:

	Years ended December 31,		
	2007	2006	2005
Net Sales			
Display Solutions	$ 331,684	$ 273,656	$ 326,027
Imaging Solutions	82,848	60,479	163,326
Semiconductor Manufacturing Services	321,034	342,416	345,437
All other	56,790	67,802	102,866
Total segment net sales	$ 792,356	$ 744,353	$ 937,656
Gross Profit			
Display Solutions	$ 41,524	$ 35,603	$ 66,534
Imaging Solutions	6,918	(4,008)	25,423
Semiconductor Manufacturing Services	67,127	45,712	110,389
All other	22,000	22,134	6,311
Total segment gross profit	$ 137,569	$ 99,441	$ 208,657

The following is a summary of net sales by region, based on the location of the customer:

	Years ended December 31,		
	2007	2006	2005
Korea	$ 447,059	$ 413,670	$ 512,366
Asia Pacific	193,787	172,981	251,173
Japan	72,845	78,321	97,841
North America	58,506	62,357	56,907
Europe	20,159	17,024	19,369
	$ 792,356	$ 744,353	$ 937,656

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

Over 99% of the Company's property, plant and equipment are located in Korea as of December 31, 2007.

Net sales from the Company's top ten largest customers accounted for 59%, 66% and 63%, for the years ended December 31, 2007, 2006 and 2005, respectively.

The Company recorded $182.6 million, $193.1 million and $216.5 million of sales to one customer within its Display Solutions segment, which represents greater than 10% of net sales, for the years ended December 31, 2007, 2006 and 2005, respectively.

17. Commitments and Contingencies

Operating Agreements with Hynix

In connection with the Original Acquisition, the Company entered into several definitive agreements with Hynix regarding key materials, campus facilities, research and development equipment and information technology, factory automation, wafer foundry services, and a non-exclusive cross license that provides the Company with access to certain of Hynix's intellectual property for use in the manufacture and sale of non-memory semiconductor products. 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 date of the Original Acquisition. The obligation to provide certain services lasts indefinitely.

Upon the closing of the Original Acquisition, MagnaChip Korea and Hynix also entered into lease agreements under which MagnaChip Korea leases from Hynix (i) certain exclusive-use space plus common- and joint-use space in several buildings, primarily warehouses and utility facilities, in Cheongju, Korea. These leases are generally for an initial term of 20 years plus an indefinite number of renewal terms of 10 years each. Each of the leases is cancelable upon 90 days' notice by the lessee. The Company also leased 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.

Operating Leases

The Company leases land, office building and equipment under various operating lease agreements that expire through 2034. Rental expenses were approximately $11,614 thousand, $12,008 thousand and $13,913 thousand for the years ended December 31, 2007, 2006 and 2005, respectively.

As of December 31, 2007, the minimum aggregate rental payments due under non-cancelable lease contracts are as follows:

2008	$11,237
2009	11,245
2010	11,246
2011	11,248
2012	11,249
	$56,225

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

Advisory Agreements

Advisory agreements were entered into as of October 6, 2004 by and between the Company and each of the advisors, including Court Square Advisor, LLC (successor in interest to CVC Management LLC) ("Court Square"), CVC Capital Partners Asia Limited ("CVC Capital") and Francisco Partners Management LLC ("Francisco Partners"). The Company is to pay each of Court Square and Francisco Partners an annual advisory fee the amount of which shall be the greater of $1,379,163 per annum or 0.14777% per annum of annual consolidated revenue, and is also to pay CVC Capital an annual advisory fee the amount of which shall be the greater of $741,673 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 year ended December 31, 2005, the Company accrued $3,545 thousand of accrued expenses under these agreements, which is included in selling, general and administrative expenses in the accompanying consolidated financial statements. During the year ended December 31, 2006, due to lower financial performances, the advisors agreed to waive the advisory fee and, therefore, the Company did not accrue any expenses. Effective June 30, 2007, the parties to the advisory agreements entered into the First Amendment to Advisory Agreement pursuant to which, upon a firmly underwritten public offering of common equity of the Company with net proceeds of $50 million or more, the Company must pay a termination fee to the advisors in the amount of all advisory fees not paid under the advisory agreements plus the net present value of all advisory fees that would have been payable through October 6, 2014 had the advisory agreements not been amended.

Undrawn line of credit

The undrawn portion of the new senior secured credit line was $4,531 thousand, $93,792 thousand and $82,956 thousand as of December 31, 2007, 2006, and 2005, respectively.

Payments of Guarantee

As of December 31, 2007 and 2006, the Company has provided guarantees for bank loans that employees borrowed to participate in the issuance of new shares of Hynix in 1999. The outstanding balances of guarantees for payments provided by the Company amounted to approximately $228 thousand and $248 thousand as of December 31, 2007 and 2006, respectively.

IPO Incentives

The Company has committed to its employees that it will pay an IPO incentive to all employees, other than senior vice presidents and above, who are employed by the Company at the closing date of the Company's initial public offering. The incentive is estimated to be $30 million.

18. Related Party Transactions

Funds related to Court Square, Francisco Partners and CVC Capital own 34.0%, 34.0% and 18.3%, respectively, of the common units, and 35.9%, 35.9% and 19.3%, respectively, of the Series B units outstanding at December 31, 2007.

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

Transactions between the Company and its related parties for each year are as follows:

	Years ended December 31,		
	2007	2006	2005
Advisory Fee			
Court Square	$—	$—	$1,397
Francisco Partners	—	—	1,397
CVC Capital	—	—	751
Total	$—	$—	$3,545

Loans to employees as of December 31, 2007 and 2006 are as follows:

	December 31, 2007	December 31, 2006
Short-term loans	$ 37	$ 54
Long-term loans	386	434
Total	$ 423	$ 488

In November 2006, the Company's Chief Executive Officer and Chairman, purchased in the open market $69 thousand aggregate principal amount of the Company's 8% senior subordinated notes due 2014, and the Company's President and Chief Financial Officer and a director, purchased in the open market $138 thousand aggregate principal amount of the 8% notes. Additionally, Paul C. Schorr IV, a director, purchased $175 thousand in aggregate principal amount of the 8% notes in the open market in February 2007 and an additional $280 thousand in aggregate principal amount of the 8% notes in August 2007.

19. Earnings per Unit

The following table illustrates the computation of basic and diluted loss per common unit:

	Years ended December 31,		
	2007	2006	2005
Net income (loss)	$ (180,550)	$ (229,310)	$ (100,898)
Dividends to preferred unitholders	(12,031)	(10,912)	(9,928)
Net income (loss) attributable to common units	$ (192,581)	$ (240,222)	$ (110,826)
Weighted-average common units outstanding	52,297,192	52,911,734	52,898,497
Basic and diluted income (loss) per unit	$ (3.68)	$ (4.54)	$ (2.10)

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

The following outstanding redeemable convertible preferred unit issued, stock-options granted and warrants issued were excluded from the computation of diluted loss per unit as they would have an anti-dilutive effects on the calculation:

	December 31, 2007	December 31, 2006	December 31, 2005
Redeemable convertible preferred units	93,997	93,997	93,997
Options	4,916,840	5,069,528	3,780,643
Warrants	—	—	5,079,254

20. Condensed Consolidating Financial Statements

The senior secured credit facility and Second Priority Senior Secured Notes are each fully and unconditionally guaranteed by the Company and all of its subsidiaries, except for MagnaChip Semiconductor (Shanghai) Company Limited. The Senior Subordinated Notes are fully and unconditionally guaranteed by the Company and all of its subsidiaries, except for MagnaChip Semiconductor, Ltd. (Korea) and MagnaChip Semiconductor (Shanghai) Company Limited. The Senior Subordinated Notes are structurally subordinated to the creditors of our principal manufacturing subsidiary, MagnaChip Semiconductor, Ltd. (Korea), which accounts for a majority of our net sales and substantially all of our assets.

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

Below are condensed consolidating balance sheets as of December 31, 2007 and 2006, condensed consolidating statements of operations and of cash flows for the years ended December 31, 2007, 2006 and 2005 of those entities that guarantee the Senior Subordinated Notes, those that do not, MagnaChip Semiconductor LLC, and the co-issuers.

Condensed Consolidating Statement of Operations
For the year ended December 31, 2007

	MagnaChip Semiconductor LLC (Parent)	Co-Issuers	Non-Guarantors	Guarantors	Eliminations	Consolidated
Net sales	$ —	$ —	$ 772,682	$ 355,669	$ (335,995)	$ 792,356
Cost of sales	—	—	652,265	312,085	(309,563)	654,787
Gross profit	—	—	120,417	43,584	(26,432)	137,569
Selling, general and administrative expenses	323	1,299	77,650	13,932	(214)	92,990
Research and development expenses	—	—	139,941	24,350	(25,428)	138,863
Restructuring and impairment charge	—	—	12,084	—	—	12,084
Operating income (loss)	(323)	(1,299)	(109,258)	5,302	(790)	(106,368)
Other income (expenses)	1	8,708	(57,619)	(16,133)	—	(65,043)
Income (loss) before income taxes, equity in loss of related equity investment	(322)	7,409	(166,877)	(10,831)	(790)	(171,411)
Income tax expense	—	170	156	8,813	—	9,139
Income (loss) before equity in loss of related investment	(322)	7,239	(167,033)	(19,644)	(790)	(180,550)
Loss of related investment	(180,228)	(188,354)	—	(167,713)	536,295	—
Net income (loss)	$ (180,550)	$(181,115)	$ (167,033)	$ (187,357)	$ 535,505	$ (180,550)
Dividends accrued on preferred units	12,031	—	—	—	—	12,031
Net income (loss) attributable to common units	$ (192,581)	$(181,115)	$ (167,033)	$ (187,357)	$ 535,505	$ (192,581)

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

Condensed Consolidating Statement of Operations
For the year ended December 31, 2006

	MagnaChip Semiconductor LLC (Parent)	Co-Issuers	Non-Guarantors	Guarantors	Eliminations	Consolidated
Net sales	$ —	$ —	$ 718,126	$ 352,152	$ (325,926)	$ 744,352
Cost of sales	—	—	636,349	313,699	(305,137)	644,911
Gross profit	—	—	81,777	38,453	(20,789)	99,441
Selling, general and administrative expenses	104	947	75,949	10,842	(165)	87,677
Research and development expenses	—	—	135,361	17,828	(21,937)	131,252
Restructuring and impairment charge	—	—	94,041	225	—	94,266
Operating income (loss)	(104)	(947)	(223,574)	9,558	1,313	(213,754)
Other income (expenses)	3	9,755	38	(16,094)	—	(6,298)
Income (loss) before income taxes, equity in loss of related equity investment	(101)	8,808	(223,536)	(6,536)	1,313	(220,052)
Income tax expense	—	170	156	8,932	—	9,258
Income (loss) before equity in loss of related investment	(101)	8,638	(223,692)	(15,468)	1,313	(229,310)
Loss of related investment	(229,209)	(243,820)	—	(224,982)	698,011	—
Net income (loss)	$ (229,310)	$ (235,182)	$ (223,692)	$ (240,450)	$ 699,324	$ (229,310)
Dividends accrued on preferred units	10,912	—	—	—	—	10,912
Net income (loss) attributable to common units	$ (240,222)	$ (235,182)	$ (223,692)	$ (240,450)	$ 699,324	$ (240,222)

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

Condensed Consolidating Statement of Operations
For the year ended December 31, 2005

	MagnaChip Semiconductor LLC (Parent)	Co-Issuers	Non-Guarantors	Guarantors	Eliminations	Consolidated
Net sales	$ —	$ —	$ 914,445	$ 431,339	$ (408,128)	$ 937,656
Cost of sales	—	—	723,844	406,669	(401,514)	728,999
Gross profit	—	—	190,601	24,670	(6,614)	208,657
Selling, general and administrative expenses	539	1,876	107,326	15,501	(2,031)	123,211
Research and development expenses	—	—	101,318	11,018	(4,746)	107,590
Restructuring and impairment charge	—	—	36,234	—	—	36,234
Operating income (loss)	(539)	(1,876)	(54,277)	(1,849)	163	(58,378)
Other income (expenses)	5	(13,731)	(35,577)	8,599	—	(40,704)
Income (loss) before income taxes, equity in loss of related equity investment	(534)	(15,607)	(89,854)	6,750	163	(99,082)
Income tax expense	—	163	—	1,653	—	1,816
Income (loss) before equity in loss of related investment	(534)	(15,770)	(89,854)	5,097	163	(100,898)
Loss of related investment	(100,364)	(78,445)	—	(86,985)	265,794	—
Net income (loss)	$ (100,898)	$ (94,215)	$ (89,854)	$ (81,888)	$ 265,957	$ (100,898)
Dividends accrued on preferred units	9,928	—	—	—	—	9,928
Net income (loss) attributable to common units	$ (110,826)	$ (94,215)	$ (89,854)	$ (81,888)	$ 265,957	$ (110,826)

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

Condensed Consolidating Balance Sheet
December 31, 2007

	MagnaChip Semiconductor LLC (Parent)	Co-Issuers	Non-Guarantors	Guarantors	Eliminations	Consolidated
Assets						
Current assets						
Cash and cash equivalents	$ 163	$ 31,248	$ 24,301	$ 8,633	$ —	$ 64,345
Accounts receivable, net	—	—	131,101	68,156	(75,468)	123,789
Inventories, net	—	—	71,930	4,598	(661)	75,867
Other receivables	—	717	5,846	12,702	(13,494)	5,771
Short-term intercompany loan	—	50,000	—	50,000	(100,000)	—
Other current assets	1,129	9,037	9,309	6,047	(14,571)	10,951
Total current assets	1,292	91,002	242,487	150,136	(204,194)	280,723
Property, plant and equipment, net	—	—	275,997	3,672	—	279,669
Intangible assets, net	—	—	86,571	18,328	(174)	104,725
Investments in subsidiaries	(348,345)	(431,611)	—	(243,130)	1,023,086	—
Long-term inter-company loans	—	809,754	—	634,837	(1,444,591)	—
Other non-current assets	—	13,897	38,866	9,823	(19,820)	42,766
Total assets	$ (347,053)	$ 483,042	$ 643,921	$ 573,666	$ (645,693)	$ 707,883
Liabilities and Unitholders' equity						
Current liabilities						
Accounts payable	$ —	$ —	$ 101,056	$ 64,389	$ (75,468)	$ 89,977
Other accounts payable	1,021	5	40,381	2,748	(13,494)	30,661
Accrued expenses	—	3,389	16,412	9,647	(11,348)	18,100
Short-term borrowings	—	80,000	50,000	50,000	(100,000)	80,000
Other current liabilities	—	503	3,714	5,383	(3,223)	6,377
Total current liabilities	1,021	83,897	211,563	132,167	(203,533)	225,115
Long-term borrowings	—	750,000	621,000	823,591	(1,444,591)	750,000
Accrued severance benefits, net	—	—	73,700	476	—	74,176
Other non-current liabilities	—	—	4,867	21,619	(19,820)	6,666
Total liabilities	1,021	833,897	911,130	977,853	(1,667,944)	1,055,957
Commitments and contingencies						
Series A redeemable convertible preferred units	—	—	—	—	—	—
Series B redeemable convertible preferred units	129,405	—	—	—	—	129,405
Total redeemable convertible preferred units	129,405	—	—	—	—	129,405
Unitholders' equity						
Common units	52,844	136,229	39,005	55,778	(231,012)	52,844
Additional paid-in capital	3,077	1,899	155,888	107,946	(265,733)	3,077
Accumulated deficit	(564,449)	(520,781)	(491,945)	(601,399)	1,614,125	(564,449)
Accumulated other comprehensive income	31,049	31,798	29,843	33,488	(95,129)	31,049
Total unitholders' equity	(477,479)	(350,855)	(267,209)	(404,187)	1,022,251	(477,479)
Total liabilities, redeemable convertible preferred units and unitholders' equity	$ (347,053)	$ 483,042	$ 643,921	$ 573,666	$ (645,693)	$ 707,883

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

Condensed Consolidating Balance Sheet
December 31, 2006

	MagnaChip Semiconductor LLC (Parent)	Co-Issuers	Non-Guarantors	Guarantors	Eliminations	Consolidated
Assets						
Current assets						
Cash and cash equivalents	$ 321	$ 892	$ 72,608	$ 15,352	$ —	$ 89,173
Accounts receivable, net	—	—	86,488	34,971	(44,794)	76,665
Inventories, net	—	—	55,676	2,208	(38)	57,846
Other receivables	—	718	5,244	28,133	(27,341)	6,754
Other current assets	58	15,862	12,843	6,692	(21,829)	13,626
Total current assets	379	17,472	232,859	87,356	(94,002)	244,064
Property, plant and equipment, net	—	—	334,809	1,470	—	336,279
Intangible assets, net	—	—	117,101	22,628	—	139,729
Investments in subsidiaries	(167,545)	(246,126)	—	(77,489)	491,160	—
Long-term inter-company loans	—	791,648	—	633,987	(1,425,635)	—
Other non-current assets	—	21,349	41,972	9,702	(23,042)	49,981
Total assets	$ (167,166)	$ 584,343	$ 726,741	$ 677,654	$ (1,051,519)	$ 770,053
Liabilities and Unitholders' equity						
Current liabilities						
Accounts payable	$ —	$ —	$ 67,002	$ 40,191	$ (44,794)	$ 62,399
Other accounts payable	—	6	51,803	7,955	(27,341)	32,423
Accrued expenses	1	3,135	22,040	17,078	(18,607)	23,647
Other current liabilities	—	333	1,844	4,025	(3,222)	2,980
Total current liabilities	1	3,474	142,689	69,249	(93,964)	121,449
Long-term borrowings	—	750,000	621,000	804,635	(1,425,635)	750,000
Accrued severance benefits, net	—	—	62,550	286	—	62,836
Other non-current liabilities	—	—	1,191	24,786	(23,042)	2,935
Total liabilities	1	753,474	827,430	898,956	(1,542,641)	937,220
Commitments and contingencies						
Series A redeemable convertible preferred units	—	—	—	—	—	—
Series B redeemable convertible preferred units	117,374	—	—	—	—	117,374
Total redeemable convertible preferred units	117,374	—	—	—	—	117,374
Unitholders' equity						
Common units	52,721	136,229	39,005	55,778	(231,012)	52,721
Additional paid-in capital	2,451	1,401	155,415	108,239	(265,055)	2,451
Accumulated deficit	(370,314)	(338,112)	(323,358)	(412,488)	1,073,958	(370,314)
Accumulated other comprehensive income	30,601	31,351	28,249	27,169	(86,769)	30,601
Total unitholders' equity	(284,541)	(169,131)	(100,689)	(221,302)	491,122	(284,541)
Total liabilities, redeemable convertible preferred units and unitholders' equity	$ (167,166)	$ 584,343	$ 726,741	$ 677,654	$ (1,051,519)	$ 770,053

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

Condensed Consolidating Statement of Cash Flows
For the year ended December 31, 2007

	MagnaChip Semiconductor LLC (Parent)	Co-Issuers	Non-Guarantors	Guarantors	Eliminations	Consolidated
Cash flows from operating activities						
Net income (loss)	$ (180,550)	$ (181,115)	$ (167,033)	$ (187,357)	$ 535,505	$ (180,550)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities						
Depreciation and amortization	—	—	158,925	4,509	—	163,434
Provision for severance benefits	—	—	18,672	162	—	18,834
Amortization of debt issuance costs	—	2,931	988	—	—	3,919
Loss (gain) on foreign currency translation, net	—	(18,106)	4,492	19,012	—	5,398
Loss (gain) on disposal of property, plant and equipment, net	—	—	(89)	21	—	(68)
Impairment charges	—	—	10,158	—	(52)	10,106
Unit-based compensation	71	—	474	59	—	604
Loss (earnings) of related investment	180,228	188,354	—	167,713	(536,295)	—
Other	—	—	(3,669)	90	—	(3,579)
Changes in operating assets and liabilities						
Accounts receivable	—	—	(45,205)	(31,973)	30,674	(46,504)
Inventories	—	—	(16,720)	(2,303)	625	(18,398)
Other receivables	—	—	(651)	15,469	(13,847)	971
Deferred tax assets	—	—	—	952	—	952
Accounts payable	—	—	34,108	23,008	(30,674)	26,442
Other accounts payable	1,020	—	(16,455)	(4,433)	13,847	(6,021)
Accrued expenses	—	254	(5,540)	(7,476)	7,258	(5,504)
Other current assets	(1,072)	7,816	12,673	979	(10,556)	9,840
Other current liabilities	—	170	1,891	(354)	3,300	5,007
Payment of severance benefits	—	—	(7,151)	—	—	(7,151)
Other	—	52	(177)	(3,099)	1,781	(1,443)
Net cash provided by (used in) operating activities	(303)	356	(20,309)	(5,021)	1,566	(23,711)
Cash flows from investing activities						
Proceeds from disposal of plant, property and equipment	—	—	791	(427)	—	364
Proceeds from disposal of intangible assets	—	—	4,204	—	—	4,204
Purchase of plant, property and equipment	—	—	(82,561)	(2,733)	—	(85,294)
Payment for intellectual property registration	—	—	(1,411)	(40)	195	(1,256)
Other	—	(50,000)	827	(50,651)	100,000	176
Net cash provided by (used in) investing activities	—	(50,000)	(78,150)	(53,851)	100,195	(81,806)
Cash flows from financing activities						
Proceeds from short-term borrowings	—	120,000	60,100	50,000	(100,000)	130,100
Issuance of common units	151	—	—	—	—	151
Repayment of short-term borrowings	—	(40,000)	(10,100)	—	—	(50,100)
Repurchase of common units	(6)	—	—	—	—	(6)
Net cash provided by (used in) financing activities	145	80,000	50,000	50,000	(100,000)	80,145
Effect of exchange rates on cash and cash equivalents	—	—	152	2,153	(1,761)	544
Net increase (decrease) in cash and cash equivalents	(158)	30,356	(48,307)	(6,719)	—	(24,828)
Cash and cash equivalents						
Beginning of the year	321	892	72,608	15,352	—	89,173
End of the year	$ 163	$ 31,248	$ 24,301	$ 8,633	$ —	$ 64,345

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

Condensed Consolidating Statement of Cash Flows
For the year ended December 31, 2006

	MagnaChip Semiconductor LLC (Parent)	Co-Issuers	Non-Guarantors	Guarantors	Eliminations	Consolidated
Cash flows from operating activities						
Net income (loss)	$ (229,310)	$ (235,182)	$ (223,692)	$ (240,450)	$ 699,324	$ (229,310)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities						
Depreciation and amortization	—	—	184,430	4,130	—	188,560
Provision for severance benefits	—	—	11,478	19	—	11,497
Amortization of debt issuance costs	—	2,791	910	—	—	3,701
Loss (gain) on foreign currency translation, net	—	(17,449)	(54,564)	17,825	—	(54,188)
Loss (gain) on disposal of property, plant and equipment, net	—	—	1,362	128	—	1,490
Impairment charges	—	—	92,858	—	—	92,858
Unit-based compensation	—	—	203	40	—	243
Loss (earnings) of related investment	229,209	243,820	—	224,982	(698,011)	—
Other	—	—	2,838	185	—	3,023
Changes in operating assets and liabilities						
Accounts receivable	—	—	53,839	20,131	(29,879)	44,091
Inventories	—	—	32,884	5,450	(1,270)	37,064
Other receivables	1,602	—	3,145	9,716	(11,283)	3,180
Deferred tax assets	—	—	—	1,954	—	1,954
Accounts payable	—	—	(34,451)	(33,851)	29,879	(38,423)
Other accounts payable	(1,000)	(435)	(29,954)	4,209	11,283	(15,897)
Accrued expenses	—	(5)	(4,495)	(9,408)	6,455	(7,453)
Other current assets	(57)	6,521	9,752	(1,475)	(9,678)	5,063
Other current liabilities	—	170	(2,320)	(8,402)	3,223	(7,329)
Payment of severance benefits	—	—	(8,589)	—	—	(8,589)
Other	—	(180)	(467)	(418)	—	(1,065)
Net cash provided by (used in) operating activities	444	51	35,167	(5,235)	43	30,470
Cash flows from investing activities						
Proceeds from disposal of plant, property and equipment	—	—	3,723	6	(78)	3,651
Proceeds from disposal of intangible assets	—	—	2,819	—	—	2,819
Purchase of plant, property and equipment	—	—	(38,194)	(1,080)	78	(39,196)
Payment for intellectual property registration	—	—	(2,085)	(118)	—	(2,203)
Decrease in restricted cash	—	—	3,002	—	—	3,002
Other	—	—	(1,485)	27	—	(1,458)
Net cash provided by (used in) investing activities	—	—	(32,220)	(1,165)	—	(33,385)
Cash flows from financing activities						
Issuance of common units	88	—	—	—	—	88
Repurchase of common units	(420)	—	—	—	—	(420)
Net cash provided by (used in) financing activities	(332)	—	—	—	—	(332)
Effect of exchange rates on cash and cash equivalents	—	—	6,226	(337)	(43)	5,846
Net increase (decrease) in cash and cash equivalents	112	51	9,173	(6,737)	—	2,599
Cash and cash equivalents						
Beginning of the year	209	841	63,435	22,089	—	86,574
End of the year	$ 321	$ 892	$ 72,608	$ 15,352	$ —	$ 89,173

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Tabular dollars in thousands, except unit data)

Condensed Consolidating Statement of Cash Flows
For the year ended December 31, 2005

	MagnaChip Semiconductor LLC (Parent)	Co-Issuers	Non-Guarantors	Guarantors	Eliminations	Consolidated
Cash flows from operating activities						
Net income (loss)	$ (100,898)	$ (94,215)	$ (89,854)	$ (81,888)	$ 265,957	$ (100,898)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities						
Depreciation and amortization	—	—	196,669	6,260	—	202,929
Provision for severance benefits	—	—	16,486	97	—	16,583
Amortization of debt issuance costs	—	2,628	804	—	—	3,432
Loss (gain) on foreign currency translation, net	—	21,841	(16,288)	(21,433)	—	(15,880)
Loss (gain) on disposal of property, plant and equipment, net	—	—	(830)	1	—	(829)
Impairment charges	—	—	33,576	—	—	33,576
Loss (earnings) of related investment	100,364	78,445	—	86,985	(265,794)	—
Other	1	—	290	(2,352)	2,782	721
Changes in operating assets and liabilities						
Accounts receivable	—	—	(31,412)	(13,816)	19,416	(25,812)
Inventories	—	—	(3,312)	2,110	396	(806)
Other receivables	(241)	826	63,970	(19,536)	17,802	62,821
Deferred tax assets	—	—	—	(12,935)	—	(12,935)
Accounts payable	—	—	29,438	14,906	(19,416)	24,928
Other accounts payable	(161)	188	(62,561)	14,267	(17,802)	(66,069)
Accrued expenses	—	2,011	(5,591)	17,549	(19,153)	(5,184)
Other current assets	—	(16,505)	1,878	(1,813)	19,153	2,713
Other current liabilities	—	163	(4,968)	5,005	—	200
Payment of severance benefits	—	—	(13,820)	(11)	—	(13,831)
Other	—	—	(31,266)	31,936	(2,682)	(2,012)
Net cash provided by (used in) operating activities	(935)	(4,618)	83,209	25,332	659	103,647
Cash flows from investing activities						
Purchase of plant, property and equipment	—	—	(62,113)	(622)	401	(62,334)
Payment for intellectual property registration	—	—	(2,174)	—	—	(2,174)
Acquisition of business, net of cash acquired of $4,620 for the year ended December 31, 2005	(1,870)	—	18	(9,897)	—	(11,749)
Increase in short-term inter-company loans	—	—	—	(14,000)	14,000	—
Increase in long-term inter-company loans	—	(1,009)	—	(1,009)	2,018	—
Decrease in short-term inter-company loans	—	3,650	—	14,000	(17,650)	—
Decrease in restricted cash	—	—	10,307	—	—	10,307
Other	—	(5)	2,045	198	(360)	1,878
Net cash provided by (used in) investing activities	(1,870)	2,636	(51,917)	(11,330)	(1,591)	(64,072)
Cash flows from financing activities						
Proceeds from short-term borrowings	—	—	—	14,000	(14,000)	—
Proceeds from long-term borrowings	—	—	1,009	1,009	(2,018)	—
Issuance of common units	628	—	—	—	—	628
Repayment of short-term borrowings	—	—	(757)	(29,776)	17,650	(12,883)
Debt issuance cost paid	—	(378)	(216)	—	—	(594)
Other	—	—	41	—	(41)	—
Net cash provided by (used in) financing activities	628	(378)	77	(14,767)	1,591	(12,849)
Effect of exchange rates on cash and cash equivalents	—	—	2,395	(284)	(659)	1,452
Net increase (decrease) in cash and cash equivalents	(2,177)	(2,360)	33,764	(1,049)	—	28,178
Cash and cash equivalents						
Beginning of the year	2,386	3,201	29,671	23,138	—	58,396
End of the year	$ 209	$ 841	$ 63,435	$ 22,089	$ —	$ 86,574

Shares

MagnaChip Semiconductor Corporation

Common Stock

Goldman, Sachs & Co. **UBS Investment Bank** **Credit Suisse**

Citi **Lehman Brothers**

Jefferies & Company **JMP Securities**

Through and including , 2008 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. Other Expenses of Issuance and Distribution.

The following table sets forth all expenses other than the underwriting discount, payable by the registrant in connection with the sale of the common stock being registered. All amounts shown are estimates except for the SEC registration fee.

SEC Registration Fee	$ 17,653
New York Stock Exchange Listing Fee	$ 250,000
Legal Fees and Expenses	$ 2,200,000
Printing Expenses	$ 525,000
Blue Sky Fees	$ 20,000
FINRA Fees	$ 58,000
Transfer Agent's Fees	$ 2,000
Accounting Fees and Expenses	$ 1,500,000
Miscellaneous	$ 127,347
Total	$ 4,700,000

ITEM 14. Indemnification of Officers and Directors.

Section 145 of the Delaware General Corporation Law (DGCL) 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 or who is threatened to be made a party by reason of such person being or having been a director, officer, employee of or agent to the registrant. The statute provides that it is not exclusive of other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

As permitted by the DGCL, our amended and restated certificate of incorporation includes a provision that eliminates the personal liability of our directors for monetary damages for breach of fiduciary duty as a director, except for liability (1) for any breach of the director's duty of loyalty to us or our stockholders; (2) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of the law; (3) under Section 174 of the DGCL regarding unlawful dividends and stock purchases; or (4) arising as a result of any transaction from which the director derived an improper personal benefit.

As permitted by the DGCL, our amended and restated certificate of incorporation provides that (1) we are required to indemnify our directors and officers to the fullest extent permitted by the DGCL, subject to certain exceptions; (2) we are permitted to indemnify our other employees and agents to the extent that we indemnify our officers and directors, unless otherwise required by law, our amended and restated certificate of incorporation or agreements; (3) we are required to advance expenses, as incurred, to our directors and officers in connection with any legal proceeding, subject to certain exceptions; and (4) the rights conferred in our amended and restated certificate of incorporation are not exclusive.

We intend to enter into indemnification agreements with our directors and officers. The indemnification agreements will provide for indemnification and advancement of expenses to our directors and officers under certain circumstances for acts or omissions to the extent permissible under Delaware law. We also obtained directors' and officers' liability insurance, which insures against

liabilities that our directors or officers may incur in such capacities. At present, we are not aware of any pending or threatened litigation or proceeding involving any of our directors, officers, employees or agents in which indemnification would be required or permitted. We believe that our charter provisions are necessary to attract and retain qualified persons as directors and officers.

Item 15. Recent Sales of Unregistered Securities.

The following relates to sales of securities that have occurred since November 2004 that have not been registered under the Securities Act:

Immediately prior to this offering, as part of our corporate reorganization, shares of our common stock will be issued in exchange for the common units and some of the Series B preferred units of MagnaChip Semiconductor LLC, and shares of our Series B preferred stock will be issued in exchange for the remaining Series B preferred units of MagnaChip Semiconductor LLC. The issuance of shares of our stock pursuant to such corporate reorganization will be exempt from registration under either Section 4(2) of the Securities Act and/or Regulation S promulgated thereunder.

On March 12, 2008, one of our former employees exercised options to acquire 2,437.50 of our common units at a purchase price of $7,312.50. Because the offering transaction took place outside the U.S. and the optionee was not a U.S. person, the issuance of these securities was exempt from registration under Regulation S of the Securities Act of 1933, as amended.

On February 19, 2008, two of our former employees exercised options to acquire 11,375 of our common units for an aggregate purchase price of $20,890. Because the offering transactions took place outside the U.S. and neither of the optionees was a U.S. person, the issuance of these securities was exempt from registration under Regulation S.

On December 24, 2007, one of our former executives exercised options to acquire 12,500 of our common units at a purchase price of $37,500. Because the offering transaction took place outside the U.S. and the optionee was not a U.S. person, the issuance of these securities was exempt from registration under Regulation S.

On October 25, 2007, one of our former employees exercised options to acquire 1,500 of our common units at a purchase price of $3,000. Because the offering transaction took place outside the U.S. and the optionee was not a U.S. person, the issuance of these securities was exempt from registration under Regulation S.

On August 22, 2007, one of our former executives exercised options to acquire 30,937.50 of our common units at a purchase price of $30,937. Because the offering transaction took place outside the U.S. and the optionee was not a U.S. person, the issuance of these securities was exempt from registration under Regulation S.

On May 4, 2007, one of our former executives exercised options to acquire 80,000 of our common units for an aggregate purchase price of $80,000. The issuance of these securities was exempt from registration under Section 4(2) of the Securities Act, by reason of the fact that the offering was a limited private placement to one knowledgeable investor who agreed not to resell the securities to the public.

On August 24, 2006, one of our subsidiary’s former employees exercised options to acquire 4,375 of our common units for an aggregate purchase price of $5,998. Because the offering transaction took place outside the U.S. and the optionee was not a U.S. person, the issuance of these securities was exempt from registration under Regulation S.

In April 2006, certain of our subsidiary's employees and former employees exercised options to acquire an aggregate of 2,812.50 of our common units at an aggregate purchase price of $8,050. Because the offering transactions took place outside the U.S. and none of the optionees was a U.S. person, the issuance of these securities was exempt from registration under Regulation S.

In March 2006, certain of our employees exercised options to acquire an aggregate of 18,750 of our common units for an aggregate purchase price of $42,008. Because the offering transactions took place outside the U.S. and none of the optionees was a U.S. person, the issuance of these securities was exempt from registration under Regulation S.

In February 2006, certain of our employees exercised options to acquire an aggregate of 15,312.50 of our common units for an aggregate purchase price of $22,849. Because the offering transactions took place outside the U.S. and none of the optionees was a U.S. person, the issuance of these securities was exempt from registration under Regulation S.

In January 2006, certain of our employees exercised options to acquire an aggregate of 4,812.50 of our common units for an aggregate purchase price of $9,347. Because the offering transactions took place outside the U.S. and none of the optionees was a U.S. person, the issuance of these securities was exempt from registration under Regulation S.

In December 2005, certain of our employees exercised options to acquire an aggregate of 4,250 of our common units for an aggregate purchase price of $12,316. Because the transactions took place outside the U.S. and none of the optionees was a U.S. person, the issuance of these securities was exempt from registration under Regulation S.

On December 9, 2005, ISETEX, Inc., one of our consultants, exercised options to acquire 50,000 of our common units for an aggregate purchase price of $100,000. The issuance of these securities was exempt from registration under Section 4(2) of the Securities Act by reason of the fact that the offering was a limited private placement to one knowledgeable investor who agreed not to resell the securities to the public.

On December 23, 2004, our subsidiaries, MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, sold (and certain of our subsidiaries guaranteed) $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. We received proceeds of approximately $291.9 million, $194.2 million and $243.4 million, respectively, pursuant to the sale of such notes. The initial purchasers of the foregoing notes were UBS Securities LLC, Citigroup Global Markets Inc., Goldman Sachs & Co., J.P. Morgan Securities Inc. and Deutsche Bank Securities Inc. The issuance of the notes to the initial purchasers was made in reliance on Section 4(2) under the Securities Act and the notes were subsequently resold by the initial purchasers pursuant to Rule 144A and Regulation S thereunder.

ITEM 16. Exhibits.

1.1	Form of Underwriting Agreement*
2.1	Business Transfer Agreement, dated as of June 12, 2004, between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)
2.2	First Amendment to Business Transfer Agreement, dated as of October 6, 2004, between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)
3.1	Certificate of Formation of MagnaChip Semiconductor LLC (formerly System Semiconductor Holding LLC)(1)

3.2	Certificate of Amendment to Certificate of Formation of MagnaChip Semiconductor LLC(1)
3.3	Third Amended and Restated Limited Liability Company Operating Agreement of MagnaChip Semiconductor LLC(1)
3.4	Articles of Incorporation of MagnaChip Semiconductor S.A.(1)
3.5	Certificate of Incorporation of MagnaChip Semiconductor Finance Company(1)
3.6	Bylaws of MagnaChip Semiconductor Finance Company(1)
3.7	Certificate of Formation for MagnaChip Semiconductor SA Holdings LLC(1)
3.8	Limited Liability Company Agreement of MagnaChip Semiconductor SA Holdings LLC(1)
3.9	Deed of Amendment to the Articles of Association of MagnaChip Semiconductor B.V. (English translation)(1)
3.12	Articles of Incorporation of MagnaChip Semiconductor, Ltd. (Korea)(1)
3.14	Memorandum of Association of MagnaChip Semiconductor Ltd. (Hong Kong)(1)
3.15	Articles of Association of MagnaChip Semiconductor Ltd. (Hong Kong)(1)
3.16	Memorandum of Association of MagnaChip Semiconductor Ltd. (United Kingdom)(1)
3.17	Articles of Association of MagnaChip Semiconductor Ltd. (United Kingdom)(1)
3.18	Articles of Incorporation of MagnaChip Semiconductor Ltd. (Taiwan) (English translation)(1)
3.19	Merger Agreement by and between ISRON Corporation and MagnaChip Semiconductor Inc. dated December 21, 2005, as amended on February 22, 2006, including Articles of Incorporation of MagnaChip Semiconductor Inc. (formerly ISRON Corporation) (Japan) (English translation)(2)
3.21	Bylaws of MagnaChip Semiconductor, Inc. (formerly IC Media Corporation)(1)
3.22	Certificate of Amendment to the Bylaws of MagnaChip Semiconductor, Inc. (formerly IC Media Corporation)(1)
3.23	Certificate of Amendment to the Bylaws of MagnaChip Semiconductor, Inc. (formerly IC Media Corporation)(1)
3.24	Memorandum of Association of IC Media International Corporation(1)
3.25	Articles of Association of IC Media International Corporation(1)
3.26	Memorandum of Association of MagnaChip Semiconductor Holding Company Limited (formerly IC Media Holding Company Limited)(1)
3.27	Articles of Association of MagnaChip Semiconductor Holding Company Limited (formerly IC Media Holding Company Limited)(1)
3.27.a	Amendment to Memorandum and Articles of Association of MagnaChip Semiconductor Holding Company Limited (formerly IC Media Holding Company Limited)(2)
3.28	Articles of Incorporation of IC Media Technology Corporation (English translation)(1)
3.29	Agreement and Plan of Merger by and between IC Media Corporation and MagnaChip Semiconductor, Inc., including Amended and Restated Articles of Incorporation, as filed with the State of California Secretary of State on November 17, 2005, and as corrected on February 6, 2006(2)
3.30	Amended and Restated Certificate of Incorporation of MagnaChip Semiconductor Corporation
3.31	Amended and Restated Bylaws of MagnaChip Semiconductor Corporation

3.32	Agreement and Plan of Merger by and among MagnaChip Semiconductor Corporation, MagnaChip Semiconductor LLC and MC MergerSub LLC
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(1)
4.2	Form of Floating Rate Second Priority Senior Secured Notes due 2011 and related guarantees (included in Exhibit 4.1)(1)
4.3	Form of 6 7/8% Second Priority Senior Secured Notes due 2011 and related guarantees (included in Exhibit 4.1)(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.(1)
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(1)
4.6	Form 8% Senior Subordinated Notes due 2014 and related guarantees (included in Exhibit 4.5)(1)
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.(1)
5.1	Form of Opinion of DLA Piper US LLP*
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.(1)
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(1)
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(1)
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(1)
10.3.c	Third Amendment to Credit Agreement dated as of March 27, 2006, 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(2)

10.3.d	Fourth Amendment to Credit Agreement, dated as of July 26, 2006, by and among MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, MagnaChip Semiconductor LLC, the Subsidiary Guarantors party thereto, the Lenders party thereto, UBS AG, Stamford Branch, as administrative agent and collateral agent, and U.S. Bank National Association(3)
10.3.e	Fifth Amendment to Credit Agreement, dated as of December 29, 2006, by and among MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, MagnaChip Semiconductor LLC, the Subsidiary Guarantors party thereto, the Lenders party thereto, and UBS AG, Stamford Branch, as administrative agent and collateral agent(4)
10.3.f	Sixth Amendment to Credit Agreement dated as of March 26, 2007, by and among MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, MagnaChip Semiconductor LLC, the Subsidiary Guarantors party thereto, the Lenders party thereto, and UBS AG, Stamford Branch, as administrative agent and collateral agent(9)
10.3.g	Seventh Amendment to Credit Agreement, dated as of June 28, 2007, by and among MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, MagnaChip Semiconductor LLC, the Subsidiary Guarantors party thereto, the Lenders party thereto, and UBS AG, Stamford Branch, as administrative agent and collateral agent (10)
10.3.h	Waiver to Credit Agreement, dated as of August 13, 2007, by and among MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, the Lenders party thereto, and UBS AG, Stamford Branch, as administrative agent and collateral agent(11)
10.3.i	Eighth Amendment to Credit Agreement, dated as of September 28, 2007, by and among MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, MagnaChip Semiconductor LLC, the Subsidiary Guarantors party thereto, the Lenders party thereto, and UBS AG, Stamford Branch, as administrative agent and collateral agent(12)
10.3.j	Ninth Amendment and Waiver to Credit Agreement, dated as of November 13, 2007, by and among MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, MagnaChip Semiconductor LLC, the Subsidiary Guarantors party thereto, the Lenders party thereto, and UBS AG, Stamford Branch, as administrative agent and collateral agent(13)
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(1)
10.5	Second Amended and Restated Securityholders' Agreement of MagnaChip Semiconductor LLC(1)
10.5a	Form of Third Amended and Restated Securityholders' Agreement
10.7	Intellectual Property License Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)
10.8	Trademark License Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)
10.9	Building Lease Agreement for Warehouses, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)

10.9.a	First Amendment to Building Lease Agreement for Warehouses, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(2)
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)(1)(5)
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)(1)
10.11.a	First Amendment to Building Lease Agreement for R, C1 and C2 Buildings, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(2)
10.12	Land Lease and Easement Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)(5)
10.12.a	First Amendment to Land Lease and Easement Agreement, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(2)
10.13	Wafer Foundry Service Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)(5)
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)(1)(5)
10.14.a	First Amendment to Wafer Mask Production and Supply Agreement, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(2)(6)
10.15	General Service Supply Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)
10.15.a	First Amendment to General Service Supply Agreement, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(2)
10.16	IT and FA Service Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)
10.16.a	First Amendment to IT and FA Service Agreement, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(2)
10.17	Service Agreement, dated as of October 6, 2004, by and between MagnaChip Semiconductor, Ltd. (Korea) and Youm Huh(1)
10.18	Service Agreement, dated as of October 1, 2004, by and between MagnaChip Semiconductor, Ltd. (Korea) and Jerry Baker(1)
10.19	Service Agreement, dated as of October 6, 2004, by and between MagnaChip Semiconductor, Ltd. (Korea) and Robert Krakauer(1)
10.20	Service Agreement, dated as of December 29, 2004, by and between MagnaChip Semiconductor, Ltd. (Korea) and Victoria Miller Nam(1)
10.21	Service Agreement, dated as of October 6, 2004, by and between MagnaChip Semiconductor, Ltd. (Korea) and Tae Young Hwang(1)
10.22	Service Agreement, dated as of May 16, 2005, by and among MagnaChip Semiconductor, Ltd. (Korea), MagnaChip Semiconductor, Inc. (California) and Jason Hartlove(1)
10.23	Service Agreement, dated as of April 14, 2005 by and between MagnaChip Semiconductor, Ltd. (Korea) and Dale Lindly(1)
10.24	MagnaChip Semiconductor LLC Equity Incentive Plan(1)

10.25	MagnaChip Semiconductor LLC California Equity Incentive Plan(1)
10.26	R&D Equipment Utilization Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)(5)
10.26.a	First Amendment to R&D Equipment Utilization Agreement, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(2)
10.27	License Agreement (ModularBCD), dated as of March 18, 2005, by and between Advanced Analogic Technologies, Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)(5)
10.28	License Agreement (TrenchDMOS), dated as of March 18, 2005, by and between Advanced Analogic Technologies, Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)(5)
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.)(1)(5)
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.)(1)(5)
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)(1)(5)
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)(1)(5)
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.)(1)(5)
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.)(1)
10.35	Interest Rate Swap Transaction Letter Agreement, dated as of June 30, 2005, by and between MagnaChip Semiconductor S.A. and Deutsche Bank AG(7)
10.36	Service Agreement, dated as of May 27, 2006, by and between MagnaChip Semiconductor, Ltd. (Korea) and Sang Park(8)
10.37	Consulting Agreement, dated as of January 1, 2006, by and between MagnaChip Semiconductor, Ltd. (Korea) and Jerry Baker (9)
10.38	2008 Equity Incentive Plan
10.39	2008 Employee Stock Purchase Plan
10.40	Option Agreement, dated as of October 6, 2004, by and between MagnaChip Semiconductor LLC and Tae Young Hwang(13)
10.41	Option Agreement, dated as of October 6, 2004, by and between MagnaChip Semiconductor LLC and Chan Hee Lee(13)
10.42	Option Agreement, dated as of November 30, 2004, by and between MagnaChip Semiconductor LLC and Robert Krakauer(13)
10.43	Restricted Unit Subscription Agreement, dated as of November 30, 2004, by and between MagnaChip Semiconductor LLC and Robert Krakauer(13)
10.44	Option Agreement, dated as of November 30, 2004, by and between MagnaChip Semiconductor LLC and Robert Krakauer(13)

10.45	Restricted Unit Subscription Agreement, dated as of November 30, 2004, by and between MagnaChip Semiconductor LLC and Robert Krakauer(13)
10.46	Option Agreement, dated as of November 30, 2004, by and between MagnaChip Semiconductor LLC and Victoria Miller Nam(13)
10.47	Restricted Unit Subscription Agreement, dated as of November 30, 2004, by and between MagnaChip Semiconductor LLC and Victoria Miller Nam(13)
10.48	Option Agreement, dated as of December 30, 2004, by and between MagnaChip Semiconductor LLC and Jerry M. Baker(13)
10.49	Restricted Unit Subscription Agreement, dated as of December 30, 2004, by and between MagnaChip Semiconductor LLC and Jerry M. Baker(13)
10.50	Option Agreement, dated as of January 19, 2006, by and between MagnaChip Semiconductor LLC and Armando Geday(13)
10.51	Option Agreement, dated as of March 9, 2006, by and between MagnaChip Semiconductor LLC and Tae Young Hwang(13)
10.52	Option Agreement, dated as of March 9, 2006, by and between MagnaChip Semiconductor LLC and Robert Krakauer(13)
10.53	Option Agreement, dated as of March 9, 2006, by and between MagnaChip Semiconductor LLC and Chan Hee Lee(13)
10.54	Option Agreement, dated as of March 9, 2006, by and between MagnaChip Semiconductor LLC and Victoria Miller Nam(13)
10.55	Option Agreement, dated as of May 27, 2006, by and between MagnaChip Semiconductor LLC and Sang Park(13)
10.56	Option Agreement, dated as of January 25, 2007, by and between MagnaChip Semiconductor LLC and R. Douglas Norby(13)
10.57	Service Agreement, dated as of October 1, 2004, by and between MagnaChip Semiconductor, Ltd. and Chan Hee Lee (English translation)(13)
10.58	Basic Agreement on Joint Development and Grant of License, dated as of November 10, 2006, by and between MagnaChip Semiconductor, Ltd. and Silicon Works (English translation)(14)
10.59	Form of Indemnification Agreement with Directors and Officers*
10.60	Offer Letter dated March 7, 2006, from MagnaChip Semiconductor LLC and MagnaChip Semiconductor, Inc. to Brent Rowe, as supplemented on December 20, 2006
10.61	Option Agreement, dated as of April 25, 2006, by and between MagnaChip Semiconductor LLC and Brent Rowe
10.62	Offer Letter dated September 5, 2006, from MagnaChip Semiconductor LLC and MagnaChip Semiconductor, Ltd. to Margaret Sakai
10.63	Option Agreement, effective as of November 1, 2006, between MagnaChip Semiconductor LLC and Margaret Sakai
21.1	Subsidiaries of the Registrant
23.1	Consent of Samil PricewaterhouseCoopers
23.2	Consent of DLA Piper US LLP (contained in Exhibit 5.1)*
24	Power of Attorney of officers and directors of MagnaChip Semiconductor LLC(13)
24a	Power of Attorney of officers and directors of MagnaChip Semiconductor Corporation (included on MagnaChip Semiconductor Corporation signature page)

* To be filed by amendment.

Footnotes:

(1) Incorporated by reference to identically numbered exhibits filed in response to Item 21(a), “Exhibits,” of MagnaChip Semiconductor LLC’s Registration Statement on Form S-4, as amended (File No. 333-126019), which became effective July 20, 2005.
(2) Incorporated by reference to an identically numbered exhibit filed in response to Item 15, “Exhibits, Financial Statement Schedules and Reports on Form 8-K,” of MagnaChip Semiconductor LLC’s Annual Report on Form 10-K for the period ended December 31, 2005 filed on March 31, 2006 (File No. 333-126019-09).
(3) Incorporated by reference to an identically numbered exhibit filed in response to Item 9.01, “Financial Statements and Exhibits,” of MagnaChip Semiconductor LLC’s Current Report on Form 8-K dated July 25, 2006 (File No. 333-126019-09).
(4) Incorporated by reference to an identically numbered exhibit filed in response to Item 9.01, “Financial Statements and Exhibits,” of MagnaChip Semiconductor LLC’s Current Report on Form 8-K dated December 29, 2006 (File No. 333-126019-09).
(5) Certain portions of this document have been omitted and granted confidential treatment by the SEC.
(6) Certain portions of this document have been omitted pursuant to a confidential treatment request.
(7) Incorporated by reference to an identically numbered exhibit filed in response to Item 6, “Exhibits,” of MagnaChip Semiconductor LLC’s Quarterly Report on Form 10-Q for the quarter ended July 3, 2005 (File No. 333-126019-09).
(8) Incorporated by reference to an identically numbered exhibit filed in response to Item 9.01, “Financial Statements and Exhibits,” of MagnaChip Semiconductor LLC’s Current Report on Form 8-K dated May 27, 2006 (File No. 333-126019-09).
(9) Incorporated by reference to an identically numbered exhibit filed in response to Item 6, “Exhibits,” of MagnaChip Semiconductor LLC’s Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 333-126019-09).
(10) Incorporated by reference to an identically numbered exhibit filed in response to Item 9.01, “Financial Statements and Exhibits,” of MagnaChip Semiconductor LLC’s Current Report on Form 8-K dated June 28, 2007 (File No. 333-126019-09).
(11) Incorporated by reference to exhibit 10.3.h filed in response to Item 6, “Exhibits,” of MagnaChip Semiconductor LLC’s Quarterly Report on Form 10-Q for the quarter ended July 1, 2007 (File No. 333-126019-09).
(12) Incorporated by reference to exhibit 10.3.h filed in response to Item 9.01, “Financial Statements and Exhibits,” of MagnaChip Semiconductor LLC’s Current Report on Form 8-K dated September 28, 2007 (File No. 333-126019-09).
(13) Incorporated by reference to identically numbered exhibits filed in response to Item 16, “Exhibits,” of MagnaChip Semiconductor LLC’s Registration Statement on Form S-1 (File No. 333-147388) which was filed with the SEC on November 14, 2007.
(14) Incorporated by reference to identically numbered exhibits filed in response to Item 16, “Exhibits,” of MagnaChip Semiconductor LLC’s Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-147388) which was filed with the SEC on December 26, 2007.

Item 17. Undertakings.

We hereby undertake to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act 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 SEC such indemnification is against public policy as expressed

in the Securities 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 a director, officer, or controlling person of us 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 counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

We hereby undertake:

(1) That, for the purpose of determining liability under the Securities Act to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness; *provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(2) That, for the purpose of determining liability of the Registrant under the Securities Act to any purchaser in the initial distribution of securities the undersigned Registrant undertakes that in a primary offering of securities of the undersigned Registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned Registrant or used or referred to by the undersigned Registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned Registrant or its securities provided by or on behalf of the undersigned Registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.

(3) That, for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective; and

(4) That, for purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus 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.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, MagnaChip Semiconductor Corporation certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-1 and has duly caused this Amendment No. 2 to the Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in Seoul, The Republic of Korea on March 31, 2008.

MagnaChip Semiconductor Corporation

By: /s/ SANG PARK
Sang Park, Chief Executive Officer (Principal Executive Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Sang Park and Robert Krakauer and each or either one of them, as his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments and registration statements filed pursuant to Rule 462(b) under the Securities Act) to this Registration Statement and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he 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 or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 2 to the Registration Statement on Form S-1 has been signed below by the following persons on behalf of MagnaChip Semiconductor Corporation and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ SANG PARK **Sang Park**	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	March 31, 2008
/s/ ROBERT J. KRAKAUER **Robert J. Krakauer**	President, Chief Financial Officer and Director (Principal Financial Officer)	March 31, 2008
/s/ MARGARET SAKAI **Margaret Sakai**	Senior Vice President, Finance (Principal Accounting Officer)	March 31, 2008
/s/ JERRY M. BAKER **Jerry M. Baker**	Director	March 31, 2008

Table of Contents

Signature	Title	Date
/s/ DIPANJAN DEB **Dipanjan Deb**	Director	March 31, 2008
/s/ ARMANDO GEDAY **Armando Geday**	Director	March 31, 2008
/s/ ROY KUAN **Roy Kuan**	Director	March 31, 2008
/s/ PHOKION POTAMIANOS **Phokion Potamianos**	Director	March 31, 2008
/s/ R. DOUGLAS NORBY **R. Douglas Norby**	Director	March 31, 2008
/s/ PAUL C. SCHORR IV **Paul C. Schorr IV**	Director	March 31, 2008
/s/ DAVID F. THOMAS **David F. Thomas**	Director	March 31, 2008

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, MagnaChip Semiconductor LLC certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-1 and has duly caused this Amendment No. 2 to the Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in Seoul, The Republic of Korea on March 31, 2008.

MagnaChip Semiconductor LLC

By: /s/ SANG PARK
Sang Park, Chief Executive Officer (Principal Executive Officer)

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 2 to the Registration Statement on Form S-1 has been signed below by the following persons on behalf of MagnaChip Semiconductor LLC and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ SANG PARK **Sang Park**	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	March 31, 2008
* **Robert J. Krakauer**	President, Chief Financial Officer and Director (Principal Financial Officer)	March 31, 2008
* **Margaret Sakai**	Senior Vice President, Finance (Principal Accounting Officer)	March 31, 2008
* **Jerry M. Baker**	Director	March 31, 2008
* **Dipanjan Deb**	Director	March 31, 2008
* **Armando Geday**	Director	March 31, 2008
* **Roy Kuan**	Director	March 31, 2008
* **Phokion Potamianos**	Director	March 31, 2008

Table of Contents

Signature	Title	Date
*	Director	March 31, 2008
R. Douglas Norby		
*	Director	March 31, 2008
Paul C. Schorr IV		
*	Director	March 31, 2008
David F. Thomas		

*By: /s/ SANG PARK

Name: Sang Park
Title: Attorney-in-Fact

Table of Contents

INDEX TO EXHIBITS

No.	Description
1.1	Form of Underwriting Agreement*
2.1	Business Transfer Agreement, dated as of June 12, 2004, between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)
2.2	First Amendment to Business Transfer Agreement, dated as of October 6, 2004, between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)
3.1	Certificate of Formation of MagnaChip Semiconductor LLC (formerly System Semiconductor Holding LLC)(1)
3.2	Certificate of Amendment to Certificate of Formation of MagnaChip Semiconductor LLC(1)
3.3	Third Amended and Restated Limited Liability Company Operating Agreement of MagnaChip Semiconductor LLC(1)
3.4	Articles of Incorporation of MagnaChip Semiconductor S.A.(1)
3.5	Certificate of Incorporation of MagnaChip Semiconductor Finance Company(1)
3.6	Bylaws of MagnaChip Semiconductor Finance Company(1)
3.7	Certificate of Formation for MagnaChip Semiconductor SA Holdings LLC(1)
3.8	Limited Liability Company Agreement of MagnaChip Semiconductor SA Holdings LLC(1)
3.9	Deed of Amendment to the Articles of Association of MagnaChip Semiconductor B.V. (English translation)(1)
3.12	Articles of Incorporation of MagnaChip Semiconductor, Ltd. (Korea)(1)
3.14	Memorandum of Association of MagnaChip Semiconductor Ltd. (Hong Kong)(1)
3.15	Articles of Association of MagnaChip Semiconductor Ltd. (Hong Kong)(1)
3.16	Memorandum of Association of MagnaChip Semiconductor Ltd. (United Kingdom)(1)
3.17	Articles of Association of MagnaChip Semiconductor Ltd. (United Kingdom)(1)
3.18	Articles of Incorporation of MagnaChip Semiconductor Ltd. (Taiwan) (English translation)(1)
3.19	Merger Agreement by and between ISRON Corporation and MagnaChip Semiconductor Inc. dated December 21, 2005, as amended on February 22, 2006, including Articles of Incorporation of MagnaChip Semiconductor Inc. (formerly ISRON Corporation) (Japan) (English translation)(2)
3.21	Bylaws of MagnaChip Semiconductor, Inc. (formerly IC Media Corporation)(1)
3.22	Certificate of Amendment to the Bylaws of MagnaChip Semiconductor, Inc. (formerly IC Media Corporation)(1)
3.23	Certificate of Amendment to the Bylaws of MagnaChip Semiconductor, Inc. (formerly IC Media Corporation)(1)
3.24	Memorandum of Association of IC Media International Corporation(1)
3.25	Articles of Association of IC Media International Corporation(1)
3.26	Memorandum of Association of MagnaChip Semiconductor Holding Company Limited (formerly IC Media Holding Company Limited)(1)
3.27	Articles of Association of MagnaChip Semiconductor Holding Company Limited (formerly IC Media Holding Company Limited)(1)

Table of Contents

No.	Description
3.27.a	Amendment to Memorandum and Articles of Association of MagnaChip Semiconductor Holding Company Limited (formerly IC Media Holding Company Limited)(2)
3.28	Articles of Incorporation of IC Media Technology Corporation (English translation)(1)
3.29	Agreement and Plan of Merger by and between IC Media Corporation and MagnaChip Semiconductor, Inc., including Amended and Restated Articles of Incorporation, as filed with the State of California Secretary of State on November 17, 2005, and as corrected on February 6, 2006(2)
3.30	Amended and Restated Certificate of Incorporation of MagnaChip Semiconductor Corporation
3.31	Amended and Restated Bylaws of MagnaChip Semiconductor Corporation
3.32	Agreement and Plan of Merger by and among MagnaChip Semiconductor Corporation, MagnaChip Semiconductor LLC and MC MergerSub LLC
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(1)
4.2	Form of Floating Rate Second Priority Senior Secured Notes due 2011 and related guarantees (included in Exhibit 4.1)(1)
4.3	Form of 6 7/8% Second Priority Senior Secured Notes due 2011 and related guarantees (included in Exhibit 4.1)(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.(1)
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(1)
4.6	Form 8% Senior Subordinated Notes due 2014 and related guarantees (included in Exhibit 4.5)(1)
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.(1)
5.1	Form of Opinion of DLA Piper US LLP*
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.(1)
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(1)
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(1)

Table of Contents

No.	Description
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(1)
10.3.c	Third Amendment to Credit Agreement dated as of March 27, 2006, 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(2)
10.3.d	Fourth Amendment to Credit Agreement, dated as of July 26, 2006, by and among MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, MagnaChip Semiconductor LLC, the Subsidiary Guarantors party thereto, the Lenders party thereto, UBS AG, Stamford Branch, as administrative agent and collateral agent, and U.S. Bank National Association(3)
10.3.e	Fifth Amendment to Credit Agreement, dated as of December 29, 2006, by and among MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, MagnaChip Semiconductor LLC, the Subsidiary Guarantors party thereto, the Lenders party thereto, and UBS AG, Stamford Branch, as administrative agent and collateral agent(4)
10.3.f	Sixth Amendment to Credit Agreement dated as of March 26, 2007, by and among MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, MagnaChip Semiconductor LLC, the Subsidiary Guarantors party thereto, the Lenders party thereto, and UBS AG, Stamford Branch, as administrative agent and collateral agent(9)
10.3.g	Seventh Amendment to Credit Agreement, dated as of June 28, 2007, by and among MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, MagnaChip Semiconductor LLC, the Subsidiary Guarantors party thereto, the Lenders party thereto, and UBS AG, Stamford Branch, as administrative agent and collateral agent(10)
10.3.h	Waiver to Credit Agreement, dated as of August 13, 2007, by and among MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, the Lenders party thereto, and UBS AG, Stamford Branch, as administrative agent and collateral agent(11)
10.3.i	Eighth Amendment to Credit Agreement, dated as of September 28, 2007, by and among MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, MagnaChip Semiconductor LLC, the Subsidiary Guarantors party thereto, the Lenders party thereto, and UBS AG, Stamford Branch, as administrative agent and collateral agent(12)
10.3.j	Ninth Amendment and Waiver to Credit Agreement, dated as of November 13, 2007, by and among MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, MagnaChip Semiconductor LLC, the Subsidiary Guarantors party thereto, the Lenders party thereto, and UBS AG, Stamford Branch, as administrative agent and collateral agent(13)
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(1)
10.5	Second Amended and Restated Securityholders' Agreement of MagnaChip Semiconductor LLC(1)

Table of Contents

No.	Description
10.5a	Form of Third Amended and Restated Securityholders' Agreement
10.7	Intellectual Property License Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)
10.8	Trademark License Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)
10.9	Building Lease Agreement for Warehouses, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)
10.9.a	First Amendment to Building Lease Agreement for Warehouses, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(2)
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)(1)(5)
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)(1)
10.11.a	First Amendment to Building Lease Agreement for R, C1 and C2 Buildings, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(2)
10.12	Land Lease and Easement Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)(5)
10.12.a	First Amendment to Land Lease and Easement Agreement, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(2)
10.13	Wafer Foundry Service Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)(5)
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)(1)(5)
10.14.a	First Amendment to Wafer Mask Production and Supply Agreement, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(2)(6)
10.15	General Service Supply Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)
10.15.a	First Amendment to General Service Supply Agreement, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(2)
10.16	IT and FA Service Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)
10.16.a	First Amendment to IT and FA Service Agreement, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(2)
10.17	Service Agreement, dated as of October 6, 2004, by and between MagnaChip Semiconductor, Ltd. (Korea) and Youm Huh(1)
10.18	Service Agreement, dated as of October 1, 2004, by and between MagnaChip Semiconductor, Ltd. (Korea) and Jerry Baker(1)
10.19	Service Agreement, dated as of October 6, 2004, by and between MagnaChip Semiconductor, Ltd. (Korea) and Robert Krakauer(1)
10.20	Service Agreement, dated as of December 29, 2004, by and between MagnaChip Semiconductor, Ltd. (Korea) and Victoria Miller Nam(1)

Table of Contents

No.	Description
10.21	Service Agreement, dated as of October 6, 2004, by and between MagnaChip Semiconductor, Ltd. (Korea) and Tae Young Hwang(1)
10.22	Service Agreement, dated as of May 16, 2005, by and among MagnaChip Semiconductor, Ltd. (Korea), MagnaChip Semiconductor, Inc. (California) and Jason Hartlove(1)
10.23	Service Agreement, dated as of April 14, 2005 by and between MagnaChip Semiconductor, Ltd. (Korea) and Dale Lindly(1)
10.24	MagnaChip Semiconductor LLC Equity Incentive Plan(1)
10.25	MagnaChip Semiconductor LLC California Equity Incentive Plan(1)
10.26	R&D Equipment Utilization Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)(5)
10.26.a	First Amendment to R&D Equipment Utilization Agreement, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(2)
10.27	License Agreement (ModularBCD), dated as of March 18, 2005, by and between Advanced Analogic Technologies, Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)(5)
10.28	License Agreement (TrenchDMOS), dated as of March 18, 2005, by and between Advanced Analogic Technologies, Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)(5)
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.)(1)(5)
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.)(1)(5)
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)(1)(5)
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)(1)(5)
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.)(1)(5)
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.)(1)
10.35	Interest Rate Swap Transaction Letter Agreement, dated as of June 30, 2005, by and between MagnaChip Semiconductor S.A. and Deutsche Bank AG(7)
10.36	Service Agreement, dated as of May 27, 2006, by and between MagnaChip Semiconductor, Ltd. (Korea) and Sang Park(8)
10.37	Consulting Agreement, dated as of January 1, 2006, by and between MagnaChip Semiconductor, Ltd. (Korea) and Jerry Baker(9)
10.38	2008 Equity Incentive Plan
10.39	2008 Employee Stock Purchase Plan
10.40	Option Agreement, dated as of October 6, 2004, by and between MagnaChip Semiconductor LLC and Tae Young Hwang(13)
10.41	Option Agreement, dated as of October 6, 2004, by and between MagnaChip Semiconductor LLC and Chan Hee Lee(13)

Table of Contents

No.	Description
10.42	Option Agreement, dated as of November 30, 2004, by and between MagnaChip Semiconductor LLC and Robert Krakauer(13)
10.43	Restricted Unit Subscription Agreement, dated as of November 30, 2004, by and between MagnaChip Semiconductor LLC and Robert Krakauer(13)
10.44	Option Agreement, dated as of November 30, 2004, by and between MagnaChip Semiconductor LLC and Robert Krakauer(13)
10.45	Restricted Unit Subscription Agreement, dated as of November 30, 2004, by and between MagnaChip Semiconductor LLC and Robert Krakauer(13)
10.46	Option Agreement, dated as of November 30, 2004, by and between MagnaChip Semiconductor LLC and Victoria Miller Nam(13)
10.47	Restricted Unit Subscription Agreement, dated as of November 30, 2004, by and between MagnaChip Semiconductor LLC and Victoria Miller Nam(13)
10.48	Option Agreement, dated as of December 30, 2004, by and between MagnaChip Semiconductor LLC and Jerry M. Baker(13)
10.49	Restricted Unit Subscription Agreement, dated as of December 30, 2004, by and between MagnaChip Semiconductor LLC and Jerry M. Baker(13)
10.50	Option Agreement, dated as of January 19, 2006, by and between MagnaChip Semiconductor LLC and Armando Geday(13)
10.51	Option Agreement, dated as of March 9, 2006, by and between MagnaChip Semiconductor LLC and Tae Young Hwang(13)
10.52	Option Agreement, dated as of March 9, 2006, by and between MagnaChip Semiconductor LLC and Robert Krakauer(13)
10.53	Option Agreement, dated as of March 9, 2006, by and between MagnaChip Semiconductor LLC and Chan Hee Lee(13)
10.54	Option Agreement, dated as of March 9, 2006, by and between MagnaChip Semiconductor LLC and Victoria Miller Nam(13)
10.55	Option Agreement, dated as of May 27, 2006, by and between MagnaChip Semiconductor LLC and Sang Park(13)
10.56	Option Agreement, dated as of January 25, 2007, by and between MagnaChip Semiconductor LLC and R. Douglas Norby(13)
10.57	Service Agreement, dated as of October 1, 2004, by and between MagnaChip Semiconductor, Ltd. and Chan Hee Lee (English translation)(13)
10.58	Basic Agreement on Joint Development and Grant of License, dated as of November 10, 2006, by and between MagnaChip Semiconductor, Ltd. and Silicon Works (English translation)(14)
10.59	Form of Indemnification Agreement with Directors and Officers*
10.60	Offer Letter dated March 7, 2006, from MagnaChip Semiconductor LLC and MagnaChip Semiconductor, Inc. to Brent Rowe, as supplemented on December 20, 2006
10.61	Option Agreement, dated as of April 25, 2006, by and between MagnaChip Semiconductor LLC and Brent Rowe
10.62	Offer Letter dated September 5, 2006, from MagnaChip Semiconductor LLC and MagnaChip Semiconductor, Ltd. to Margaret Sakai
10.63	Option Agreement, effective as of November 1, 2006, between MagnaChip Semiconductor LLC and Margaret Sakai
21.1	Subsidiaries of the Registrant

Table of Contents

No.	Description
23.1	Consent of Samil PricewaterhouseCoopers
23.2	Consent of DLA Piper US LLP (contained in Exhibit 5.1)*
24	Power of Attorney of officers and directors of MagnaChip Semiconductor LLC(13)
24a	Power of Attorney of officers and directors of MagnaChip Semiconductor Corporation (included on MagnaChip Semiconductor Corporation signature page)

* To be filed by amendment.

Footnotes:

(1) Incorporated by reference to identically numbered exhibits filed in response to Item 21(a), "Exhibits," of MagnaChip Semiconductor LLC's Registration Statement on Form S-4, as amended (File No. 333-126019), which became effective July 20, 2005.

(2) Incorporated by reference to an identically numbered exhibit filed in response to Item 15, "Exhibits, Financial Statement Schedules and Reports on Form 8-K," of MagnaChip Semiconductor LLC's Annual Report on Form 10-K for the period ended December 31, 2005 filed on March 31, 2006 (File No. 333-126019-09).

(3) Incorporated by reference to an identically numbered exhibit filed in response to Item 9.01, "Financial Statements and Exhibits," of MagnaChip Semiconductor LLC's Current Report on Form 8-K dated July 25, 2006 (File No. 333-126019-09).

(4) Incorporated by reference to an identically numbered exhibit filed in response to Item 9.01, "Financial Statements and Exhibits," of MagnaChip Semiconductor LLC's Current Report on Form 8-K dated December 29, 2006 (File No. 333-126019-09).

(5) Certain portions of this document have been omitted and granted confidential treatment by the SEC.

(6) Certain portions of this document have been omitted pursuant to a confidential treatment request.

(7) Incorporated by reference to an identically numbered exhibit filed in response to Item 6, "Exhibits," of MagnaChip Semiconductor LLC's Quarterly Report on Form 10-Q for the quarter ended July 3, 2005 (File No. 333-126019-09).

(8) Incorporated by reference to an identically numbered exhibit filed in response to Item 9.01, "Financial Statements and Exhibits," of MagnaChip Semiconductor LLC's Current Report on Form 8-K dated May 27, 2006 (File No. 333-126019-09).

(9) Incorporated by reference to an identically numbered exhibit filed in response to Item 6, "Exhibits," of MagnaChip Semiconductor LLC's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 333-126019-09).

(10) Incorporated by reference to an identically numbered exhibit filed in response to Item 9.01, "Financial Statements and Exhibits," of MagnaChip Semiconductor LLC's Current Report on Form 8-K dated June 28, 2007 (File No. 333-126019-09).

(11) Incorporated by reference to exhibit 10.3.h filed in response to Item 6, "Exhibits," of MagnaChip Semiconductor LLC's Quarterly Report on Form 10-Q for the quarter ended July 1, 2007 (File No. 333-126019-09).

(12) Incorporated by reference to exhibit 10.3.h filed in response to Item 9.01, "Financial Statements and Exhibits," of MagnaChip Semiconductor LLC's Current Report on Form 8-K dated September 28, 2007 (File No. 333-126019-09).

(13) Incorporated by reference to identically numbered exhibits filed in response to Item 16, "Exhibits," of MagnaChip Semiconductor LLC's Registration Statement on Form S-1 (File No. 333-147388) which was filed with the SEC on November 14, 2007.

(14) Incorporated by reference to identically numbered exhibits filed in response to Item 16, "Exhibits," of MagnaChip Semiconductor LLC's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-147388) which was filed with the SEC on December 26, 2007.

Exhibit 3.30

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

MAGNACHIP SEMICONDUCTOR CORPORATION

MagnaChip Semiconductor Corporation, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

1. The name of the Corporation is "MagnaChip Semiconductor Corporation". The Corporation was originally incorporated under the name "MagnaChip Semiconductor Corporation". The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on January 8, 2008.

2. The Corporation has not received any payment for any of its stock, and pursuant to Sections 241 and 245 of the General Corporation Law of the State of Delaware, this Amended and Restated Certificate of Incorporation was duly adopted by the Corporation's Board of Directors, the duly elected and qualified directors of the Corporation having duly approved this Amended and Restated Certificate of Incorporation at a meeting of the Board of Directors.

3. This Amended and Restated Certificate of Incorporation shall become effective immediately upon its filing with the Secretary of State of the State of Delaware.

4. Upon the filing with the Secretary of State of the State of Delaware of this Amended and Restated Certificate of Incorporation, the Certificate of Incorporation of the Corporation shall be amended and restated in its entirety to read as set forth on Exhibit A attached hereto.

IN WITNESS WHEREOF, the Corporation has caused this Amended and Restated Certificate of Incorporation to be executed by a duly authorized officer this __ day of _____, 2008.

MAGNACHIP SEMICONDUCTOR CORPORATION

By: _____
Name:
Title:

EXHIBIT A

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

MAGNACHIP SEMICONDUCTOR CORPORATION

ARTICLE ONE

The name of the corporation is MagnaChip Semiconductor Corporation (the "Corporation").

ARTICLE TWO

The registered office of the Corporation in the State of Delaware is located at 160 Greentree Drive, Suite 101, Dover, DE 19904, County of Kent. The name of the Corporation's registered agent at such registered office is National Registered Agents, Inc.

ARTICLE THREE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

ARTICLE FOUR

The total number of shares of capital stock which the Corporation shall have the authority to issue is _____ shares, of which _____ shares shall be designated as common stock with a par value of $0.01 per share ("Common Stock") and _____ shares shall be designated as Preferred Stock with a par value of $0.01 per share ("Preferred Stock").

The following is a statement of the designations, preferences, qualifications, limitations, restrictions and the special or relative rights granted to or imposed upon the shares of each such class.

A. COMMON STOCK

Except as otherwise provided in this Amended and Restated Certificate of Incorporation or as otherwise required by applicable law, all shares of Common Stock shall be identical in all respects and shall entitle the holders thereof to the same rights and privileges, subject to the same qualifications, limitations and restrictions. The terms of the Common Stock set forth below shall be subject to the express terms of any series of Preferred Stock.

1. Voting Rights. Except as otherwise provided in this Amended and Restated Certificate of Incorporation or as otherwise required by applicable law, the holders of Common Stock shall be entitled to one vote per share on all matters to be voted on by the Corporation's stockholders. No stockholder of the Corporation shall be entitled to exercise any right of cumulative voting.

2. Dividends. As, if and when dividends are declared or paid on the shares of Common Stock, whether in cash, property or securities of the Corporation, the holders of Common Stock shall be entitled to participate in such dividends ratably on a per share basis.

3. Liquidation. The holders of Common Stock shall be entitled to participate ratably on a per share basis in all distributions to the holders of Common Stock as a result of the liquidation, dissolution or winding up of the Corporation.

B. PREFERRED STOCK

1. Authorization. The Board of Directors is authorized to provide for the authorization and issuance from time to time of shares of Preferred Stock in one or more series and, by filing a certificate pursuant to the applicable provisions of the General Corporation Law of the State of Delaware (a "Preferred Stock Certificate of Designation"), to establish from time to time the number of shares to be included in each such series, with such designations, preferences, and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof as are stated and expressed in the resolution or resolutions providing for the authorization and issue thereof adopted by the Board of Directors (as such resolutions may be amended by a resolution or resolutions subsequently adopted by the Board of Directors), and as are not stated and expressed in this Amended and Restated Certificate of Incorporation including, but not limited to, determination of any of the following:

(a) the distinctive designation of the series, whether by number, letter or title, and the number of shares which will constitute the series, which number may be increased or decreased (but not below the number of shares then outstanding and except where otherwise provided in the applicable Preferred Stock Certificate of Designation) from time to time by action of the Board of Directors;

(b) the dividend rate, if any, and the times of payment of dividends, if any, on the shares of the series, whether such dividends will be cumulative, and if so, from what date or dates, and the relation which such dividends, if any, shall bear to the dividends payable on any other class or classes of stock;

(c) the price or prices at which, and the terms and conditions on which, the shares of the series may be redeemed at the option of the Corporation;

(d) whether or not the shares of the series will be entitled to the benefit of a retirement or sinking fund to be applied to the purchase or redemption of such shares and, if so entitled, the amount of such fund and the terms and provisions relative to the operation thereof;

(e) the amounts payable on, and the preferences, if any, of shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation;

(f) whether or not the shares of the series will be convertible into, or exchangeable for, any other shares of stock of the Corporation or other securities, and if so convertible or exchangeable, the conversion price or prices, or the rates of exchange, and any adjustments thereof, at which such conversion or exchange may be made, and any other terms and conditions of such conversion or exchange;

(g) the rights of the shares of the series in the event of voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation;

(h) whether or not the shares of the series will have priority over or be on a parity with or be junior to the shares of any other series or class of stock in any respect, or will be entitled to the benefit of limitations restricting the issuance of shares of any other series or class of stock, restricting the payment of dividends on or the making of other distributions in respect of shares of any other series or class of stock ranking junior to the shares of the series as to dividends or assets, or restricting the purchase or redemption of the shares of any such junior series or class, and the terms of any such restriction;

(i) whether the series will have voting rights, in addition to any voting rights provided by law, and, if so, the terms of such voting rights; and

(j) any other preferences, qualifications, privileges, options and other relative or special rights and limitations of that series.

Except as otherwise required by law, as otherwise provided herein or as otherwise determined by the Board of Directors in the applicable Preferred Stock Certificate of Designation as to the shares of any series of Preferred Stock prior to the issuance of any such shares, the holders of Preferred Stock shall have no voting rights and shall not be entitled to any notice of any meeting of stockholders.

C. SERIES B PREFERRED STOCK

Of the shares of Preferred Stock that the Corporation is authorized to issue, _____ is hereby designated as Series B Preferred Stock (the "Series B Preferred Stock"). The designation, relative rights, preferences and limitations of the Series B Preferred Stock shall be as set forth in Annex A attached hereto.

D. STOCK OWNERSHIP

The Corporation shall be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable law.

ARTICLE FIVE

In furtherance and not in limitation of the powers conferred by law, except as provided in the Bylaws of the Corporation, the Board of Directors is expressly authorized to make, alter, amend or repeal the Bylaws without the assent or vote of the stockholders of the Corporation.

ARTICLE SIX

The Corporation elects not to be governed by Section 203 of the General Corporation Law of the State of Delaware.

ARTICLE SEVEN

A director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director to the fullest extent permitted by the General Corporation Law of the State of Delaware; provided, however, that the foregoing shall not eliminate or limit the liability of a director (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 General Corporation Law of the State of Delaware or (iv) for any transaction from which the director derived an improper personal benefit. If the General Corporation Law of the State of Delaware is subsequently amended to further eliminate or limit the liability of a director, then a director of the Corporation, in addition to the circumstances in which a director is not personally liable as set forth in the preceding sentence, shall not be liable to the fullest extent permitted by the amended General Corporation Law of the State of Delaware. For purposes of this Article Seven, "fiduciary duty as a director" shall include any fiduciary duty arising out of serving at the Corporation's request as a director of another corporation, partnership, joint venture or other enterprise, and "personal liability to the Corporation or its stockholders" shall include any liability to another corporation, partnership, joint venture, trust or other enterprise, and any liability to the Corporation in its capacity as a security holder, joint venturer, partner, beneficiary, creditor or investor of or in any such other corporation, partnership, joint venture, trust or other enterprise.

The Corporation shall indemnify each of the Corporation's directors and officers in each and every situation where, under the General Corporation Law of the State of Delaware, as amended from time to time, the Corporation is permitted or empowered to make such

indemnification. The Corporation may, in the sole discretion of the Board of Directors of the Corporation, provide indemnification to such of the employees and agents of the Corporation to such extent and to such effect as the Board of Directors shall determine to be appropriate and authorized by the General Corporation Law of the State of Delaware. The Corporation shall promptly make or cause to be made any determination required to be made pursuant to the General Corporation Law of the State of Delaware.

Each person (and the heirs, executors or administrators of such person) who was or is a party or is threatened to be made a party to, or is involved in 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 or has agreed to become a director or officer of the Corporation or is or was serving or has agreed to serve at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, shall be indemnified and held harmless by the Corporation to the fullest extent permitted by the General Corporation Law of the State of Delaware. The right to indemnification conferred in this Article Seven shall also include the right to be paid by the Corporation the expenses incurred in connection with any such proceeding in advance of its final disposition to the fullest extent authorized by the General Corporation Law of the State of Delaware. The right to indemnification conferred in this Article Seven shall be a contract right.

The Corporation may purchase and maintain insurance on behalf of any person who is or was or has agreed to become a director or officer of the Corporation, or 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 against any liability asserted against him or her or on his or her behalf and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this Article, provided that such insurance is available on acceptable terms, which determination shall be made by the Board of Directors.

The rights and authority conferred in this Article Seven shall not be exclusive of any other right which any person may otherwise have or hereafter acquire.

Any repeal or modification of this Article Seven or any adoption of any provision of this Amended and Restated Certificate of Incorporation inconsistent with this Article Seven 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, modification or adoption.

ARTICLE EIGHT

No stockholder of the Corporation, by virtue of this Amended and Restated Certificate of Incorporation, shall have any preemptive or preferential right, nor be entitled to such as a matter of right, to subscribe for or purchase any part of any new or additional issue of

stock of the Corporation of any class or series, whether issued for cash or for consideration other than cash, or of any issue of securities convertible into stock of the Corporation.

ARTICLE NINE

The number of directors of the Corporation shall be fixed from time to time in the manner and to the extent set forth in the Bylaws of the Corporation or any amendment thereof duly adopted by the Board of Directors or by the stockholders.

ARTICLE TEN

Advance notice of business to be brought before an annual meeting of stockholders or a special meeting of stockholders and stockholder nominations for the election of directors shall be given in the manner and to the extent provided in the Bylaws of the Corporation.

ARTICLE ELEVEN

The Corporation reserves the right to amend or repeal any provisions contained in this Amended and Restated Certificate of Incorporation from time to time and at any time in the manner now or hereafter prescribed by the laws of the State of Delaware, and, with the sole exception of those rights and powers conferred under Articles Seven and Twelve, all rights conferred upon stockholders and directors are granted subject to such reservation.

ARTICLE TWELVE

To the fullest extent permitted by Section 122(17) of the General Corporation Law of the State of Delaware, except as may be otherwise provided in a written agreement between the Corporation and the applicable stockholder of the Corporation, none of Citigroup Venture Capital Equity Partners, L.P., CVC Executive Fund LLC, CVC/SSB Employee Fund, L.P., Francisco Partners, L.P., Francisco Partners Fund A, L.P., FP-MagnaChip Co-Invest, LLC, FP Annual Fund Investors, LLC, CVC Capital Partners Asia Pacific L.P., CVC Capital Partners Asia Pacific II L.P., CVC Capital Partners Asia Pacific II Parallel Fund-A, L.P., Asia Investors LLC or Peninsula Investment Pte. Ltd. or any of their respective officers, directors, agents, stockholders, members, partners, employees, affiliates or subsidiaries shall have any duty to refrain from engaging directly or indirectly in a corporate opportunity in the same or similar activities or lines of business as the Corporation (and all corporations, partnerships, joint ventures, associations and other entities in which the Corporation beneficially owns directly or indirectly 50 percent or more of the outstanding voting stock, voting power, partnership interests or similar voting interests (collectively, " Related Entities")) engages in or proposes to engage in, and the Corporation, on behalf of itself and its Related Entities, renounces any interest or expectancy of the Corporation and its Related Entities in, or in being offered an opportunity to participate in, business opportunities, that are from time to time presented to any of such persons or entities, even if the opportunity is one that the Corporation or its Related Entities might

reasonably be deemed to have pursued or had the ability or desire to pursue if granted the opportunity to do so. To the fullest extent permitted by law, no such person or entity shall be liable to the Corporation or any of its Related Entities for breach of any fiduciary or other duty, as a director or officer or otherwise, by reason of the fact that such person or entity pursues or acquires such business opportunity, directs such business opportunity to another person or entity, or fails to communicate or present such business opportunity, or information regarding such business opportunity, to the Corporation or its Related Entities unless, in the case of any such person who is a director or officer of the Corporation, such business opportunity is expressly offered to such director or officer in writing solely in his or her capacity as a director or officer of the Corporation. Any person purchasing or otherwise acquiring any interest in any shares of stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article Twelve. Neither the alteration, amendment or repeal of this Article Twelve nor the adoption of any provision of this Amended and Restated Certificate of Incorporation inconsistent with this Article Twelve shall eliminate or reduce the effect of this Article Twelve in respect of any business opportunity first identified or any other matter occurring, or any cause of action, suit or claim that, but for this Article Twelve, would accrue or arise, prior to such alteration, amendment, repeal or adoption.

ARTICLE THIRTEEN

If at any time CVC US, FP, the CVC Asia Pacific Investors and their respective Permitted Transferees no longer collectively beneficially own (determined pursuant to Rule 13d-3 promulgated under the Exchange Act), in the aggregate, at least 50.1% of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors of the Corporation, then any action required or permitted to be taken by the stockholders of the Corporation (except for actions required to be taken by the holders of any class of the Corporation's Preferred Stock voting as a separate class) must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by the stockholders of the Corporation. Capitalized terms used in this Article Thirteen which are not defined herein shall have the meanings given to such terms in the Third Amended and Restated Securityholders' Agreement, dated as of _____, 2008, by and among the Corporation and the stockholders' of the Corporation party thereto, as amended from time to time. A copy of this Third Amended and Restated Securityholders' Agreement may be requested at any time by any stockholder of the Corporation upon written request to the Corporation's Secretary.

ANNEX A

SERIES B PREFERRED STOCK

Section 1 Accrual and Payment of Dividends.

(a) The holders of Series B Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, cumulative cash dividends at the rate of 10% per share per annum on the Series B Original Issue Price (as defined below), compounded semi-annually.

(b) Such dividends shall be payable in semi-annual installments in arrears commencing _____, 2008 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"). For purposes of this Annex A, the term "business day" shall mean any day ending at 11:59 p.m. (eastern time) other than a Saturday or Sunday or a day on which banks are required or authorized to close in the city of New York. Each such dividend on Series B Preferred Stock when paid shall be payable to holders of record as they appear on the stock register of the Corporation on the date established by the Board of Directors of the Corporation 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.

(c) Such dividends on the Series B Preferred Stock shall begin, or shall be deemed to have begun, accruing as of the original date of issue of the MagnaChip LLC Series B Units (as defined below) which were exchanged for and converted into the applicable shares of Series B Preferred Stock, and such dividends 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 Stock 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 Corporation to the purchase, redemption or other acquisition for value of any Series B Junior Stock (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 Stock (other than a dividend payable in Series B Junior Stock); provided, however, that the foregoing shall not prohibit the Company from repurchasing shares of Series B Junior Stock 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 shares 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. As used herein, "MagnaChip LLC Series B Units" means the Series B

Preferred Membership Interests of MagnaChip Semiconductor LLC, a Delaware limited liability company, which were exchanged for and converted into shares of the Corporation's Series B Preferred Stock and "Series B Junior Stock" means any series or class of stock of the Corporation now or hereafter authorized or issued by the Corporation, including any series or class of Preferred Stock, ranking junior to the Series B Preferred Stock with respect to dividends or distributions or upon the liquidation, distribution of assets, dissolution or winding-up of the Corporation, including without limitation the Common Stock. Accrued dividends on the Series B Preferred Stock 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"), compounded semi-annually, at the rate of 10% per annum on the amount of such accrued dividends.

(d) When dividends are not paid in full upon the Series B Preferred Stock and any other shares ranking on a parity as to dividends with the Series B Preferred Stock, all dividends paid upon Series B Preferred Stock and any other shares ranking on a parity as to dividends with the Series B Preferred Stock shall be paid pro rata so that in all cases the amount of dividends paid per share on the Series B Preferred Stock and such other shares shall bear the same ratio that accrued dividends per share (including Series B Additional Dividends) on the Series B Preferred Stock and such other shares bear to each other. Except as provided in the preceding sentence, unless full cumulative dividends on the Series B Preferred Stock have been paid, no dividends shall be declared or set aside for payment upon any other shares of the Corporation ranking on a parity with the Series B Preferred Stock as to dividends.

(e) 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.

Section 2 Voting Rights. Except as required by applicable law and except for any voting by the holders of Series B Preferred Stock as part of a separate class or series pursuant to Section 5 of this Annex A, no holder of shares of Series B Preferred Stock, as such holder, shall be entitled to vote on any matter submitted to be voted on by the Corporation's stockholders. On any matters on which the holders of shares of Series B Preferred Stock shall be entitled to vote, they shall be entitled to one vote for per share held. Except as otherwise required by law or as otherwise provided herein, the holders of Series B Preferred Stock shall not be entitled to notice of any meeting of Stockholders.

Section 3 Redemption Rights.

(a) If any outstanding shares of Series B Preferred Stock remain outstanding ten years after the issuance of the shares of the Series B Preferred Stock (the "Series B Mandatory Redemption Date"), then the holders of a majority of the then outstanding shares of Series B Preferred Stock shall have the right to elect to have the Corporation redeem all outstanding shares of Series B Preferred Stock from funds legally available therefor, in the

manner provided in this Section 3, at a price per share equal to $1,000 (the "Series B Original Issue Price") plus an amount per share equal to full cumulative dividends (whether or not earned or declared) accrued and unpaid thereon (including Series B Additional Dividends) to the Series B Redemption Date (defined below) (such redemption, a "Series B Mandatory Redemption"). Notice of such an election by holders of shares of Series B Preferred Stock (the "Series B Mandatory Redemption Notice") shall be given by such holders to the Corporation at least 90 days prior to the date redemption is desired (the "Series B Redemption Date").

(b) The aggregate amount of any redemption pursuant to paragraph (a) above is hereinafter referred to as the "Series B Redemption Price" with respect to such redemption.

(c) Any redemption pursuant to this Section 3 shall be accomplished in the manner and with the effect as set forth in this Section 3. In the event that a Series B Mandatory Redemption Notice is given, notice of the redemption of Series B Preferred Stock shall be sent to each holder of record, at the close of business on the date on which the Series B Mandatory Redemption Notice is given, at such holder's address as the same appears on the books of the Corporation 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) the place or places where such shares are to be surrendered, (C) that the holder is to surrender the shares at the place of redemption and (D) that dividends on the Series B Preferred Stock shall cease to accrue on the Series B Redemption Date. If less than all the outstanding shares of Series B Preferred Stock are to be redeemed, the selection of shares for redemption shall be made pro rata and the notice of redemption to a holder shall state the number of shares of Series B Preferred Stock of such holder to be redeemed. The portion of the applicable Series B Redemption Price to which each holder of record of the shares of Series B Preferred Stock to be redeemed is entitled shall be delivered to the holder at the holder's address as the same appears in the stock register of the Corporation; 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 the shares of Series B Preferred Stock 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.

(d) On and after the applicable Series B Redemption Date (unless default shall be made by the Corporation in providing money for the payment of the Series B Redemption Price pursuant to the notice of redemption), or if the Corporation 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 shares of Series B Preferred Stock so called for redemption shall cease to accrue, and the notice of redemption shall so state, and, notwithstanding that any certificate for shares of Series B Preferred Stock is not surrendered for cancellation, the shares represented thereby shall no longer

be deemed outstanding and all rights of the holders thereof shall cease and terminate, except the right to receive the Series B Redemption Price (without interest) as hereinafter provided.

(e) At any time on or after the applicable Series B Redemption Date, or if the Corporation 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 Corporation in the notice of redemption and which shall not be later than the applicable Series B Redemption Date, the holders of record of the shares of Series B Preferred Stock to be redeemed shall be entitled to receive the Series B Redemption Price upon actual delivery to the Corporation, 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 shares 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 Corporation or any such bank or trust company (if applicable) shall not relieve the Corporation of liability for payment of the Series B Redemption Price.

(f) Any Series B Deposit funds which remain unclaimed by the holders of such Series B Preferred Stock at the end of two (2) years after the Series B Redemption Date shall be paid by the bank or trust company to the Corporation, 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 Corporation from time to time.

Section 4 Preference Rights on Liquidation.

(a) In the event that the Corporation shall be liquidated, dissolved or wound up, whether voluntarily or involuntarily, after all creditors of the Corporation shall have been paid in full, the holders of the shares of Series B Preferred Stock shall be entitled to receive, out of the assets of the Corporation legally available for distribution to its stockholders, whether from capital, surplus or earnings, before any amount shall be paid to the holders of any Series B Junior Stock, an amount equal to the Series B Original Issue Price in cash per share 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 Corporation, the net assets of the Corporation shall be insufficient to pay the holders of all outstanding shares of Series B Preferred Stock and of any shares ranking on a parity with the Series B Preferred Stock the full amounts to which they respectively shall be entitled, such assets, or the proceeds thereof, shall be distributed ratably among the holders of shares of Series B Preferred Stock and any shares ranking on a parity with the Series B Preferred Stock in accordance with the amounts which would be payable on such distribution if the amount to which the holders of the Series B Preferred Stock and of any shares ranking on a parity with the Series B Preferred Stock are entitled were paid in full. Holders of shares of Series B Preferred Stock shall not be entitled, upon the voluntary or involuntary liquidation, dissolution or winding up of the Corporation, to

receive any amounts with respect to such shares other than the amounts referred to in this Section 4(a).

(b) Neither the purchase nor redemption by the Corporation of any class of shares in any manner permitted by the Certificate of Incorporation, as amended, nor the merger or consolidation of the Corporation with or into any other business entity, nor the conversion of the Corporation into a different entity form under Delaware (or other state) law, nor a sale, exchange, conveyance, transfer or lease of all or substantially all of the Corporation's assets shall be deemed to be a liquidation, dissolution or winding up of the Corporation for the purposes of this Section 4; provided, however, that any consolidation or merger of the Corporation in which the Corporation is not the surviving entity shall be deemed to be a liquidation, dissolution or winding up of the affairs of the Corporation within the meaning of this Section 4 if, (A) in connection therewith, the holders of shares of Series B Junior Stock receive as consideration, whether in whole or in part, for such shares of Series B Junior Stock (1) cash, (2) notes, debentures or other evidences of indebtedness or obligations to pay cash or (3) preferred stock or shares of the surviving entity which ranks on a parity with or senior to the preferred stock or shares received by holders of the Series B Preferred Stock with respect to liquidation or dividends or (B) the holders of the shares of Series B Preferred Stock do not receive preferred stock or shares 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 Stock.

Section 5 Other Rights. Without the written consent of the holders of a majority of the outstanding shares of Series B Preferred Stock or the vote of the holders of a majority of the outstanding shares of Series B Preferred Stock at a meeting of the holders of shares of Series B Preferred Stock called for such purpose, the Corporation shall not amend, alter or repeal any provision of the Corporation's Certificate of Incorporation so as to adversely affect the relative rights and preferences of the Series B Preferred Stock; provided however, that any such amendment that changes the dividend payable on the Series B Preferred Stock shall require the affirmative vote of the holder of each share of Series B Preferred Stock at a meeting of such holders called for such purpose or the written consent of the holder of each such share of Series B Preferred Stock; provided further, that in no event will the issuance of any series of preferred Stock that is senior to, on a parity with or junior to the Series B Preferred Stock or has a redemption date earlier than the Series B Preferred Stock be deemed to adversely affect the rights and preferences of the Series B Preferred Stock.

Exhibit 3.31

MAGNACHIP SEMICONDUCTOR CORPORATION

AMENDED AND RESTATED BYLAWS

As Adopted on _____, 2008

Table of Contents

MAGNACHIP SEMICONDUCTOR CORPORATION

AMENDED AND RESTATED BYLAWS

As adopted on _____, 2008

ARTICLE I

STOCKHOLDERS

Section 1.01. Annual Meetings. The annual meeting of the holders of the common stock of MagnaChip Semiconductor Corporation (the "Corporation") for the election of directors and for the transaction of such other business as properly may come before such meeting shall be held at such place, either within or without the State of Delaware, or, within the sole discretion of the Board of Directors of the Corporation (the "Board of Directors"), by remote electronic communication technologies, and at such date and hour as may be fixed from time to time by resolution of the Board of Directors and set forth in the notice or waiver of notice of the meeting.

Section 1.02. Special Meetings. Special meetings of the common stockholders may be called at any time only by the Chairman of the Board of Directors or by the Secretary, who shall call a special meeting at the request in writing of at least two members of the Board of Directors. Such special meetings of the common stockholders shall be held at such places, within or without the State of Delaware, or, within the sole discretion of the Board of Directors, by remote electronic communication technologies, as shall be specified in the respective notices or waivers of notice thereof. Only business within the purpose or purposes described in the notice or waiver thereof required by these Bylaws may be conducted at a special meeting of the stockholders.

Section 1.03. Notice of Meetings; Waiver. Notice stating the place, date, hour and purpose of the annual or special meeting shall be given by the Secretary or any authorized officer of the Corporation not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting.

A written waiver of any notice of any annual or special meeting signed by the person entitled thereto, or a waiver by electronic transmission by the person entitled to notice, shall be deemed equivalent to notice, whether provided before or after the meeting. Neither the business to be transacted at, nor the purpose of, any annual or special meeting of the stockholders need be specified in a waiver of notice. The attendance of any stockholder at a meeting of stockholders shall constitute a waiver of notice of such meeting, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 1.04. Quorum. Except as otherwise required by law or by the Certificate of Incorporation, the presence in person or by proxy of the holders of record of a majority

of the shares of the class of stock entitled to vote at a meeting of stockholders shall constitute a quorum for the transaction of business at such meeting.

Section 1.05. Voting. If, pursuant to Section 5.05 of these Bylaws, a record date has been fixed, every holder of record of shares entitled to vote at a meeting of stockholders shall be entitled to one vote for each share of stock outstanding in his or her name on the books of the Corporation at the close of business on such record date. If no record date has been fixed, then every holder of record of shares entitled to vote at a meeting of stockholders shall be entitled to one vote for each share of stock standing in his or her name on the books of the Corporation at the close of business on the day next preceding the day on which notice of the meeting is given, or, if notice is waived, at the close of business on the day immediately preceding the day on which the meeting is held. Except as otherwise required by law or by the Certificate of Incorporation or by these Bylaws, the vote of a majority of the shares represented in person or by proxy at any meeting at which a quorum is present shall be sufficient for the transaction of any business at such meeting.

Section 1.06. Voting by Ballot. No vote of the stockholders need be taken by written ballot, or by a ballot submitted by electronic transmission, unless otherwise required by law. Any vote which need not be taken by written ballot, or by a ballot submitted by electronic transmission, may be conducted in any manner approved by the vote of stockholders holding a majority of the shares represented in person or by proxy at the meeting.

Section 1.07. Adjournment. Whenever a meeting of stockholders, annual or special, is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. If the adjournment is for more than thirty days, or if after the adjournment a new record date for the adjourned meeting is fixed pursuant to Section 5.05 of these Bylaws, a notice of the adjourned meeting, conforming to the requirements of Section 1.03 of these Bylaws, shall be given to each stockholder of record entitled to vote at such meeting. At any adjourned meeting at which a quorum is present, any business may be transacted that might have been transacted on the original date of the meeting.

Section 1.08. Proxies. Any stockholder entitled to vote at any meeting of the stockholders or to express consent to or dissent from corporate action in writing without a meeting may authorize another person or persons to vote at any such meeting and express such consent or dissent for him or her by proxy. A stockholder may authorize a valid proxy by executing a written instrument signed by such stockholder, or by causing his or her signature to be affixed to such writing by any reasonable means including, but not limited to, by facsimile signature, or by transmitting or authorizing the transmission of a telegram, cablegram or other means of electronic transmission to the person designated as the holder of the proxy, a proxy solicitation firm or a like authorized agent. No such proxy shall be voted or acted upon after the expiration of three years from the date of such proxy, unless such proxy provides for a longer period. Every proxy shall be revocable at the pleasure of the stockholder executing it, except in those cases where

applicable law provides that a proxy shall be irrevocable. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or by filing another duly executed proxy bearing a later date with the Secretary. Proxies by telegram, cablegram or other electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram or other electronic transmission was authorized by the stockholder. Any copy, facsimile telecommunication or other reliable reproduction of a writing or transmission created pursuant to this section may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

Section 1.09. Organization; Procedure. At every meeting of stockholders the presiding officer shall be the Chairman of the Board of Directors or, in the event of his or her absence or disability, a presiding officer chosen by the Board of Directors. The Secretary, or in the event of his or her absence or disability an appointee of the presiding officer, shall act as Secretary of the meeting. The order of business and all other matters of procedure at every meeting of stockholders may be determined by such presiding officer.

Section 1.10. Notice of Stockholder Business and Nomination.

(a) Annual Meetings of Stockholders.

(1) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the stockholders may be made (A) prior to the annual meeting of stockholders by the Board of Directors or by any person or entity having Director nomination rights in accordance with Section 2.03(b) and (B) at an annual meeting of stockholders (i) by or at the direction of the Board of Directors or the Chairman of the Board of Directors, or (ii) by any stockholder of the Corporation who is entitled to vote at the meeting, who complies with the notice procedures set forth in clauses (2) and (3) of this paragraph and who is a stockholder of record at the time such notice is delivered to the Secretary of the Corporation.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder, pursuant to clause (B)(ii) of paragraph (a)(1) of this Section 1.10, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive office of the Corporation not less than ninety days nor more than one hundred and twenty days prior to the first anniversary of the preceding year's annual meeting; provided, that if the date of the annual meeting is advanced by more than thirty days or delayed by more than seventy days from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than one hundred and twenty days prior to such annual meeting and not later than the close of business on the later of the ninetieth day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. In no event

shall the adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a Director all information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations thereunder, including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected; (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and of any beneficial owner on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and any beneficial owner on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of this Section 1.10 to the contrary, in the event that the number of Directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for Director or specifying the size of the increased Board of Directors made by the Corporation at least one hundred days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice under this paragraph shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

(b) Special Meetings of Stockholders. Only such business as shall have been brought before the special meeting of the stockholders pursuant to the Corporation's notice of meeting pursuant to Section 1.03 of these Bylaws shall be conducted at such meeting. Nominations of persons for election to the Board of Directors may be made (A) prior to a special meeting of stockholders at which Directors are to be elected by the Board of Directors or by any person or entity having Director nomination rights in accordance with Section 2.03(b) and (B) at a special meeting of stockholders at which Directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors or (ii) by any stockholder of the Corporation who is entitled to vote at the meeting, who complies with the notice procedures set forth in this Section 1.10 and who is a stockholder of record at the time such notice is delivered to the Secretary of the Corporation. Nominations by stockholders of persons for election to the Board of Directors may be made at such special meeting of stockholders if the stockholder's notice as required by paragraph (a)(2) of this Section 1.10 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the one hundred and twentieth day prior to such special meeting and not later than the close

of business on the later of the ninetieth day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

(c) General.

(1) Only persons who are nominated in accordance with the procedures set forth in this Section 1.10 or who are elected pursuant to Section 1.11 shall be eligible to serve as Directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.10. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Section 1.10 and, if any proposed nomination or business is not in compliance with this Section 1.10, to declare that such defective proposal or nomination shall be disregarded.

(2) For purposes of this Section 1.10, public announcement shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14, or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 1.10, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 1.10. Nothing in this Section 1.10 shall be deemed to affect any right of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 1.11. Consent of Stockholders in Lieu of Meeting. Subject to the Certificate of Incorporation, any action required to be taken, or which may be taken, at any meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of shares of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of stock entitled to vote thereon were present and voted.

Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of holders to take the action were delivered to the Corporation.

ARTICLE II

BOARD OF DIRECTORS

Section 2.01. General Powers. Except as may otherwise be provided by law, by the Certificate of Incorporation or by these Bylaws, the property, affairs and business of the Corporation shall be managed by or under the direction of the Board of Directors and the Board of Directors may exercise all the powers of the Corporation.

Section 2.02. Number and Term of Office. Subject to Section 2.06, the number of Directors constituting the entire Board of Directors, each of whom shall be a natural person, shall be such as may be determined by the resolution of the Board of Directors from time to time; provided that the Board of Directors shall not cause the number of Directors to be less than or greater than the total number of Directors prescribed pursuant to Section 2.03(b). Each Director (whenever elected) shall hold office until his or her successor has been duly elected and qualified, or until his or her earlier death, resignation or removal. The Chairman of the Board of Directors, if one be elected, shall be chosen from among the directors.

Section 2.03. Election of Directors.

(a) Except as otherwise provided in Sections 1.10, 1.11, 2.12 and 2.13 of these Bylaws, the Directors shall be elected at each annual meeting of the common stockholders. If the annual meeting for the election of Directors is not held on the date designated therefor, the Directors shall cause the meeting to be held as soon thereafter as convenient. At each meeting of the stockholders for the election of Directors, provided a quorum is present, the Directors shall be elected by a plurality of the votes validly cast in such election.

(b) The Corporation’s nominees for the Board of Directors shall consist of ten directors as follows:

(i) three directors will be designated by the CVC US Designator;

(ii) three directors will be designated by the FP Designator;

(iii) one director will be designated by the CVC AP Designator;

(iv) one director will be the chief executive officer of the Corporation for so long as he or she is employed by the Corporation;

(v) one director will be the chief financial officer of the Corporation for so long as he or she is employed by the Corporation; and

(vi) the remaining director will be an independent director designated by unanimous approval of the CVC US Designator, the FP Designator and the chief executive officer of the Corporation at the time.

If the number of directors that comprise the entire Board of Directors is increased in accordance with Section 2.06, the nominees for directors to be added to the Board of Directors (the "**Additional Directors**") must be "independent directors" within the meaning of the rules or regulations of the Securities and Exchange Commission and the principal securities exchange or quotation system on which the shares of the Corporation's common stock are traded or quoted (to the extent required to meet such applicable rules or regulations) and the nominees for Directors to be Additional Directors must be designated by unanimous approval of the CVC US Designator, the FP Designator and the chief executive officer of the Corporation at the time.

The right of each of the CVC US Designator and the FP Designator to designate at least three directors of the Board of Directors pursuant to this Section 2.03(b) shall be reduced to the right to designate only one Director at such time as the ownership of shares of Corporation's common stock 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 ownership of shares of the Corporation's common stock by all holders of outstanding shares of such common stock is less than 10% and the right to designate any Director pursuant to this Section 2.03(b) shall terminate at such time as the ownership of shares of the Corporation's common stock 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 ownership of shares of such common stock by all holders of outstanding shares of such common stock is less than 5%. The right of the CVC AP Designator to designate one Director shall terminate at such time as the ownership of shares of the Corporation's common stock by the CVC Asia Pacific Investors and their Permitted Transferees, divided by the ownership of shares of such common stock by all holders of outstanding shares of such common stock is less than 5%. Upon the termination of the rights of the CVC US Designator, the FP Designator and the CVC AP Designator to designate at least one director of the Board of Directors pursuant to this Section 2.03(b), this Section 2.03(b) and Sections 2.06(b), 2.06(c), 3.01(b) and 3.04(b) shall terminate in full.

Section 2.04. Annual and Regular Meetings. The annual meeting of the Board of Directors for the purpose of electing officers and for the transaction of such other business as may come before the meeting shall be held as soon as practicable following adjournment of the annual meeting of the common stockholders at the place of such annual meeting of the stockholders or at such other place as shall be determined by the Board of Directors. Each Director shall receive notice and the agenda of each annual meeting of the Board of Directors at least three days prior to such meeting. The Board of Directors from time to time may by resolution provide for the holding of regular meetings and fix the place (which may be within or without the State of Delaware) and the date and hour of such meetings; provided that the Board of Directors shall hold regularly scheduled meetings at least once every calendar quarter. Each Director shall receive notice and the agenda of each regular meeting of the Board of Directors at least three days prior to such meeting.

Notice of any annual or regular meeting need not be given to any Director who attends such meeting without protesting the lack of notice to him or her, prior to or at the commencement of such meeting, or to any Director who submits a signed waiver of notice, whether before or after such meeting.

Section 2.05. Special Meetings; Notice. Special meetings of the Board of Directors shall be held whenever called by the Chairman of the Board of Directors or by the Secretary, who shall call a special meeting at the request in writing of at least two members of the Board of Directors at such place (within or without the State of Delaware), date and hour as may be specified in the respective notices or waivers of notice of such meetings. Notice of each special meeting must be given at least seventy-two (72) hours in advance of a meeting to take place in person and at least forty-eight (48) hours in advance of a meeting to take place telephonically; provided, however that nothing in this Section 2.05 shall limit the ability of any Director to participate in a meeting to take place in person by conference telephone or other communications equipment in accordance with Section 141(i) of the Delaware General Corporation Law. Notice of any special meeting need not be given to any Director who attends such meeting without protesting the lack of notice to him or her, prior to or at the commencement of such meeting, or to any Director who submits a signed waiver of notice, whether before or after such meeting, and any business may be transacted thereat.

Section 2.06. Quorum; Voting.

(a) At all meetings of the Board of Directors, the presence of a majority of the total authorized number of Directors shall constitute a quorum for the transaction of business. Except as otherwise required by law, the vote of a majority of the Directors present at any meeting at which a quorum is present shall be the act 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.

(b) Notwithstanding anything in Section 2.06(a) to the contrary, there shall be no quorum at any meeting of the Board of Directors unless a majority of the designees of the CVC US Designator and a majority of the designees of the FP Designator are present at such meeting; *provided* 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 2.03(b), a quorum shall exist if at least one Core Director designated by such person or entity is present.

(c) Until such time as the Corporation no longer qualifies as a “controlled company” (within the meaning of the principal securities exchange or quotation system on which the shares of common stock of the Corporation are traded or quoted and solely in connection with the ownership of common stock of the Corporation by the Core Shareholders), no action by the Corporation (including but not limited to any action by

the Board of Directors 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 of Directors and either the CVC US Securityholder Representative or the FP Securityholder Representative, in each case, in its capacity as agent for persons or entities comprising CVC US and FP, in each case, in its capacity as a Securityholder; *provided* that the vote of a Core 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 2.06 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 or entities comprising CVC US and FP, in each case, in its capacity as a Securityholder:

1. (a) any merger or consolidation of the Corporation with or into any person or entity, other than a wholly owned subsidiary of the Corporation, or of any subsidiary of the Corporation with or into any person or entity other than the Corporation or any of the other wholly owned subsidiaries of the Corporation, or (b) any sale of the Corporation or any of its subsidiaries or any significant operations of the Corporation or any of its subsidiaries or any joint venture transaction, acquisition or disposition of assets, business, operations or securities by the Corporation or any of its subsidiaries (in a single transaction or a series of related transactions) having a value in each case in this clause (b) in excess of $3,000,000,

2. 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 Corporation or any of its subsidiaries, except as expressly permitted by the Securityholders' Agreement,

3. any liquidation, dissolution, commencement of bankruptcy, liquidation or similar proceedings with respect to the Corporation or any of its subsidiaries,

4. any incurrence, refinancing, alteration of material terms or prepayment by the Corporation or any of its subsidiaries of indebtedness for borrowed money in excess of $2,000,000 in the aggregate (or the guaranty by the Corporation or any of its subsidiaries of any such indebtedness), or the issuance of any security by the Corporation or any of its subsidiaries (not including issuances of such securities in connection with employee or stock option plans previously approved by the Board of Directors pursuant to clause (7) below), in each case other than as specifically contemplated by the Securityholders' Agreement,

5. any capital expenditure or capital lease in excess of $1,000,000 which is not specifically contemplated by the annual business plan of the Corporation or any of its subsidiaries,

6. any entering into, amending or modifying in any material respect of any agreements of the Corporation or any of its subsidiaries providing for payments by or to the Corporation or such subsidiary in excess of $2,000,000 per annum or $5,000,000 in the aggregate,

7. 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 Corporation 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 Corporation or its subsidiaries,

8. any appointment or dismissal of any of the Chairman of the Board of Directors, Chief Executive Officer, President, Chief Financial Officer or Chief Operating Officer or any other executive officer in any similar capacity of the Corporation or any of its subsidiaries,

9. any change in accounting or tax principles, policies with respect to the financial statements, records or affairs of the Corporation or any of its subsidiaries, 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 Corporation or any of its subsidiaries, or any Securityholder with respect to the investment by such Securityholder in the Corporation,

10. 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) of the Securityholders' Agreement, subject to the limitations set forth therein), investment bankers or company-wide insurance providers of the Corporation or any of its subsidiaries,

11. any amendment to the Securityholders' Agreement, any exercise or waiver of the Corporation's rights under the Securityholders' Agreement, any amendment to the Certificate of Incorporation or these Bylaws of the Corporation or similar organizational documents of any of its subsidiaries,

12. any approval of the annual business plan, budget and long-term strategic plan of the Corporation or any of its subsidiaries,

13. any modification of the long-term business strategy or scope of the business of the Corporation or any of its subsidiaries or any material customer relationships thereof,

14. any increase or decrease to the number of directors that comprise the entire Board of Directors of the Corporation or board of directors of any of its subsidiaries,

15. any entry into or modification of any contract with a labor union (including any collective bargaining agreement),

16. any entry into or modification of any contract with, obligation to or transaction or series of transactions between (a) the Corporation or any of its subsidiaries and (b) Hynix Semiconductor Inc. or any controlled Affiliate of Hynix Semiconductor Inc., or

17. any contract with, obligation to or transaction or series of transactions between, the Corporation or any of its subsidiaries and one or more of its securityholders or their Affiliates.

Section 2.07. Adjournment. A majority of the Directors present, whether or not a quorum is present, may adjourn any meeting of the Board of Directors to another time or place. No notice need be given of any adjourned meeting unless the time and place of the adjourned meeting are not announced at the time of adjournment, in which case notice conforming to the requirements of Section 2.05 of these Bylaws shall be given to each Director.

Section 2.08. Action Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if all members of the Board of Directors consent thereto in writing or by electronic transmission, and such writing or writings or electronic transmissions are filed with the minutes of proceedings of the Board of Directors. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 2.09. Regulations; Manner of Acting. To the extent consistent with applicable law, the Certificate of Incorporation and these Bylaws, the Board of Directors may adopt such rules and regulations for the conduct of meetings of the Board of Directors and for the management of the property, affairs and business of the Corporation as the Board of Directors may deem appropriate. The Directors shall act only as a Board, and the individual Directors shall have no power as such.

Section 2.10. Action by Telephonic Communications. Members of the Board of Directors may participate in a meeting of the Board of Directors by means of telephone conference or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

Section 2.11. Resignations. Any Director may resign at any time by submitting an electronic transmission or by delivering a written notice of resignation, signed by such Director, to the President or the Secretary. Unless otherwise specified therein, such resignation shall take effect upon delivery.

Section 2.12. Removal of Directors. Any Director may be removed at any time, either for or without cause, upon the affirmative vote of the holders of a majority of the outstanding shares of stock of the Corporation entitled to vote for the election of such

Director. Any vacancy in the Board of Directors caused by any such removal may be filled in the manner provided in Section 2.13 of these Bylaws.

Section 2.13. Vacancies and Newly Created Directorships. If any vacancies shall occur in the Board of Directors, by reason of death, resignation, removal or otherwise, or if the authorized number of Directors shall be increased, the Directors then in office shall continue to act, and such vacancies and newly created directorships may be filled by a majority of the Directors then in office, though less than a quorum, or by a sole remaining Director; provided that the person or entity entitled under Section 2.03(b) 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 2.03(b), designate another individual to fill such vacancy and serve as a Director and the remaining Directors shall cause such individual to be elected as a Director.

Section 2.14. Compensation. The amount, if any, which each Director shall be entitled to receive as compensation for his or her services as such shall be fixed from time to time by resolution of the Board of Directors.

Section 2.15. Reliance on Accounts and Reports, etc. A Director, or a member of any Committee designated by the Board of Directors shall, in the performance of his or her duties, be fully protected in relying in good faith upon the records of the Corporation and upon information, opinions, reports or statements presented to the Corporation by any of the Corporation's officers or employees, or Committees designated by the Board of Directors, or by any other person as to the matters the member 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 Corporation.

ARTICLE III

COMMITTEES OF THE BOARD OF DIRECTORS

Section 3.01. How Constituted.

(a) The Board of Directors may designate one or more Committees, each such Committee to consist of such number of Directors as from time to time may be fixed by the Board of Directors. Members of each such Committee may be designated at the annual meeting of the Board of Directors. Any such Committee may be abolished or re-designated from time to time by the Board of Directors. Each member of any such Committee (whether designated at an annual meeting of the Board of Directors or to fill a vacancy or otherwise) shall hold office until his or her successor shall have been designated or until he or she shall cease to be a Director, or until his or her earlier death, resignation or removal.

(b) Notwithstanding the foregoing, except with respect to the Audit Committee, the (i) Institutional Securityholders together shall be entitled to majority representation on any Committee created by the Board of Directors, half of which such majority representation shall consist of a Core Director or Directors designated by the

CVC US Designator and half of which such majority representation shall consist of a Core Director or Directors designated by the FP Designator, (ii) CVC Asia Pacific Investors or their Permitted Transferees shall be entitled to minority representation on each Committee created by the Board of Directors, and (iii) Corporation and each Core Shareholder entitled to vote for the election of the chairman of any Committee (in its capacity as a Securityholder, member of the Board of Directors, member of a Committee, or otherwise) created by the Board of Directors 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 Securityholders' Agreement, in each case until such time as the Committee members designated by such Core Shareholders are required to be removed as a result of the Corporation no longer qualifying as a "controlled company" (within the meaning of the principal securities exchange or quotation system on which the shares of common stock of the Corporation are traded or quoted and solely in connection with the ownership of common stock of the Corporation by the Core Shareholders).

Section 3.02. Powers. Each such Committee, except as otherwise provided in this section or in Section 2.06, shall have and may exercise such powers of the Board of Directors as may be provided by resolution or resolutions of the Board of Directors; provided, however, that no Committee shall have the power or authority:

(a) to amend the Certificate of Incorporation (except that a Committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board of Directors as provided in Section 151(a) of the Delaware General Corporation Law, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the Corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series);

(b) to adopt an agreement of merger or consolidation;

(c) to recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets;

(d) to recommend to the stockholders a dissolution of the Corporation or a revocation of a dissolution;

(e) to amend the Bylaws of the Corporation; or

(f) to abolish or usurp the authority of the Board of Directors.

Any Committee may be granted by the Board of Directors power to authorize the seal of the Corporation to be affixed to any or all papers which may require it.

Section 3.03. Proceedings. In accordance with the terms of its charter, if any, each such Committee may fix its own rules of procedure and may meet at such place (within or without the State of Delaware), at such time and upon such notice, if any, as it shall determine from time to time. Each such Committee shall keep minutes of its proceedings and shall report such proceedings to the Board of Directors at the meeting of the Board of Directors next following any such proceedings.

Section 3.04. Quorum and Manner of Acting.

(a) Except as may be otherwise provided in the resolution creating such Committee, at all meetings of any Committee the presence of members constituting a majority of the total authorized membership of such Committee shall constitute a quorum for the transaction of business. The act of the majority of the members present at any meeting at which a quorum is present shall be the act of such Committee. The members of any such Committee shall act only as a Committee, and the individual members of such Committee shall have no power as such.

(b) Notwithstanding anything to the contrary in Section 3.04(a), there shall be no quorum at any meeting of any Committee (other than the Audit Committee) unless a majority of the designees of each of the CVC US Designator and the FP Designator are present at such meeting.

Section 3.05. Action Without a Meeting. Any action required or permitted to be taken at any meeting of any Committee designated by the Board of Directors may be taken without a meeting if all members of such Committee consent thereto in writing or by electronic transmission, and such writing or writings or electronic transmissions are filed with the minutes of proceedings such Committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 3.06. Action by Telephonic Communications. Members of any Committee designated by the Board of Directors may participate in a meeting of such Committee by means of telephone conference or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

Section 3.07. Resignations. Any member of any Committee may resign at any time by delivering a written notice of resignation, signed by such member, to the Chairman of the Board of Directors or the Chief Executive Officer. Unless otherwise specified therein, such resignation shall take effect upon delivery.

ARTICLE IV

OFFICERS

Section 4.01. Number; Duties. The officers of the Corporation shall be chosen by the Board of Directors and shall be a Chief Executive Officer, a President, a Chief

Financial Officer, one or more Vice Presidents and a Secretary, and such other additional officers with such titles as the Board of Directors shall determine. Such officers shall have the usual powers and shall perform all the usual duties incident to their respective offices. Any number of offices may be held by the same person. No officer need be a Director of the Corporation.

Section 4.02. Election. Unless otherwise determined by the Board of Directors, the officers of the Corporation shall be elected by the Board of Directors at any regular or special meeting of the Board of Directors and shall hold office until his or her successor has been elected and qualified, or until his or her earlier death, resignation or removal.

Section 4.03. Salaries. The salaries of all officers of the Corporation shall be fixed by the Board of Directors, unless otherwise delegated by the Board of Directors to a particular committee or officer.

Section 4.04. Removal and Resignation; Vacancies. Any officer may be removed for or without cause at any time by the Board of Directors. Any officer may resign at any time by delivering notice of resignation, either in writing signed by such officer or by electronic transmission, to the Board of Directors or the Chief Executive Officer. Unless otherwise specified therein, such resignation shall take effect upon delivery. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise, shall be filled by the Board of Directors, unless otherwise delegated by the Board of Directors to a particular committee or officer.

ARTICLE V

CAPITAL STOCK

Section 5.01. Certificates of Stock, Uncertificated Shares. The shares of the Corporation shall be represented by certificates, provided that the Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of the stock of the Corporation shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until each certificate is surrendered to the Corporation. Every holder of stock in the Corporation represented by certificates and, upon request, every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the Corporation, by the Chief Executive Officer, President or a Vice President, and by the Chief Financial Officer or the Secretary, representing the number of shares registered in certificate form. Such certificate shall be in such form as the Board of Directors may determine, to the extent consistent with applicable law, the Certificate of Incorporation and these Bylaws. Notwithstanding any other provision in these Bylaws, the Board of Directors may resolve to adopt a system of issuance, recordation and transfer of its shares by electronic or other means not involving any issuance of certificates (a “Direct Registration System”), including provisions for notice to purchasers in substitution for any required statements on certificates, and as may be required by applicable corporate securities laws or stock exchange listing rules. Any Direct Registration System so adopted shall not become effective as to issued and

outstanding certificated securities until the certificates therefor have been surrendered to the Corporation.

Section 5.02. Signatures; Facsimile. All signatures on the certificate referred to in Section 5.01 of these Bylaws may be in facsimile, engraved or printed form, to the extent permitted by law. In case any officer, transfer agent or registrar who has signed, or whose facsimile, engraved or printed signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Section 5.03. Lost, Stolen or Destroyed Certificates. The Board of Directors may direct that a new certificate be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon delivery to the Board of Directors of an affidavit of the owner or owners of such certificate, setting forth such allegation. The Board of Directors may require the owner of such lost, stolen or destroyed certificate, or his or her legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of any such new certificate.

Section 5.04. Transfer of Stock. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares, duly endorsed or accompanied by appropriate evidence of succession, assignment or authority to transfer, the Corporation shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Subject to the provisions of the Certificate of Incorporation and these Bylaws, the Board of Directors may prescribe such additional rules and regulations as it may deem appropriate relating to the issue, transfer and registration of shares of the Corporation.

Section 5.05. Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than 60 nor less than 10 days before the date of such meeting. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting, provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

In order that the Corporation may determine the stockholders entitled to consent to the corporate action pursuant to Section 1.11 hereof in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining

stockholders entitled to consent to corporate action in writing without a meeting pursuant to Section 1.11 hereof, when no prior action by the Board of Directors is required by law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights of the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 5.06. Registered Stockholders. Prior to due surrender of a certificate for registration of transfer, the Corporation may treat the registered owner as the person exclusively entitled to receive dividends and other distributions, to vote, to receive notice and otherwise to exercise all the rights and powers of the owner of the shares represented by such certificate, and the Corporation shall not be bound to recognize any equitable or legal claim to or interest in such shares on the part of any other person, whether or not the Corporation shall have notice of such claim or interests. Whenever any transfer of shares shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of the transfer if, when the certificates are presented to the Corporation for transfer or uncertificated shares are requested to be transferred, both the transferor and transferee request the Corporation to do so.

Section 5.07. Transfer Agent and Registrar. The Board of Directors may appoint one or more transfer agents and one or more registrars, and may require all certificates representing shares to bear the signature of any such transfer agents or registrars.

ARTICLE VI

INDEMNIFICATION

Section 6.01. Nature of Indemnity. A director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director to the fullest extent permitted by the General Corporation Law of the State of Delaware; provided, however, that the foregoing shall not eliminate or limit the

liability of a director (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 General Corporation Law of the State of Delaware or (iv) for any transaction from which the director derived an improper personal benefit. If the General Corporation Law of the State of Delaware is subsequently amended to further eliminate or limit the liability of a director, then a director of the Corporation, in addition to the circumstances in which a director is not personally liable as set forth in the preceding sentence, shall not be liable to the fullest extent permitted by the amended General Corporation Law of the State of Delaware. For purposes of this Article Six, "fiduciary duty as a director" shall include any fiduciary duty arising out of serving at the Corporation's request as a director of another corporation, partnership, joint venture or other enterprise, and "personal liability to the Corporation or its stockholders" shall include any liability to another corporation, partnership, joint venture, trust or other enterprise, and any liability to the Corporation in its capacity as a security holder, joint venturer, partner, beneficiary, creditor or investor of or in any such other corporation, partnership, joint venture, trust or other enterprise.

The Corporation shall indemnify each of the Corporation's directors and officers in each and every situation where, under the General Corporation Law of the State of Delaware, as amended from time to time, the Corporation is permitted or empowered to make such indemnification. The Corporation may, in the sole discretion of the Board of Directors of the Corporation, provide indemnification to such of the employees and agents of the Corporation to such extent and to such effect as the Board of Directors shall determine to be appropriate and authorized by the General Corporation Law of the State of Delaware. The Corporation shall promptly make or cause to be made any determination required to be made pursuant to the General Corporation Law of the State of Delaware.

Each person (and the heirs, executors or administrators of such person) who was or is a party or is threatened to be made a party to, or is involved in 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 or has agreed to become a director or officer of the Corporation or is or was serving or has agreed to serve at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, shall be indemnified and held harmless by the Corporation to the fullest extent permitted by the General Corporation Law of the State of Delaware.

Section 6.02. Advance Payment of Expenses. Expenses (including attorneys' fees) incurred by a present or former director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation as authorized in this Article; provided that the Corporation shall not be required to advance any expense in connection with any action, suit or proceeding

initiated by the director or officer unless such action, suit or proceeding was authorized in advance by the Board of Directors. The Corporation, or in respect of a present director or officer the Board of Directors, may authorize the Corporation's counsel to represent such present or former director, officer, employee or agent in any action, suit or proceeding, whether or not the Corporation is a party to such action, suit or proceeding.

Section 6.03. Procedure for Indemnification of Directors and Officers. A claim for indemnification of a director, officer, employee or agent of the Corporation required under Sections 6.01 of these Bylaws, or advance of costs, charges and expenses to such person under Section 6.02 of these Bylaws, shall be paid by the Corporation within thirty days following the written request of such person; provided that if such claim is not paid in full by the Corporation within such thirty day period, the applicable director, officer, employee or agent may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim in any court of competent jurisdiction. To the extent that the director, officer, employee or agent is successful in establishing his or her right to indemnification in a court of competent jurisdiction, the Corporation shall promptly pay the person in full for such unpaid amount of the indemnification claim. Such person's costs and expenses incurred in connection with successfully establishing his or her right to indemnification, in whole or in part, in any such action shall also be indemnified by the Corporation. It shall be a defense to any such claim (other than an action brought to enforce a claim for expenses incurred in connection with any action, suit or proceeding that has been finally determined) that such person seeking indemnification has not met the standards of conduct that make it permissible under applicable law for the Corporation to indemnify such person for the amount claimed. If a determination by the Corporation that such person is entitled to indemnification pursuant to this Article is required, and the Corporation fails to respond within sixty days to a written request for indemnity, the Corporation shall be deemed to have approved such request.

Section 6.04. Survival; Preservation of Other Rights. The foregoing indemnification provisions shall be deemed to be a contract between the Corporation and each director and officer who serves in any such capacity at any time while these provisions as well as the relevant provisions of the General Corporation Law of the State Delaware are in effect and any repeal or modification thereof shall not affect any right or obligation then existing with respect to any state of facts then or previously existing or any action, suit or proceeding previously or thereafter brought or threatened based in whole or in part upon any such state of facts. Such a "contract right" may not be modified retroactively without the consent of such director or officer.

The indemnification provided by this Article VI shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent, and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 6.05. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was or has agreed to become a director or officer of the Corporation, or 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 against any liability asserted against him or her or on his or her behalf and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this Article, provided that such insurance is available on acceptable terms, which determination shall be made by the Board of Directors.

Section 6.06. Severability. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each director or officer and may indemnify each employee or agent of the Corporation as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the Corporation, to the fullest extent permitted by any applicable portion of this Article that shall not have been invalidated and to the fullest extent permitted by applicable law, 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 General Corporation Law of the State of Delaware or (iv) for any transaction from which the director derived an improper personal benefit.

ARTICLE VII

OFFICES

Section 7.01. Registered Office. The registered office of the Corporation in the State of Delaware shall be located at 160 Greentree Drive, Suite 101, Dover, DE 19904, County of Kent, or at such other location as set forth in the Certificate of Incorporation of the Corporation, as amended from time to time.

Section 7.02. Other Offices. The Corporation may maintain offices or places of business at such other locations within or without the State of Delaware as the Board of Directors may from time to time determine or as the business of the Corporation may require.

ARTICLE VIII

GENERAL PROVISIONS

Section 8.01. Dividends. Subject to Section 2.06 and any applicable provisions of law and the Certificate of Incorporation, dividends upon the shares of the Corporation may be declared by the Board of Directors at any regular or special meeting of the Board of Directors and any such dividend may be paid in cash, property, or shares of the Corporation's capital stock.

A member of the Board of Directors, or a member of any Committee designated by the Board of Directors, shall be fully protected in relying in good faith upon the records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its 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 Corporation, as to the value and amount of the assets, liabilities and/or net profits of the Corporation, or any other facts pertinent to the existence and amount of surplus or other funds from which dividends might properly be declared and paid.

Section 8.02. Reserves. There may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, thinks proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation or for such other purpose as the Board of Directors shall think conducive to the interest of the Corporation, and the Board of Directors may similarly modify or abolish any such reserve.

Section 8.03. Execution of Instruments. Subject to Section 2.06, the Chief Executive Officer, President, Chief Financial Officer, any Senior Vice President or the Secretary may enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation. Subject to Section 2.06, the Board of Directors may authorize any other officer or agent to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation. Any such authorization must be in writing or by electronic transmission and may be general or limited to specific contracts or instruments.

Section 8.04. Deposits. Any funds of the Corporation may be deposited from time to time in such banks, trust companies or other depositaries as may be determined by the Board of Directors or by such officers or agents as may be authorized by the Board of Directors to make such determination.

Section 8.05. Checks. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such agent or agents of the Corporation, and in such manner, as the Board of Directors from time to time may determine.

Section 8.06. Sale, Transfer, etc. of Securities. Subject to Section 2.06, to the extent authorized by the Board of Directors, any of the Chief Executive Officer, President, Chief Financial Officer, any Senior Vice President, or the Secretary or any other officers designated by the Board of Directors may sell, transfer, endorse, and assign any shares of stock, bonds or other securities owned by or held in the name of the Corporation, and may make, execute and deliver in the name of the Corporation, under its corporate seal, any instruments that may be appropriate to effect any such sale, transfer, endorsement or assignment.

Section 8.07. Voting as Stockholder. Subject to Section 2.06, unless otherwise determined by resolution of the Board of Directors, the Chief Executive Officer, President, Chief Financial Officer, any Senior Vice President or the Secretary shall have full power and authority on behalf of the Corporation to attend any meeting of stockholders of any corporation or entity in which the Corporation may hold stock or other equity interest, and to act, vote (or execute proxies to vote) and exercise in person or by proxy all other rights, powers and privileges incident to the ownership of such stock or equity interest. Such officers acting on behalf of the Corporation shall have full power and authority to execute any instrument expressing consent to or dissent from any action of any such corporation or entity without a meeting. Subject to Section 2.06, the Board of Directors may by resolution from time to time confer such power and authority upon any other person or persons.

Section 8.08. Fiscal Year. Subject to Section 2.06, the fiscal year of the Corporation shall end on December 31 of each year unless and until changed by resolution of the Board of Directors.

Section 8.09. Seal. The seal of the Corporation shall be circular in form and shall contain the name of the Corporation, the year of its incorporation and the words “Corporate Seal” and “Delaware”. The form of such seal shall be subject to alteration by the Board of Directors. The seal may be used by causing it or a facsimile thereof to be impressed, affixed or reproduced, or may be used in any other lawful manner.

Section 8.10. Books and Records; Inspection. Except to the extent otherwise required by law, the books and records of the Corporation shall be kept at such place or places within or without the State of Delaware as may be determined from time to time by the Board of Directors.

ARTICLE IX

AMENDMENT OF BYLAWS

Section 9.01. Amendment. Subject to Section 2.06, these Bylaws may be amended, added to, rescinded or repealed at any meeting of the Board of Directors or of the stockholders; provided that notice of the proposed change was given in the notice of the meeting of the stockholders (unless such change was adopted in accordance with Section 1.11) or, in the case of a meeting of the Board of Directors, in a notice given not less than seventy-two (72) hours in advance of a meeting to take place in person and at least forty-eight (48) hours in advance of a meeting to take place telephonically (unless such change was adopted in accordance with Section 2.08) ; provided, further, that, notwithstanding any other provisions of these Bylaws or any provision of law which might otherwise permit a lesser vote of the stockholders, the affirmative vote of the holders of at least 66 2/3% in voting power of all shares of the Corporation entitled to vote generally in the election of Directors, voting together as a single class, shall be required in order for the stockholders to alter, amend or repeal Sections 1.02 or 1.10 or this proviso to this Section 9.01 of these Bylaws or to adopt any provision inconsistent with any of such Sections or with this proviso. Notwithstanding anything to the contrary

herein or in the Certificate of Incorporation, (i) until the rights of the CVC US Designator, the FP Designator and the CVC AP Designator to designate at least one director of the Board of Directors pursuant to Section 2.03(b) terminate pursuant to Section 2.03(b), the prior written consent of the CVC US Designator, the FP Designator or the CVC AP Designator, as the case may be, shall be required to alter, amend or repeal (or to adopt any provision inconsistent with) Sections 1.11, 2.02, 2.03(b), 2.06(b), 2.13 or this 9.01 and (ii) until such time as the Corporation no longer qualifies as a "controlled company" (within the meaning of the principal securities exchange or quotation system on which the shares of common stock of the Corporation are traded or quoted), the prior written consent of (A) the CVC US Securityholder Representative and FP Securityholder Representative shall be required to alter, amend or repeal (or to adopt any provision inconsistent with) Sections 2.06(c) or 3.04(b) and (B) the CVC US Securityholder Representative, FP Securityholder Representative and the CVC Asia Pacific Securityholder Representative shall be required to alter, amend or repeal (or to adopt any provision inconsistent with) Section 3.01(b).

ARTICLE X

DEFINITIONS

Section 10.01. Definitions. Capitalized terms used herein which are not defined herein shall have the meanings given to such terms in the Securityholders' Agreement.

Section 10.02. The term "outstanding," with respect a share of capital stock of the Corporation, means that such share has been issued by the Corporation, and excludes any shares of treasury stock and any shares of such capital stock issuable upon the exercise, conversion or exchange of any options, warrants, rights or other securities.

Section 10.03. The term "Securityholders' Agreement" means the Third Amended and Restated Securityholders' Agreement, dated as of _____, 2008, by and among the Corporation and the stockholders of the Corporation party thereto, as amended from time to time. A copy of the Securityholders' Agreement may be requested at any time by any stockholder of the Corporation upon written request to the Corporation's Secretary.

Exhibit 3.32

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER is dated as of _____, 2008 (this "Agreement"), by and among (i) MAGNACHIP SEMICONDUCTOR LLC, a Delaware limited liability company (the "Company"), (ii) MAGNACHIP SEMICONDUCTOR CORPORATION, a Delaware corporation ("Parent"), and (iii) MC MERGERSUB LLC, a Delaware limited liability company and wholly-owned subsidiary of Parent ("MergerSub" and together with the Company and Parent, the "Parties").

WHEREAS, the Company has outstanding units of membership interests consisting of Common Membership Interests ("Company Common Units") and Series B Preferred Membership Interests ("Company Series B Preferred Units" and, together with the Company Common Units, the "Company Units");

WHEREAS, the authorized capital stock of Parent consists of shares of Common Stock, par value $0.01 per share ("Parent Common Stock"), Series B Preferred Stock, par value $0.01 per share ("Parent Series B Preferred Stock"), and Preferred Stock, par value $0.01 per share (together with the Parent Common Stock and Parent Series B Preferred Stock, the "Parent Stock"), and no shares of Parent Stock are issued or outstanding;

WHEREAS, the Parties desire to effect a business combination of Parent and the Company by means of the merger (the "Merger") of MergerSub with and into the Company, with the Company continuing as the surviving company of the Merger (the "Surviving Company") and continuing as a wholly-owned subsidiary of Parent;

WHEREAS, upon the effectiveness of the Merger, subject to the terms and conditions set forth herein, (i) all of the issued and outstanding Company Common Units shall be converted into shares of Parent Common Stock, (ii) all of the issued and outstanding shares of Company Series B Preferred Units shall be converted into shares of Parent Series B Preferred Stock or Parent Common Stock and (iii) Parent, as the sole member of MergerSub prior to the Merger, shall become the sole member of the Surviving Company following the Merger;

WHEREAS, the Parties desire to consummate the Merger in connection with and in order to facilitate an initial public offering by Parent of shares of Parent Common Stock (the "IPO"), pursuant to a registration statement filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act");

WHEREAS, the respective boards of directors (or equivalent governing bodies) of each of the Parties have determined that is in the best interest of the Company, Parent and MergerSub, as applicable, to consummate the Merger and approved this Agreement and the transactions contemplated hereby; and

WHEREAS, for United States federal income tax purposes, the Parties intend that the Merger and the IPO constitute an exchange of property for stock of Parent and other property governed by Section 351 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder.

NOW, THEREFORE, in consideration of the premises and mutual agreements contained herein and intending to be legally bound hereby, the Parties agree as follows:

ARTICLE 1

CERTAIN DEFINITIONS

Section 1.1 Definitions. For purposes of this Agreement, the following terms shall have the meanings specified in this Section 1.1:

"Constituent Documents," when used with respect to any Party, means the articles or certificate of incorporation, limited liability company agreement, operating agreement and by-laws, as applicable, of such Party, and all amendments thereto or restatements thereof, as currently in effect.

"Governmental Authority" means any national, federal, state, provincial, county, municipal or local government, foreign or domestic, or the government of any political subdivision of any of the foregoing, or any entity, authority, agency, ministry or other similar body exercising executive, legislative, judicial, regulatory, or administrative authority or functions of or pertaining to government, including any authority or other quasi-governmental entity established to perform any of such functions.

"Law" means the following: statutes, laws, ordinances, regulations, rules, written policy, resolutions, orders, determinations, writs, injunctions, awards (including awards of any arbitrator), judgments and decrees of any Governmental Authority.

"Person" means an individual, partnership, corporation, limited liability company, joint stock company, unincorporated organization or association, trust, estate, joint venture, association or other organization, any division, segment or other unincorporated business, whether or not a legal entity, or a Governmental Authority.

Section 1.2 Interpretation. Unless otherwise indicated to the contrary herein by the context or use thereof: (i) the words, "herein," "hereto," "hereof" and words of similar import refer to this Agreement as a whole and not to any particular Section or paragraph hereof; (ii) the word "including" means "including, but not limited to" and "including without limitation"; (iii) masculine gender shall also include the feminine and neutral genders, and vice versa; (iv) words importing the singular shall also include the plural, and vice versa; and (v) unless otherwise expressly indicated in the context, all references herein to any "Section," "Article," "Schedule" or "Exhibit" refer to Sections, Articles, Schedules and Exhibits contained in, or attached to, this Agreement.

ARTICLE 2

THE MERGER

Section 2.1 The Merger. At the Effective Time (as defined below), on the terms and subject to the conditions of this Agreement, in accordance with the Delaware Limited Liability Company Act (the "Delaware LLC Act"), MergerSub shall be merged with and into the

Company, the separate limited liability company existence of MergerSub shall terminate and cease, and the Company shall continue as the Surviving Company.

Section 2.2 Closing. The closing of the Merger (the "Closing") shall take place on the date hereof, effective as of the Effective Time. The date of the Closing is referred to herein as the "Closing Date".

Section 2.3 Effective Time. On the date hereof, the Parties shall cause the Merger to be consummated at the Closing by delivering a certificate of merger (the "Certificate of Merger") to the Secretary of State of the State of Delaware executed in accordance with Section 18-209 of the Delaware LLC Act and shall make any filings or recordings or take any other lawful actions necessary to cause the Merger to become effective. Unless the Parties agree otherwise, the Merger shall become effective at such time as the Certificate of Merger is duly filed with the Secretary of State of the State of Delaware (the time the Merger becomes effective, the "Effective Time").

Section 2.4 Effects of the Merger. The Merger shall have the effects set forth in this Agreement, the Certificate of Merger and the applicable provisions of the Delaware LLC Act.

Section 2.5 Governing Documents.

(a) At and after the Effective Time, and without any further action on the part of the Company, Parent or MergerSub, the certificate of formation of the Company as in effect immediately prior to the Effective Time shall be the certificate of formation of the Surviving Company until thereafter changed or amended as provided therein or under applicable law.

(b) At and after the Effective Time, and without any further action on the part of the Company, Parent or MergerSub, the Third Amended and Restated Limited Liability Company Operating Agreement of MagnaChip Semiconductor LLC, dated as of October 6, 2004 (the "Company LLC Agreement"), shall terminate and be of no further force or effect, and the limited liability company agreement of MergerSub as in effect immediately prior to the Effective Time shall be the limited liability company agreement of the Surviving Company until thereafter changed or amended as provided therein or under applicable law.

Section 2.6 Directors and Officers of the Surviving Company.

(a) The directors of the Company immediately prior to the Effective Time shall, at and after the Effective time, be the directors of the Surviving Company, each to hold office in accordance with the limited liability company agreement of the Surviving Company until his or her successor is duly elected or appointed and qualified or until his or her earlier death, resignation or removal in accordance with the limited liability company agreement of the Surviving Company.

(b) The officers of the Company immediately prior to the Effective Time shall, at and after the Effective time, be the officers of the Surviving Company, each to hold office in accordance with the limited liability company agreement of the Surviving Company until his or her successor is duly elected or appointed and qualified or until his or her earlier

death, resignation or removal in accordance with the limited liability company agreement of the Surviving Company.

Section 2.7 Effect of the Merger on the Capital Stock of the Parties. At the Effective Time, by virtue of the Merger and without any action on the part of any holder of any Company Units or on the part of any Party:

(a) Company Common Units. Each Company Common Unit issued and outstanding immediately prior to the Effective Time shall be converted into _____shares (the "Common Exchange Multiple") of Parent Common Stock (the "Common Unit Merger Consideration");

(b) Company Series B Preferred Units. (i) Each Company Series B Preferred Unit issued and outstanding immediately prior to the Effective Time with respect to which the holder thereof agreed in writing with the Company prior to the date hereof that such unit be repurchased following the consummation of the Merger shall be converted into 1 share of Parent Series B Preferred Stock (the "Repurchased Series B Preferred Unit Merger Consideration") and (ii) each Company Series B Preferred Unit issued and outstanding immediately prior to the Effective Time other than the units described in the foregoing clause (i) shall be converted into shares of Parent Common Stock (the "Non-Repurchased Series B Preferred Unit Merger Consideration" and, collectively with the Repurchased Series B Preferred Unit Merger Consideration and the Common Unit Merger Consideration, the "Merger Consideration");

(c) Cancellation of Certain Company Units. Each Company Unit that is owned by the Company as treasury stock (or similar instrument) or otherwise or owned by MergerSub or Parent immediately prior to the Effective Time shall automatically be canceled and shall cease to exist, and no cash or other consideration shall be delivered or deliverable in exchange therefor; and

(d) Membership Interests of MergerSub. Each unit of MergerSub membership interests issued and outstanding immediately prior to the Effective Time shall be converted into one unit of membership interests of the Surviving Company such that, at and after the Effective Time, the Parent shall be the sole member, and the holder of 100% of the outstanding membership interests, of the Surviving Company.

Section 2.8 Treatment of Options. At the Effective Time, each of the outstanding options to purchase Company Common Units issued by the Company under the MagnaChip Semiconductor LLC Equity Incentive Plan and the MagnaChip Semiconductor LLC California Equity Incentive Plan (each, an "Existing Option"), shall be converted into an option (a "Parent Option") to purchase that number of shares of Parent Common Stock determined by multiplying the number of Company Common Units subject to such Existing Option by the Common Exchange Multiple, at an exercise price per share of Parent Common Stock equal to the Existing Option exercise price per Company Common Unit immediately prior to the Effective Time divided by the Common Exchange Multiple, rounded down to the nearest whole cent. If the foregoing calculation results in a Parent Option being exercisable for a fraction of a share of Parent Common Stock, then the number of shares of Parent Common Stock subject to such

option shall be rounded up to the nearest whole number of shares, with no cash being payable for such fractional share. The terms and conditions of each Parent Option shall otherwise remain as set forth in the Existing Option converted into such Parent Option. Notwithstanding the foregoing and to the extent required with respect to any "incentive stock options," as defined in Section 422(b) of the Code, such adjustment shall be effected in a manner that is consistent with Section 424(a) of the Code and the applicable regulations thereunder.

Section 2.9 Cancellation and Retirement of Company Units and Existing Options. As of the Effective Time, all Company Units that are issued and outstanding immediately prior to the Effective Time shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist, and each Company Unit shall be converted into the applicable shares of Parent Stock to be issued in consideration therefor pursuant to this Article 2. From and after the Effective Time, there shall be no further registration of transfers on the records of the Company of Company Units that were outstanding prior to the Effective Time. As of the Effective Time, all Existing Options that are issued and outstanding immediately prior to the Effective Time shall no longer be outstanding and shall automatically be converted into a Parent Option pursuant to this Article 2. From and after the Effective Time, there shall be no further registration of transfers on the records of the Company of Existing Options that were outstanding prior to the Effective Time.

Section 2.10 Distribution Procedures. Promptly after the Effective Time, Parent shall makes such arrangements as it deems appropriate to effect the delivery of certificates evidencing the shares of Parent Stock, to the extent such shares are certificated, to each former holder of the Company Units (the "Share Certificates"), which shares such holder is entitled to receive pursuant to the terms hereof; provided that Parent shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Parent Stock and no such issue or delivery shall be made unless and until the holder entitled to such issue or delivery has paid to Parent the amount of any such tax or has established, to the satisfaction of Parent, that such tax has been paid. From and after the Effective Time, a holder of Company Units or Existing Options immediately prior to the Effective Time shall have no further rights of any kind as a holder of Company Units or Existing Options, other than the right to receive the Parent Common Stock, Parent Series B Preferred Stock or Parent Options, as the case may be, described in this Article 2.

Section 2.11 Legend. To the extent any certificates or instruments representing the Parent Common Stock or Parent Series B Preferred Stock are issued by the Parent to holders of Company Units pursuant to the Merger, each certificate or instrument shall be stamped or otherwise imprinted with all applicable legends as required by the provisions of the Third Amended and Restated Securityholders' Agreement, dated as of _____, 2008, by and among the Surviving Company, the Parent and certain holders of Parent Stock.

ARTICLE 3

MISCELLANEOUS

Section 3.1 Modification, Amendment or Termination. Subject to applicable provisions of the General Corporation Law of the State of Delaware and the Delaware LLC Act, at any time prior to the Effective Time, the Parties may modify, amend or terminate this Agreement by written agreement duly executed and delivered by duly authorized officers of the respective Parties. If this Agreement is terminated, all rights and obligations of the Parties shall terminate and no Party shall have any liability to any other Party.

Section 3.2 Exhibits and Schedules. All exhibits and schedules hereto, or documents expressly incorporated into this Agreement, are hereby incorporated into this Agreement and are hereby made a part hereof as if set out in full in this Agreement.

Section 3.3 Entire Agreement. This Agreement, including the exhibits and schedules attached hereto, constitutes the entire agreement among the Parties with respect to the matters covered hereby and supersedes all previous written, oral or implied understandings among them with respect to such matters.

Section 3.4 Further Assurances. Each of the Parties agrees to execute such documents and instruments and to take whatever action may be necessary or desirable to consummate the transactions contemplated hereby, including to effect the Merger.

Section 3.5 Governing Law. This Agreement and the rights and obligations of the Parties shall be governed by, and construed and interpreted in accordance with, the internal laws of the State of Delaware, without giving effect to the conflict of laws principals thereof.

Section 3.6 Assignment; Successors and Assigns; No Third Party Rights. This Agreement may not be assigned by any Party without the written consent of each of the other Parties. This Agreement shall be binding upon and inure to the benefit of the respective successors and permitted assigns of the Parties. This Agreement shall be for the sole benefit of the Parties and their respective heirs, successors, permitted assigns and legal representatives and is not intended, nor shall be construed, to give any Person, other than the Parties and their respective heirs, successors, assigns and legal representatives, any legal or equitable right, remedy or claim hereunder.

Section 3.7 Counterparts. This Agreement may be executed in counterparts each of which shall be deemed an original agreement, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by facsimile, telecopy, portable document format or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 3.8 Titles and Heading. The titles and captions in this Agreement are for reference purposes only, and shall not in any way define, limit, extend or describe the scope of this Agreement or otherwise affect the meaning or interpretation of this Agreement.

Section 3.9 Severability. The invalidity of any portion hereof shall not affect the validity, force or effect of the remaining portions hereof. If it is ever held that any provision hereunder is too broad to permit enforcement of such provision to its fullest extent, such provision shall be enforced to the maximum extent permitted by law.

[Signature Pages Follow]

In witness whereof, the Parties have caused this Agreement to be duly executed as of the day and year first above written.

MagnaChip Semiconductor Corporation

By: _____
Name:
Title:

MagnaChip Semiconductor LLC

By: _____
Name:
Title:

MC MergerSub LLC

By: _____
Name:
Title:

FORM OF THIRD AMENDED AND RESTATED

SECURITYHOLDERS' AGREEMENT

dated as of

[_____], 2008

by and among

MAGNACHIP SEMICONDUCTOR CORPORATION

MAGNACHIP SEMICONDUCTOR LLC,

CVC CAPITAL PARTNERS ASIA PACIFIC L.P.,

ASIA INVESTORS LLC,

CVC CAPITAL PARTNERS ASIA PACIFIC II L.P.,

CVC CAPITAL PARTNERS ASIA PACIFIC II PARALLEL FUND - A, L.P.,

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.,

FP ANNUAL FUND INVESTORS, LLC

FP-MAGNACHIP CO-INVEST, LLC

PENINSULA INVESTMENT PTE. LTD.,

MANAGEMENT INVESTORS (as defined herein),

and

CERTAIN OTHER PERSONS NAMED HEREIN

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

THIRD AMENDED AND RESTATED SECURITYHOLDERS' AGREEMENT

THIS IS A THIRD AMENDED AND RESTATED SECURITYHOLDERS' AGREEMENT dated as of [_____], 2008 among (i) MagnaChip Semiconductor Corporation, a Delaware corporation (the "**Company**"), (ii) MagnaChip Semiconductor LLC, a Delaware limited liability company ("**MSLLC**"), (iii) CVC Capital Partners Asia Pacific L.P., a Cayman Islands limited partnership ("**CVC Asia LP**"), Asia Investors LLC, a Delaware limited liability company ("**Asia Investors**"), CVC Capital Partners Asia Pacific II L.P., a Cayman Islands limited partnership ("**CVC Asia II LP**") and CVC Capital Partners Asia Pacific II Parallel Fund—A, L.P., a Cayman Islands limited partnership ("**CVC Asia II Parallel LP**" and, collectively with CVC Asia LP, Asia Investors and CVC Asia II LP, "**CVC Asia Pacific Investors**"), (iv) 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**"), (v) Francisco Partners, L.P., a Delaware limited partnership ("**FP LP**"), Francisco Partners Fund A, L.P., a Delaware limited partnership ("**FP Fund A**"), FP Annual Fund Investors, LLC, a Delaware limited liability company ("**FP Annual Fund**") and FP-MagnaChip Co-Invest, LLC, a Delaware limited liability company ("**FP Co-Invest**" and, collectively, with FP LP, FP Fund A, FP Annual Fund and FP Co-Invest, "**FP**"), (vi) Peninsula Investment Pte. Ltd., a Singapore private company ("**Peninsula**"), (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, MSLLC and certain parties hereto previously entered into a Second Amended and Restated Securityholders' Agreement dated as of October 6, 2004 (the "**Original Agreement**") in connection with such parties' ownership or acquisition of securities of MSLLC;

WHEREAS, concurrently herewith the Company is consummating its First Public Offering (as defined below);

WHEREAS, concurrently with the consummation of the First Public Offering, the holders of the limited liability company interests of MSLLC have exchanged such interests for Common Shares (as defined below) and holders of options, warrants or other rights to acquire limited liability company interests of MSLLC have exchanged such options, warrants and other rights for options, warrants or other rights to acquire Common Shares and all of the limited liability company interests of MSLLC will be owned by the Company; and

WHEREAS, the parties hereto desire to enter into this Agreement to amend and restate the Original Agreement and supersede and replace the Original Agreement in its entirety and to enter into this Agreement to govern certain of their rights, duties and obligations with respect to the Company Securities (as defined below);

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 holder or group of holders of Company Securities, and with respect to any class of Company Securities, the total number of shares (or other unit of measurement into which such securities are designated) of such class of Company Securities "beneficially owned" (as such term is defined in Rule 13d-3 of the Exchange Act) (without duplication) by such holder or group of holders as of the date of such calculation, calculated as if all shares issuable in respect of securities convertible into or exchangeable for such shares, have been issued and all options, warrants and other rights to purchase or subscribe for shares of such class of Company Securities have been exercised (regardless of any vesting provisions contained therein).

"**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.

"**Company Securities**" means (i) the Common Shares, (ii) securities convertible into or exchangeable for Common Shares and (iii) options, warrants or other rights to acquire Common Shares or any other equity or equity-linked security issued by the Company.

"**Common Shares**" means the Common Stock, par value $0.01 per share, of the Company and any securities into which such Common Shares may hereafter be converted or changed.

"**Core Shareholders**" means CVC US (other than the CVC Co-Investors), FP, the CVC Asia Pacific Investors, Peninsula and the Permitted Transferees of any Core Shareholder to whom such Core Shareholder transfers Company Securities after the date hereof.

"**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 Company Securities, (i) the Aggregate Ownership of such series or class of Company Securities by such Other Securityholder multiplied by (ii) a fraction, the numerator of which is the number of units or shares of such series or class of Company 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 or shares of such series or class of Company Securities.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**First Public Offering**" means the Public Offering consummated on the date hereof.

"**Five Percent Securityholder**" means a Securityholder whose Aggregate Ownership of Common Shares, when aggregated with the Aggregate Ownership of Common Shares of all of its Permitted Transferees, divided by the Aggregate Ownership of such Common Shares by all Securityholders, is 5% or more.

"**Fully Diluted**" means, with respect to any series or class of Company Securities, all outstanding shares of such series or class of Company Securities and all shares issuable in respect of securities convertible into or exchangeable for such shares, all options, warrants and other rights to purchase or subscribe for shares of such series or class of Company Securities or securities convertible into or exchangeable for shares of such series or class of Company Securities, *provided* that, to the extent any of the foregoing options, warrants or other rights to purchase or subscribe for such Company Securities are subject to vesting, the Company Securities subject to vesting shall be included in the definition of "**Fully Diluted**" only upon and to the extent of such vesting.

"**Hynix**" means Hynix Semiconductor Inc.

"**Initial Ownership**" means, with respect to any Securityholder and any series or class of Company 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 stock split, stock dividend, reverse stock split or similar event.

"**Organizational Documents**" means the certificate of incorporation and bylaws 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 LP, CVC Asia II LP, CVC Asia II Parallel LP, Asia Investors and each of their respective Permitted Transferees, each of (A) 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, CVC Asia II Parallel 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**") 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 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 (the Persons described in clauses (A) through (D), 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 Company 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 Company 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 Company 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 LP, CVC Asia II LP, CVC Asia II Parallel LP and 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 Company 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 Company 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 Company Securities held by such Person as a Permitted Transferee pursuant to this subparagraph (ii);

(iii) in the case of FP LP, FP Fund A, FP Annual Fund, FP Co-Invest, and each of their Permitted Transferees, (A) any FP fund or co-investment partnership or 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; and

(v) in the case of any Other Securityholder (other than Peninsula) that is or becomes a party to this Agreement and its Permitted Transferees, (A) a Person to whom Common Shares 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.

"**Public Offering**" means a public offering of the Common Shares 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.

"**Registrable Securities**" means, at any time, any Common Shares and any securities issued or issuable in respect of such Common Shares by way of conversion, exchange, dividend, split or combination, recapitalization, merger, consolidation, other reorganization or otherwise until, with respect to any such Common Shares or other Company Securities (i) a registration statement covering such Common Shares has been declared effective by the SEC and such Common Shares have been disposed of pursuant to such effective registration statement, (ii) such Common Shares 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 Shares are otherwise transferred, the Company has delivered a new certificate or other evidence of ownership for such Common Shares not bearing the legend required pursuant to this Agreement and such Common Shares 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 (A) one counsel for all of the Securityholders participating in the offering selected (x) by the Institutional Securityholders, in the case of any offering in which such entities participate, or (y) in any other case, by the Securityholders holding the majority of Company Securities to be sold for the account of all Securityholders in the offering and (B) such additional counsel as may be approved by the Institutional Securityholders to address any issues specific to a particular Securityholder or group of Securityholders, (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 Shares.

"**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 Company Securities.

"**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 the product of (X) the Aggregate Ownership of Common Shares 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 Shares that the buyer in the Tag-Along Sale is willing to purchase, and the denominator of which is the Aggregate Ownership of Common Shares by the Tag-Along Seller and all Tagging Persons.

"**Third Party**" means a prospective purchaser(s) of (i) Company 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 Company 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.

(b) The term "Institutional Securityholder", to the extent such entity shall have transferred any of its Company 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 Company 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)
Aggregate Ownership	1.01(a)
Applicable Holdback Period	5.03
Asia Investors	Preamble
Board	1.01(a)
Business Day	1.01(a)
Cause	2.02
Common Shares	1.01(a)
Company	Preamble
Company Personnel	3.05(e)
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)

FP Co-Invest	Preamble
FP Core Directors	2.01
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)
Holders	5.01(a)(ii)
Hynix	1.01(a)
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
Joinder	3.03(a)
Management Investors	Preamble
MSLLC	Preamble
NASD	1.01(a)
Non-Requesting Securityholder	5.01(a)
Observer Right	2.06
Organizational Documents	1.01(a)
Original Agreement	Recitals
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
Public Offering	1.01(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)
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)
Transfer	1.01(a)
under common control with	1.01(a)

ARTICLE 2

CORPORATE GOVERNANCE

Section 2.01. *Composition of the Board*. (a) The Core Shareholders and the Company agree that the Company's nominees for the Board shall consist of ten directors as follows:

(i) three directors will be designated by either (A) CVC Equity Fund, at any time it holds Common Shares or (B) the CVC US Securityholder Representative, at any time when the CVC Equity Fund does not hold Common Shares (such designating party, the "**CVC US Designator**") (two such directors, as designated by the CVC US Designator, the "**CVC Core Directors**"), which such directors are currently: David F. Thomas (CVC Core Director), Paul C. Schorr IV (CVC Core Director) and Jerry M. Baker;

(ii) three directors will be designated by either (A) FP LP, at any time it holds Common Shares or (B) the FP Securityholder Representative, at any time when FP LP does not hold Common Shares (such designating party, the "**FP Designator**") (two such directors, as designated by the FP Designator, the "**FP Core Directors**" and, together with the CVC Core Directors, the "**Core Directors**"), which such directors are currently: Dipanjan Deb (FP Core Director), Phokion Potamianos (FP Core Director) and Armando Geday;

(iii) one director will be designated by either (A) CVC Asia II LP, at any time it holds any Common Shares or (B) the CVC Asia Pacific Securityholder Representative, at any time when CVC Asia II LP does not hold Common Shares (such designating party, the "**CVC AP Designator**"), which such director is currently Roy Kuan;

(iv) one director will be the chief executive officer of the Company for so long as he or she is employed by the Company, which officer is currently Sang Park;

(v) one director will be the chief financial officer of the Company for so long as he or she is employed by the Company, which officer is currently Robert J. Krakauer; and

(vi) the remaining director will be an independent director designated by unanimous approval of the CVC US Designator, the FP Designator and the chief executive officer of the Company at the time, which such director is currently R. Douglas Norby.

If the number of directors that comprise the entire Board is increased in accordance with Section 2.05, the nominees for directors to be added to the Board (the "**Additional Directors**") must be "independent directors" within the meaning of the rules or regulations of the SEC and the principal securities exchange or quotation system on which the Common Shares are traded or quoted (to the extent required to meet such applicable rules or regulations) and the nominees for directors to be Additional Directors must be designated by unanimous approval of the CVC US Designator, the FP Designator and the chief executive officer of the Company at the time.

(b) Each Core Shareholder entitled to vote for the election of directors to the Board agrees that it will vote its Company 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 and that the nominees designated as set forth in this Section 2.01 are elected to the Board.

(c) The Core Shareholders and the Company agree that: The right of each of the CVC US Designator and the FP Designator to designate at least three 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 Shares 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 ownership of Common Shares by all holders of outstanding Common Shares is less than 10% and the right to designate any director of the Board pursuant to this Article 2 shall terminate at such time as the Aggregate Ownership of Common Shares 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 ownership of Common Shares by all holders of outstanding Common Shares 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 Shares by the CVC Asia Pacific Investors and their Permitted Transferees, divided by the ownership of Common Shares by all holders of outstanding Common Shares is less than 5%. The obligations imposed on the Core Shareholders 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. Upon the termination of the rights of the CVC US Designator, the FP Designator and the CVC AP Designator to designate at least one director of the Board pursuant to this Section 2.01, Article 2 shall terminate in full.

(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 and each Securityholder receives the benefits to which each such Securityholder is entitled under this Agreement.

Section 2.02. *Removal*. Each Core Shareholder 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 Company 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 Core Shareholder shall vote its Company 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, the Core Shareholders and the Company agree that:

(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 Core Shareholder then entitled to vote for the election of the Replacement Nominee as a director of the Company agrees that it will vote its Company 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 Core Shareholders and the Company agree that the Board shall hold a regularly scheduled meeting at least once every calendar quarter.

Section 2.05. *Action by the Board*. The Core Shareholders and the Company agree that:

(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 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 Core 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. Except with respect to the audit committee, the (i) 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 Core Director or Directors designated by the CVC US Designator and half of which such majority representation shall consist of a Core Director or Directors designated by the FP Designator, (ii) CVC Asia Pacific Investors or their Permitted Transferees shall be entitled to minority representation on each committee created by the Board, and (iii) Company and each Core Shareholder 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 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, in each case until such time as the committee members designated by such Core Shareholders are required to be removed as a result of the Company no longer qualifying as a "controlled company" (within the meaning of the principal securities exchange or quotation system on which the Common Shares are traded or quoted and solely in connection with the ownership of Common Shares by the Core Shareholders).

(d) Until such time as the Company no longer qualifies as a "controlled company" (within the meaning of the principal securities exchange or quotation system on which the Common Shares are traded or quoted and solely in connection with the ownership of Common Shares by the Core Shareholders), 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 either the CVC US Securityholder Representative or 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 Core 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 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 an Organizational Document 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*. Each Core Shareholder shall have the right (an "**Observer Right**") to designate one representative to attend, at the Company's expense (including reasonable travel expenses), all meetings of the Board and any committee thereof and, at reasonable times upon reasonable advance notice to the Company, to consult with management of the Company and inspect the books and records of the Company, so long as such Core Shareholder shall own Common Shares and the Institutional Securityholders have determined in their discretion that such right is necessary or advisable in order for such Core Shareholder to maintain its qualification as a venture capital operating company within the meaning of regulations promulgated by the United States Department of Labor. In addition, the Company will provide to such Core Shareholder with an Observer Right 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 such Core Shareholder's representative attends such meetings. The Company will provide such Core Shareholder with an Observer Right with notice of all meetings of the Board on the same basis as notice is provided to directors on the Board. Notwithstanding the foregoing (but subject to any right the Core Shareholder may have independent from this Section 2.06), (a) the Company shall not be obligated to provide any such materials or information to such Core Shareholders unless such Core Shareholder shall have executed a confidentiality agreement in form and substance satisfactory to the Company; (b) the Company shall have the right to exclude such Core Shareholder'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 such Core Shareholder, its Affiliates or the terms of any agreements or contracts between the Company and the Core Shareholder or its Affiliates (a "**Potential Conflict Matter**"); and (c) the Company shall have the right to withhold from the Core Shareholder 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 Organizational Document Provisions*. Each Core Shareholder shall vote its Company 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 Organizational Documents (i) facilitate, and do not at any time conflict with, any provision of this Agreement and (ii) permit each Securityholder to receive the benefits to which each such Securityholder is entitled under this Agreement.

Section 2.08. *Notice of Meeting*. The Core Shareholders and the Company agree that each director designated by the Core Shareholders shall receive notice and the agenda of each annual and regularly scheduled meeting of the Board or any committee thereof at least three days prior to such meeting and of each special meeting at least seventy-two (72) hours in advance of a special meeting to take place in person and at least forty-eight (48) hours in advance of a special meeting to take place telephonically.

Section 2.09. *Subsidiary Governance*. The Company and each Core Shareholder agrees 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 Core Shareholder agrees to vote its Company 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.

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 registered under the Securities Act and the Company Securities are restricted securities under the Securities Act and the rules and regulations promulgated thereunder. Each Securityholder agrees that it will not Transfer any Company Securities (or solicit any offers in respect of any Transfer of any Company 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 Company 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.

Section 3.02. *Legends*. (a) In addition to any other legend that may be required, each certificate for Company 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 THIRD AMENDED AND RESTATED SECURITYHOLDERS' AGREEMENT DATED AS OF [_____], 2008, COPIES OF WHICH MAY BE OBTAINED UPON REQUEST FROM THE COMPANY OR ANY SUCCESSOR THERETO."

(b) If any Company 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 Company 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 Company 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 Company 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 and 4.02 (but, with respect to the Management Investors, in compliance with any additional restrictions imposed on the transfer of such Company 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.

(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 Company 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 Company Securities by such Securityholder with the Company Securities owned by his or its Permitted Transferees.

(c) If any Permitted Transferee of any Securityholder to which Company 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 Company Securities it owns on or prior to the date that such Permitted Transferee ceases to be a Permitted Transferee of such Securityholder.

Section 3.04. *Restrictions on Transfers by the Institutional Securityholders*. Except as provided in Section 3.03, each Institutional Securityholder may transfer its Company 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,

(c) in connection with the First Public Offering or 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 Company 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*. Except as provided in Section 3.03, each Other Securityholder may transfer its Company Securities only as follows:

(a) as a Tagging Person in a Transfer made in compliance with Section 4.01,

(b) in a Transfer made in compliance with Section 4.02,

(c) 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 Company 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,

(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 3.05(d) only, (i) the amount of Company 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 Company 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,

(e) in the case of any Company Personnel, in a Transfer approved by a majority of the members of the compensation committee of the Board (where "**Company Personnel**" means current and former directors, officers, and employees of the Company or any of its Subsidiaries excluding Affiliates of the Core Shareholders),

or

(g) in a Transfer made with the prior written consent of the CVC US Securityholder Representative and the FP Securityholder Representative.

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

Section 4.01. *Rights to Participate in Transfer*. (a) Subject to Sections 3.04, 3.05, 3.06 and 4.01(h), if any Institutional Securityholder proposes to Transfer any number of any class or series of Company Securities other than to its Permitted Transferees (any such sale shall be referred to herein as, the "**Tag-Along Sale**," and any Securityholder proposing to Transfer Company 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.

In the event of such a proposed Transfer, the Tag-Along Seller shall 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 Company 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 Company Securities held by such Tagging Person as is specified in such notice, *provided* that, if the aggregate number of Company 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 Company Securities that can be sold on the terms and conditions set forth in the Tag-Along Notice, then the Tag-Along 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 Company Securities and such additional Company 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 Company Securities on the terms set forth in the Tag-Along Notice and, if the Company Securities are certificated, the certificate or certificates representing the Company 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 Company Securities and, if the Company Securities are certificated, such certificate or certificates representing the Company 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 Company 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 Company 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 Company Securities that such Tagging Person delivered for Transfer pursuant to this Section 4.01(a) and (ii) not conduct any Transfer of Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company Securities, as the case may be, received by the Tag-Along Seller) if the Transfer of Company Securities pursuant to Section 4.01 is not consummated for whatever reason. Whether to effect a Transfer of Company 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 Company 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 Company Securities, this Section 4.01 shall terminate as to each class and series of Company 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 Company 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 Company 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 Company Securities to a Third Party in a bona fide sale or (ii) a Transfer in which the Company Securities to be Transferred by the Institutional Securityholders, plus the Company Securities to be Transferred by the Other Securityholders pursuant to this Section 4.02(a), constitute more than 50% of the outstanding Company 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 Company Securities ("**Drag-Along Rights**") then held by every Other Securityholder, and in the case of a Compelled Sale involving Common Shares (but subject to and at the closing of the Compelled Sale) to exercise such number of options or warrants for Common Shares held by every Other Securityholder as is required in order that a sufficient number of Common Shares 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 Company Security and otherwise on the same terms and conditions as the Institutional Securityholders, provided that any Other Securityholder who holds options or warrants the exercise price per share of which is greater than the per share price at which the Common Shares are to be Transferred to the Third Party may, if required by the Institutional Securityholders to exercise such options or warrants, 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 Shares acquired upon exercise of such options or warrants, or the Compelled Sale is not consummated, such options or warrants 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 Company 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 Company Securities to be sold by each Other Securityholder will be the Drag-Along Portion of the class of Company 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 Company 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 Company Securities are certificated), and in the case of options or warrants, the applicable instrument, representing all Company 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 Company 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 Company Securities are bound by the provisions of this Section 4.02(a) and that such Company 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 Company 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 Company Securities are given an option as to the form and amount of consideration received, each holder of such class of Company 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 representing Company 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 Company Securities owned by the Other Securityholders shall again be in effect.

(c) Concurrently with the consummation of the Transfer of Company 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 Company 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 Company Securities received by the Institutional Securityholders) if the Transfer of Company 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 Company 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 date hereof.

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 date hereof, (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, 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 Shares 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 four-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, 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 Shares 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, 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 Agreement*. If any registration of Registrable Securities shall be in connection with a Public Offering (and, in the case of any Public Offering commencing after the First Public Offering, the lead managing underwriter shall so request), 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 Shares (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 Shares) 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. 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 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. 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 Company 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.

Section 6.02. *Information*. So long as any Company 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 LP, CVC Asia II LP, CVC Asia II Parallel LP and Asia Investors and, to the extent that any Permitted Transferee of CVC Asia LP, CVC Asia II LP, CVC Asia II Parallel LP or 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 Company Securities held by CVC Asia LP, CVC Asia II LP, CVC Asia II Parallel LP and 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 Capital Partners Asia II Limited, a Jersey company ("**CVC Asia II Limited**"), as agent for CVC Asia LP, CVC Asia II LP, CVC Asia II Parallel LP, 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 Company Securities held by CVC Asia LP, CVC Asia II LP, CVC Asia II Parallel LP and 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 Company 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 Company 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, FP Fund A, FP Annual Fund, FP Co-Invest and, to the extent that any Permitted Transferee of FP LP, FP Fund A, FP Annual Fund or FP Co-Invest 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 Company Securities held by FP LP, FP Fund A, FP Annual Fund and FP Co-Invest 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, FP Fund A, FP Annual Fund and FP Co-Invest 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 Company Securities held by FP LP, FP Fund A, FP Annual Fund and FP Co-Invest 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 Company 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 Company 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.

ARTICLE 7
MISCELLANEOUS

Section 7.01. *Entire Agreement*. This Agreement constitutes the entire agreement among the parties hereto and supersedes 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 Company Securities or otherwise, except that any Permitted Transferee acquiring Company Securities and any Person acquiring Company 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 Company 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 Shares 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 Corporation
c/o MagnaChip Semiconductor Ltd.
891 Daechi-dong, Gangnam-gu
Seoul 135-738 Korea
Attn: John McFarland, General Counsel
Fax: +82-2-3459-3898

with copies (which shall not constitute notice) to:

Citigroup Venture Capital Equity Partners, L.P.
c/o Court Square Advisor, LLC
Park Avenue Plaza
55 East 52nd Street, 34th Floor
New York, NY 10055
USA
Attn: David F. Thomas
Fax: (212) 752-5766

Francisco Partners
2882 Sand Hill Road
Suite 280
Menlo Park, CA 94025
Attn: Dipanjan Deb
Fax: (650) 233-2999

and

Dechert LLP
30 Rockefeller Plaza
New York, NY 10112
USA
Attn: Sang H. Park
Fax: (212) 698-3599

if to CVC Asia II Limited, as Asia Pacific Securityholder Representative for CVC Asia Pacific Investors:

CVC Capital Partners Asia II Ltd.
22 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
Citigroup Center
153 E. 53rd Street, 38th Floor
New York, New York 10022
USA
Attn: Geoffrey W. Levin
Fax: (212) 446-6460

if to CVC Asia LP:

CVC Capital Partners Asia Pacific L.P.
P.O. Box 87
18 Grenville Street,
St.Helier, Jersey JE4 8PX,
Channel Islands
Attn: Liz Barlow
Fax: ++44 1534 609333

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
Citigroup Center
153 E. 53rd Street, 38th Floor
New York, New York 10022
USA
Attn: Geoffrey W. Levin
Fax: (212) 446-6460

if to CVC Asia II LP or CVC Asia II Parallel LP:

CVC Capital Partners Asia Pacific II L.P. or CVC Capital Partners Asia Pacific II Parallel Fund - A, L.P.
P.O. Box 87
22 Grenville Street,
St. Helier, Jersey JE4 8PX,
Channel Islands
Attn: Liz Barlow
Fax: +44 1534 609333

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
Citigroup Center
153 E. 53rd Street, 38th Floor
New York, New York 10022
USA
Attn: Geoffrey W. Levin
Fax: (212) 446-6460

if to Asia Investors:

Asia Investors LLC
c/o CVC Asia Pacific Limited
Suite 901-3
ICBC Tower
Citibank Plaza
3 Garden Road
Central, Hong Kong
Attn: Mark Ku/Kelvin Yuen
Fax: +85 23518 6380

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
Citigroup Center
153 E. 53rd Street, 38th 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 Court Square Advisor, LLC
Park Avenue Plaza
55 East 52nd Street, 34th Floor
New York, NY 10055
USA
Attn: David F. Thomas
Fax: (212) 752-5766

with a copy (which shall not constitute notice) to:

Dechert LLP
Cira Centre
2929 Arch Street
Philadelphia, PA 19104
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
Sarah K. Solum
Fax: (650) 752-2111
(650) 752-3611

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:

Heller Ehrman LLP
333 Bush Street
San Francisco, CA 94104-2878
USA
Attn: Sheryl L. R. Miller
Fax: (415) 772-6268

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 in connection with filing obligations under applicable securities law incident to their ownership of Company Securities and otherwise related to transferring ownership of Company Securities (including in connection with a negotiated sale of Company Securities), including the fees and expenses of counsel; *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 Company 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 Company 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 CORPORATION

By: _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR LLC

By: _____
Name:
Title:

CVC CAPITAL PARTNERS ASIA PACIFIC L.P.
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 PACIFIC II L.P.
By: CVC Capital Partners Asia II Limited, its general partner

By: _____
Name:
Title:

CVC CAPITAL PARTNERS ASIA PACIFIC II PARALLEL FUND – A, L.P.
By: CVC Capital Partners Asia II Limited, its general partner

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

FP ANNUAL FUND INVESTORS, LLC
By: Francisco Partners Management, LLC
Its Manager

By: _____
Name:
Title: Managing Member

FP-MAGNACHIP CO-INVEST, LLC
By: Francisco Partners GP, LLC
Its Manager

By: _____
Name:
Title: Managing Member

PENINSULA INVESTMENT PTE. LTD.

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:

BG/CVC-1

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

_____
Diana K. Mayer

MANAGEMENT INVESTORS:

Jerry Baker

Dr. Youm Huh

Robert Krakauer

Victoria Nam

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 Third Amended and Restated Securityholders' Agreement dated as of [_____], 2008 by and among, MagnaChip Semiconductor Corporation, MagnaChip Semiconductor LLC, CVC Capital Partners Asia Pacific L.P., Asia Investors LLC, CVC Capital Partners Asia Pacific II L.P., CVC Capital Partners Asia Pacific II Parallel Fund - A, L.P., 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., FP Annual Fund Investors, LLC, FP-MagnaChip Co-Invest, LLC, Peninsula Investment Pte. Ltd., Management Investors (as defined therein) and certain other persons named 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
Diana K. Mayer

Third Amended and Restated Securityholders' Agreement
Signature Page

Schedule II

Management Investors

Jerry Baker
Dr. Youm Huh
Robert Krakauer
Victoria Nam

Third Amended and Restated Securityholders' Agreement
Signature Page

MAGNACHIP SEMICONDUCTOR CORPORATION

2008 Equity Incentive Plan

MagnaChip Semiconductor Corporation
2008 Equity Incentive Plan

1. **ESTABLISHMENT, PURPOSE AND TERM OF PLAN.**

1.1 **Establishment.** The MagnaChip Semiconductor Corporation 2008 Equity Incentive Plan (the "***Plan***") is hereby established effective as of _____, 2008, the date of its approval by the stockholders of the Company (the ***"Effective Date***").

1.2 **Purpose.** The purpose of the Plan is to advance the interests of the Participating Company Group and its stockholders by providing an incentive to attract, retain and reward persons performing services for the Participating Company Group and by motivating such persons to contribute to the growth and profitability of the Participating Company Group. The Plan seeks to achieve this purpose by providing for Awards in the form of Options, Stock Appreciation Rights, Restricted Stock Purchase Rights, Restricted Stock Bonuses, Restricted Stock Units, Performance Shares, Performance Units, Cash-Based and Other Stock-Based Awards and Nonemployee Director Awards.

1.3 **Term of Plan.** The Plan shall continue in effect until its termination by the Committee; provided, however, that all Awards shall be granted, if at all, within ten (10) years from the Effective Date.

2. **DEFINITIONS AND CONSTRUCTION.**

2.1 **Definitions.** Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) ***"Affiliate"*** means (i) an entity, other than a Parent Corporation, that directly, or indirectly through one or more intermediary entities, controls the Company or (ii) an entity, other than a Subsidiary Corporation, that is controlled by the Company directly or indirectly through one or more intermediary entities. For this purpose, the term "control" (including the term "controlled by") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the relevant entity, whether through the ownership of voting securities, by contract or otherwise; or shall have such other meaning assigned such term for the purposes of registration on Form S-8 under the Securities Act.

(b) *"**Award**"* means any Option, Stock Appreciation Right, Restricted Stock Purchase Right, Restricted Stock Bonus, Restricted Stock Unit, Performance Share, Performance Unit, Cash-Based Award, Other Stock-Based Award or Nonemployee Director Award granted under the Plan.

(c) *"**Award Agreement**"* means a written or electronic agreement between the Company and a Participant setting forth the terms, conditions and restrictions of the Award granted to the Participant.

(d) "***Board***" means the Board of Directors of the Company.

(e) "***Cash-Based Award***" means an Award denominated in cash and granted pursuant to Section 11.

(f) "***Cause***" means, unless such term or an equivalent term is otherwise defined with respect to an Award by the Participant's Award Agreement or by a written contract of employment or service, any of the following: (i) the Participant's theft, dishonesty, willful misconduct, breach of fiduciary duty for personal profit, or falsification of any Participating Company documents or records; (ii) the Participant's material failure to abide by a Participating Company's code of conduct or other policies (including, without limitation, policies relating to confidentiality and reasonable workplace conduct); (iii) the Participant's unauthorized use, misappropriation, destruction or diversion of any tangible or intangible asset or corporate opportunity of a Participating Company (including, without limitation, the Participant's improper use or disclosure of a Participating Company's confidential or proprietary information); (iv) any intentional act by the Participant which has a material detrimental effect on a Participating Company's reputation or business; (v) the Participant's repeated failure or inability to perform any reasonable assigned duties after written notice from a Participating Company of, and a reasonable opportunity to cure, such failure or inability; (vi) any material breach by the Participant of any employment, service, non-disclosure, non-competition, non-solicitation or other similar agreement between the Participant and a Participating Company, which breach is not cured pursuant to the terms of such agreement; or (vii) the Participant's conviction (including any plea of guilty or nolo contendere) of any criminal act involving fraud, dishonesty, misappropriation or moral turpitude, or which impairs the Participant's ability to perform his or her duties with a Participating Company.

(g) "***Change in Control***" means, unless such term or an equivalent term is otherwise defined with respect to an Award by the Participant's Award Agreement or by a written contract of employment or service, the occurrence of any of the following:

(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total Fair Market Value or total combined voting power of the Company's then-outstanding securities entitled to vote generally in the election of Directors; provided, however, that the following acquisitions shall not constitute a Change in Control: (1) an acquisition by any such person who on the Effective Date is the beneficial owner of more than fifty percent (50%) of such voting power, (2) any acquisition directly from the Company, including, without limitation, a public offering of securities, (3) any acquisition by the Company, (4) any acquisition by a trustee or other fiduciary under an employee benefit plan of a Participating Company or (5) any acquisition by an entity owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the voting securities of the Company; or

(ii) an Ownership Change Event or series of related Ownership Change Events (collectively, a "***Transaction***") in which the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction direct or

indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding securities entitled to vote generally in the election of Directors or, in the case of an Ownership Change Event described in Section 2.1(dd)(iii), the entity to which the assets of the Company were transferred (the "***Transferee***"), as the case may be; or

(iii) a liquidation or dissolution of the Company;

provided, however, that a Change in Control shall be deemed not to include a transaction described in subsections (i) or (ii) of this Section 2.1(g) in which a majority of the members of the board of directors of the continuing, surviving or successor entity, or parent thereof, immediately after such transaction is comprised of Incumbent Directors. Notwithstanding the foregoing, to the extent that any amount constituting Section 409A Deferred Compensation would become payable under this Plan by reason of a Change in Control, such amount shall become payable only if the event constituting a Change in Control would also constitute a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company within the meaning of Section 409A.

For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company or the Transferee, as the case may be, either directly or through one or more subsidiary corporations or other business entities. The Committee shall determine whether multiple sales or exchanges of the voting securities of the Company or multiple Ownership Change Events are related, and its determination shall be final, binding and conclusive.

(h) "***Code***" means the Internal Revenue Code of 1986, as amended, and any applicable regulations or administrative guidelines promulgated thereunder.

(i) "***Committee***" means the Compensation Committee and such other committee or subcommittee of the Board, if any, duly appointed to administer the Plan and having such powers in each instance as shall be specified by the Board. If, at any time, there is no committee of the Board then authorized or properly constituted to administer the Plan, the Board shall exercise all of the powers of the Committee granted herein, and, in any event, the Board may in its discretion exercise any or all of such powers.

(j) "***Company***" means MagnaChip Semiconductor Corporation, a Delaware corporation, or any successor corporation thereto.

(k) "***Consultant***" means a person engaged to provide consulting or advisory services (other than as an Employee or a member of the Board) to a Participating Company, provided that the identity of such person, the nature of such services or the entity to which such services are provided would not preclude the Company from offering or selling securities to such person pursuant to the Plan in reliance on registration on Form S-8 under the Securities Act.

(l) "***Covered Employee***" means, at any time the Plan is subject to Section 162(m), any Employee who is or may reasonably be expected to become a "covered employee" as defined in Section 162(m), or any successor statute, and who is designated, either

as an individual Employee or a member of a class of Employees, by the Committee no later than (i) the date ninety (90) days after the beginning of the Performance Period, or (ii) the date on which twenty-five percent (25%) of the Performance Period has elapsed, as a "Covered Employee" under this Plan for such applicable Performance Period.

(m) "***Director***" means a member of the Board.

(n) "***Disability***" means the permanent and total disability of the Participant, within the meaning of Section 22(e)(3) of the Code.

(o) "***Dividend Equivalent Right***" means the right of a Participant, granted at the discretion of the Committee or as otherwise provided by the Plan, to receive a credit for the account of such Participant in an amount equal to the cash dividends paid on one share of Stock for each share of Stock represented by an Award held by such Participant.

(p) "***Employee***" means any person treated as an employee (including an Officer or a member of the Board who is also treated as an employee) in the records of a Participating Company and, with respect to any Incentive Stock Option granted to such person, who is an employee for purposes of Section 422 of the Code; provided, however, that neither service as a member of the Board nor payment of a director's fee shall be sufficient to constitute employment for purposes of the Plan. The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee and the effective date of such individual's employment or termination of employment, as the case may be. For purposes of an individual's rights, if any, under the terms of the Plan as of the time of the Company's determination of whether or not the individual is an Employee, all such determinations by the Company shall be final, binding and conclusive as to such rights, if any, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination as to such individual's status as an Employee.

(q) "***Exchange Act***" means the Securities Exchange Act of 1934, as amended.

(r) "***Fair Market Value***" means, as of any date, the value of a share of Stock or other property as determined by the Committee, in its discretion, or by the Company, in its discretion, if such determination is expressly allocated to the Company herein, subject to the following:

(i) Except as otherwise determined by the Committee, if, on such date, the Stock is listed on a national or regional securities exchange or market system, the Fair Market Value of a share of Stock shall be the closing price of a share of Stock as quoted on the national or regional securities exchange or market system constituting the primary market for the Stock, as reported in *The Wall Street Journal* or such other source as the Company deems reliable. If the relevant date does not fall on a day on which the Stock has traded on such securities exchange or market system, the date on which the Fair Market Value shall be established shall be the last day on which the Stock was so traded prior to the relevant date, or such other appropriate day as shall be determined by the Committee, in its discretion.

(ii) Notwithstanding the foregoing, the Committee may, in its discretion, determine the Fair Market Value on the basis of the opening, closing, or average of the high and low sale prices of a share of Stock on such date or the preceding trading day, the actual sale price of a share of Stock received by a Participant, any other reasonable basis using actual transactions in the Stock as reported on a national or regional securities exchange or market system, or on any other basis consistent with the requirements of Section 409A. The Committee may also determine the Fair Market Value upon the average selling price of the Stock during a specified period that is within thirty (30) days before or thirty (30) days after such date, provided that, with respect to the grant of an Option or SAR, the commitment to grant such Award based on such valuation method must be irrevocable before the beginning of the specified period. The Committee may vary its method of determination of the Fair Market Value as provided in this Section for different purposes under the Plan to the extent consistent with the requirements of Section 409A.

(iii) If, on such date, the Stock is not listed on a national or regional securities exchange or market system, the Fair Market Value of a share of Stock shall be as determined by the Committee in good faith without regard to any restriction other than a restriction which, by its terms, will never lapse, and in a manner consistent with the requirements of Section 409A.

(s) "***Incentive Stock Option***" means an Option intended to be (as set forth in the Award Agreement) and which qualifies as an incentive stock option within the meaning of Section 422(b) of the Code.

(t) "***Incumbent Director***" means a director who either (i) is a member of the Board as of the Effective Date or (ii) is elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination, but who was not elected or nominated in connection with an actual or threatened proxy contest relating to the election of directors of the Company.

(u) "***Insider***" means an Officer, Director or any other person whose transactions in Stock are subject to Section 16 of the Exchange Act.

(v) "***Insider Trading Policy***" means the written policy of the Company pertaining to the purchase, sale, transfer or other disposition of the Company's equity securities by Directors, Officers, Employees or other service providers who may possess material, nonpublic information regarding the Company or its securities.

(w) "***Net-Exercise***" means a procedure by which the Participant will be issued a number of shares of Stock upon the exercise of an Option determined in accordance with the following formula:

N = X(A-B)/A, where
"N" = the number of shares of Stock to be issued to the Participant upon exercise of the Option;
"X" = the total number of shares with respect to which the Participant has elected to exercise the Option;

"A" = the Fair Market Value of one (1) share of Stock determined on the exercise date; and
"B" = the exercise price per share (as defined in the Participant's Award Agreement)

(x) "***Nonemployee Director***" means a Director who is not an Employee.

(y) "***Nonemployee Director Award***" means a Nonstatutory Stock Option, Stock Appreciation Right, Restricted Stock Award or Restricted Stock Unit Award granted to a Nonemployee Director pursuant to Section 12 of the Plan.

(z) "***Nonstatutory Stock Option***" means an Option not intended to be (as set forth in the Award Agreement) an incentive stock option within the meaning of Section 422(b) of the Code.

(aa) "***Officer***" means any person designated by the Board as an officer of the Company.

(bb) "***Option***" means an Incentive Stock Option or a Nonstatutory Stock Option granted pursuant to the Plan.

(cc) "***Other Stock-Based Award***" means an Award denominated in shares of Stock and granted pursuant to Section 11.

(dd) "***Ownership Change Event***" means the occurrence of any of the following with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of more than fifty percent (50%) of the voting stock of the Company; (ii) a merger or consolidation in which the Company is a party; or (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company (other than a sale, exchange or transfer to one or more subsidiaries of the Company).

(ee) "***Parent Corporation***" means any present or future "parent corporation" of the Company, as defined in Section 424(e) of the Code.

(ff) "***Participant***" means any eligible person who has been granted one or more Awards.

(gg) "***Participating Company***" means the Company or any Parent Corporation, Subsidiary Corporation or Affiliate.

(hh) "***Participating Company Group***" means, at any point in time, all entities collectively which are then Participating Companies.

(ii) "***Performance Award***" means an Award of Performance Shares or Performance Units.

(jj) "***Performance Award Formula***" means, for any Performance Award, a formula or table established by the Committee pursuant to Section 10.3 which provides the basis for computing the value of a Performance Award at one or more threshold levels of attainment of the applicable Performance Goal(s) measured as of the end of the applicable Performance Period.

(kk) "***Performance-Based Compensation***" means compensation under an Award that satisfies the requirements of Section 162(m) for certain performance-based compensation paid to Covered Employees.

(ll) "***Performance Goal***" means a performance goal established by the Committee pursuant to Section 10.3.

(mm) "***Performance Period***" means a period established by the Committee pursuant to Section 10.3 at the end of which one or more Performance Goals are to be measured.

(nn) "***Performance Share***" means a right granted to a Participant pursuant to Section 10 to receive a payment equal to the value of a Performance Share, as determined by the Committee, based on performance.

(oo) "***Performance Unit***" means a right granted to a Participant pursuant to Section 10 to receive a payment equal to the value of a Performance Unit, as determined by the Committee, based upon performance.

(pp) "***Restricted Stock Award***" means an Award of a Restricted Stock Bonus or a Restricted Stock Purchase Right.

(qq) "***Restricted Stock Bonus***" means Stock granted to a Participant pursuant to Section 8 or Section 12.

(rr) "***Restricted Stock Purchase Right***" means a right to purchase Stock granted to a Participant pursuant to Section 8 or Section 12.

(ss) "***Restricted Stock Unit***" or "***Stock Unit***" means a right granted to a Participant pursuant to Section 9 or Section 12 to receive a share of Stock on a date determined in accordance with the provisions of such Sections, as applicable, and the Participant's Award Agreement.

(tt) "***Rule 16b-3***" means Rule 16b-3 under the Exchange Act, as amended from time to time, or any successor rule or regulation.

(uu) "***SAR***" or "***Stock Appreciation Right***" means a right granted to a Participant pursuant to Section 7 or Section 12 to receive payment, for each share of Stock subject to such SAR, of an amount equal to the excess, if any, of the Fair Market Value of a share of Stock on the date of exercise of the SAR over the exercise price.

(vv) "***Section 162(m)***" means Section 162(m) of the Code.

(ww) "***Section 409A***" means Section 409A of the Code.

(xx) "***Section 409A Deferred Compensation***" means compensation provided pursuant to an Award that constitutes deferred compensation subject to and not exempted from the requirements of Section 409A.

(yy) "***Securities Act***" means the Securities Act of 1933, as amended.

(zz) "***Service***" means a Participant's employment or service with the Participating Company Group, whether in the capacity of an Employee, a Director or a Consultant. Unless otherwise provided by the Committee, a Participant's Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders such Service or a change in the Participating Company for which the Participant renders such Service, provided that there is no interruption or termination of the Participant's Service. Furthermore, a Participant's Service shall not be deemed to have terminated if the Participant takes any military leave, sick leave, or other bona fide leave of absence approved by the Company. However, unless otherwise provided by the Committee, if any such leave taken by a Participant exceeds ninety (90) days, then on the ninety-first (91st) day following the commencement of such leave the Participant's Service shall be deemed to have terminated, unless the Participant's right to return to Service is guaranteed by statute or contract. Notwithstanding the foregoing, unless otherwise designated by the Company or required by law, an unpaid leave of absence shall not be treated as Service for purposes of determining vesting under the Participant's Award Agreement. A Participant's Service shall be deemed to have terminated either upon an actual termination of Service or upon the business entity for which the Participant performs Service ceasing to be a Participating Company. Subject to the foregoing, the Company, in its discretion, shall determine whether the Participant's Service has terminated and the effective date of such termination.

(aaa) "***Stock***" means the common stock of the Company, as adjusted from time to time in accordance with Section 4.4.

(bbb) "***Subsidiary Corporation***" means any present or future "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code.

(ccc) "***Ten Percent Owner***" means a Participant who, at the time an Option is granted to the Participant, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of a Participating Company (other than an Affiliate) within the meaning of Section 422(b)(6) of the Code.

(ddd) "***Vesting Conditions***" mean those conditions established in accordance with the Plan prior to the satisfaction of which shares subject to an Award remain subject to forfeiture or a repurchase option in favor of the Company exercisable for the Participant's monetary purchase price, if any, for such shares upon the Participant's termination of Service.

2.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

3. **ADMINISTRATION.**

3.1 **Administration by the Committee.** The Plan shall be administered by the Committee. All questions of interpretation of the Plan, of any Award Agreement or of any other form of agreement or other document employed by the Company in the administration of the Plan or of any Award shall be determined by the Committee, and such determinations shall be final, binding and conclusive upon all persons having an interest in the Plan or such Award, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or Award Agreement or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest therein.

3.2 **Authority of Officers.** Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent authority with respect to such matter, right, obligation, determination or election. The Board or Committee may, in its discretion, delegate to a committee comprised of one or more Officers the authority to grant one or more Awards, without further approval of the Board or the Committee, to any Employee, other than a person who, at the time of such grant, is an Insider or a Covered Person; provided, however, that (a) the exercise price per share of each such Award which is an Option or SAR shall be not less than the Fair Market Value per share of the Stock on the effective date of grant (or, if the Stock has not traded on such date, on the last day preceding the effective date of grant on which the Stock was traded), (b) each such Award shall be subject to the terms and conditions of the appropriate standard form of Award Agreement approved by the Board or the Committee and shall conform to the provisions of the Plan, and (c) each such Award shall conform to guidelines as shall be established from time to time by resolution of the Board or the Committee.

3.3 **Administration with Respect to Insiders.** With respect to participation by Insiders in the Plan, at any time that any class of equity security of the Company is registered pursuant to Section 12 of the Exchange Act, the Plan shall be administered in compliance with the requirements, if any, of Rule 16b-3.

3.4 **Committee Complying with Section 162(m).** If the Company is a "publicly held corporation" within the meaning of Section 162(m), the Board may establish a Committee of "outside directors" within the meaning of Section 162(m) to approve the grant of any Award intended to result in the payment of Performance-Based Compensation.

3.5 **Powers of the Committee.** In addition to any other powers set forth in the Plan and subject to the provisions of the Plan, the Committee shall have the full and final power and authority, in its discretion:

(a) to determine the persons to whom, and the time or times at which, Awards shall be granted and the number of shares of Stock, units or monetary value to be subject to each Award;

(b) to determine the type of Award granted;

(c) to determine the Fair Market Value of shares of Stock or other property;

(d) to determine the terms, conditions and restrictions applicable to each Award (which need not be identical) and any shares acquired pursuant thereto, including, without limitation, (i) the exercise or purchase price of shares pursuant to any Award, (ii) the method of payment for shares purchased pursuant to any Award, (iii) the method for satisfaction of any tax withholding obligation arising in connection with any Award, including by the withholding or delivery of shares of Stock, (iv) the timing, terms and conditions of the exercisability or vesting of any Award or any shares acquired pursuant thereto, (v) the Performance Measures, Performance Period, Performance Award Formula and Performance Goals applicable to any Award and the extent to which such Performance Goals have been attained, (vi) the time of the expiration of any Award, (vii) the effect of the Participant's termination of Service on any of the foregoing, and (viii) all other terms, conditions and restrictions applicable to any Award or shares acquired pursuant thereto not inconsistent with the terms of the Plan;

(e) to determine whether an Award will be settled in shares of Stock, cash, or in any combination thereof;

(f) to approve one or more forms of Award Agreement;

(g) to amend, modify, extend, cancel or renew any Award or to waive any restrictions or conditions applicable to any Award or any shares acquired pursuant thereto;

(h) to accelerate, continue, extend or defer the exercisability or vesting of any Award or any shares acquired pursuant thereto, including with respect to the period following a Participant's termination of Service;

(i) to prescribe, amend or rescind rules, guidelines and policies relating to the Plan, or to adopt sub-plans or supplements to, or alternative versions of, the Plan, including, without limitation, as the Committee deems necessary or desirable to comply with the laws or regulations of or to accommodate the tax policy, accounting principles or custom of, foreign jurisdictions whose citizens may be granted Awards; and

(j) to correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award Agreement and to make all other determinations and take such other actions with respect to the Plan or any Award as the Committee may deem advisable to the extent not inconsistent with the provisions of the Plan or applicable law.

3.6 **Indemnification.** In addition to such other rights of indemnification as they may have as members of the Board or the Committee or as officers or employees of the

Participating Company Group, members of the Board or the Committee and any officers or employees of the Participating Company Group to whom authority to act for the Board, the Committee or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

4. **SHARES SUBJECT TO PLAN.**

4.1 **Maximum Number of Shares Issuable.** Subject to adjustment as provided in Sections 4.2, 4.3 and 4.4, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be equal to _____ (_____)[1] and shall consist of authorized but unissued or reacquired shares of Stock or any combination thereof.

4.2 **Annual Increase in Maximum Number of Shares Issuable.** Subject to adjustment as provided in Section 4.4, the maximum aggregate number of shares of Stock that may be issued under the Plan as set forth in Section 4.1 shall be cumulatively increased on January 1, 2009 and on each subsequent January 1 through and including January 1, 2017, by a number of shares (the *"**Annual Increase**"*) equal to the smaller of (i) two and one-half percent (2.5%) of the number of shares of Stock issued and outstanding on the immediately preceding December 31 or (ii) an amount determined by the Board.

4.3 **Share Accounting.** If an outstanding Award for any reason expires or is terminated or canceled without having been exercised or settled in full, or if shares of Stock acquired pursuant to an Award subject to forfeiture or repurchase are forfeited or repurchased by the Company for an amount not greater than the Participant's purchase price, the shares of Stock allocable to the terminated portion of such Award or such forfeited or repurchased shares of Stock shall again be available for issuance under the Plan. Shares of Stock shall not be deemed to have been issued pursuant to the Plan (a) with respect to any portion of an Award that is settled in cash or (b) to the extent such shares are withheld or reacquired by the Company in satisfaction of tax withholding obligations pursuant to Section 17.2. Upon payment in shares of Stock pursuant to the exercise of an SAR, the number of shares available for issuance under the Plan shall be reduced only by the number of shares actually issued in such payment. If the exercise price of an Option is paid by tender to the Company, or attestation to the ownership, of shares of Stock owned by the Participant, or by means of a Net-Exercise, the number of shares available for issuance under the Plan shall be reduced by the net number of shares for which the Option is exercised.

[1] The number of shares authorized for issuance under the plan will be established immediately prior to submission of the plan to stockholders for approval prior to the effective time of the S-1 registration. This number will equal 5% of the number of shares of common stock of the company to be outstanding immediately after the initial public offering.

4.4 **Adjustments for Changes in Capital Structure.** Subject to any required action by the stockholders of the Company and the requirements of Section 409A and 424 of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting normal cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate and proportionate adjustments shall be made in the number and kind of shares subject to the Plan and to any outstanding Awards, in the Award limits set forth in Section 5.3 and in the exercise or purchase price per share under any outstanding Award in order to prevent dilution or enlargement of Participants' rights under the Plan. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." If a majority of the shares which are of the same class as the shares that are subject to outstanding Awards are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event) shares of another corporation (the "***New Shares***"), the Committee may unilaterally amend the outstanding Awards to provide that such Awards are for New Shares. In the event of any such amendment, the number of shares subject to, and the exercise or purchase price per share of, the outstanding Awards shall be adjusted in a fair and equitable manner as determined by the Committee, in its discretion. Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number, and in no event may the exercise or purchase price under any Award be decreased to an amount less than the par value, if any, of the stock subject to such Award. The Committee in its discretion, may also make such adjustments in the terms of any Award to reflect, or related to, such changes in the capital structure of the Company or distributions as it deems appropriate, including modification of Performance Goals, Performance Award Formulas and Performance Periods. The adjustments determined by the Committee pursuant to this Section shall be final, binding and conclusive.

The Committee may, without affecting the number of Shares reserved or available hereunder, authorize the issuance or assumption of benefits under this Plan in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate, subject to compliance with Section 409A and any other applicable provisions of the Code and related guidance issued by the U.S. Treasury Department.

5. **ELIGIBILITY, PARTICIPATION AND AWARD LIMITATIONS.**

5.1 **Persons Eligible for Awards.** Awards, other than Nonemployee Director Awards, may be granted only to Employees and Consultants. Nonemployee Director Awards may be granted only to persons who, at the time of grant, are Nonemployee Directors.

5.2 **Participation in the Plan.** Awards are granted solely at the discretion of the Committee. Eligible persons may be granted more than one Award. However, eligibility in accordance with this Section shall not entitle any person to be granted an Award, or, having been granted an Award, to be granted an additional Award.

5.3 **Incentive Stock Option Limitations.**

(a) ***Maximum Number of Shares Issuable Pursuant to Incentive Stock Options*.** Subject to adjustment as provided in Section 4.4, the maximum aggregate number of shares of Stock that may be issued under the Plan pursuant to the exercise of Incentive Stock Options shall not exceed _____ (_____),[2] cumulatively increased on January 1, 2009 and on each subsequent January 1, through and including January 1, 2017, by a number of shares equal to the smaller of the Annual Increase determined under Section 4.2 or _____ (_____)[3] shares. The maximum aggregate number of shares of Stock that may be issued under the Plan pursuant to all Awards other than Incentive Stock Options shall be the number of shares determined in accordance with Section 4.1, subject to adjustment as provided in Sections 4.2, 4.3 and 4.4.

(b) ***Persons Eligible*.** An Incentive Stock Option may be granted only to a person who, on the effective date of grant, is an Employee of the Company, a Parent Corporation or a Subsidiary Corporation (each being an *"**ISO-Qualifying Corporation**"*). Any person who is not an Employee of an ISO-Qualifying Corporation on the effective date of the grant of an Option to such person may be granted only a Nonstatutory Stock Option.

(c) ***Fair Market Value Limitation*.** To the extent that options designated as Incentive Stock Options (granted under all stock option plans of the Participating Company Group, including the Plan) become exercisable by a Participant for the first time during any calendar year for stock having a Fair Market Value greater than One Hundred Thousand Dollars ($100,000), the portion of such options which exceeds such amount shall be treated as Nonstatutory Stock Options. For purposes of this Section, options designated as Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of stock shall be determined as of the time the option with respect to such stock is granted. If the Code is amended to provide for a limitation different from that set forth in this Section, such different limitation shall be deemed incorporated herein effective as of the date and with respect to such Options as required or permitted by such amendment to the Code. If an Option is treated as an Incentive Stock Option in part and as a Nonstatutory Stock Option in part by reason of the limitation set forth in this Section, the Participant may designate which portion of such Option the Participant is exercising. In the absence of such designation, the Participant shall be deemed to have exercised the Incentive Stock Option portion of the Option first. Upon exercise, shares issued pursuant to each such portion shall be separately identified.

6. **STOCK OPTIONS.**

Options shall be evidenced by Award Agreements specifying the number of shares of Stock covered thereby, in such form as the Committee shall from time to time establish. Award Agreements evidencing Options may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

---

[2] This number will equal the number in Section 4.1.

[3] This number will also equal the number in Section 4.1.

6.1 **Exercise Price.** The exercise price for each Option shall be established in the discretion of the Committee; provided, however, that (a) the exercise price per share shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the Option and (b) no Incentive Stock Option granted to a Ten Percent Owner shall have an exercise price per share less than one hundred ten percent (110%) of the Fair Market Value of a share of Stock on the effective date of grant of the Option. Notwithstanding the foregoing, an Option (whether an Incentive Stock Option or a Nonstatutory Stock Option) may be granted with an exercise price lower than the minimum exercise price set forth above if such Option is granted pursuant to an assumption or substitution for another option in a manner qualifying under the provisions of Section 424(a) of the Code.

6.2 **Exercisability and Term of Options.** Options shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such Option; provided, however, that (a) no Option shall be exercisable after the expiration of ten (10) years after the effective date of grant of such Option and (b) no Incentive Stock Option granted to a Ten Percent Owner shall be exercisable after the expiration of five (5) years after the effective date of grant of such Option. Subject to the foregoing, unless otherwise specified by the Committee in the grant of an Option, each Option shall terminate ten (10) years after the effective date of grant of the Option, unless earlier terminated in accordance with its provisions.

6.3 **Payment of Exercise Price.**

(a) ***Forms of Consideration Authorized.*** Except as otherwise provided below, payment of the exercise price for the number of shares of Stock being purchased pursuant to any Option shall be made (i) in cash, by check or in cash equivalent, (ii) by tender to the Company, or attestation to the ownership, of shares of Stock owned by the Participant having a Fair Market Value not less than the exercise price, (iii) by delivery of a properly executed notice of exercise together with irrevocable instructions to a broker providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares being acquired upon the exercise of the Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System) (a *"**Cashless Exercise**"*), (iv) by delivery of a properly executed notice electing a Net-Exercise, (v) by such other consideration as may be approved by the Committee from time to time to the extent permitted by applicable law, or (vi) by any combination thereof. The Committee may at any time or from time to time grant Options which do not permit all of the foregoing forms of consideration to be used in payment of the exercise price or which otherwise restrict one or more forms of consideration.

(b) ***Limitations on Forms of Consideration.***

(i) **Tender of Stock.** Notwithstanding the foregoing, an Option may not be exercised by tender to the Company, or attestation to the ownership, of shares

of Stock to the extent such tender or attestation would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company's stock. Unless otherwise provided by the Committee, an Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock unless such shares either have been owned by the Participant for more than six (6) months (or such other period, if any, as the Committee may permit) and not used for another Option exercise by attestation during such period, or were not acquired, directly or indirectly, from the Company.

(ii) **Cashless Exercise.** The Company reserves, at any and all times, the right, in the Company's sole and absolute discretion, to establish, decline to approve or terminate any program or procedures for the exercise of Options by means of a Cashless Exercise, including with respect to one or more Participants specified by the Company notwithstanding that such program or procedures may be available to other Participants.

6.4 **Effect of Termination of Service.**

(a) ***Option Exercisability.*** Subject to earlier termination of the Option as otherwise provided herein and unless otherwise provided by the Committee, an Option shall terminate immediately upon the Participant's termination of Service to the extent that it is then unvested and shall be exercisable after the Participant's termination of Service to the extent it is then vested only during the applicable time period determined in accordance with this Section and thereafter shall terminate:

(i) **Disability.** If the Participant's Service terminates because of the Disability of the Participant, the Option, to the extent unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the Participant (or the Participant's guardian or legal representative) at any time prior to the expiration of twelve (12) months after the date on which the Participant's Service terminated, but in any event no later than the date of expiration of the Option's term as set forth in the Award Agreement evidencing such Option (the *"**Option Expiration Date**"*).

(ii) **Death.** If the Participant's Service terminates because of the death of the Participant, the Option, to the extent unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the Participant's legal representative or other person who acquired the right to exercise the Option by reason of the Participant's death at any time prior to the expiration of twelve (12) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date. The Participant's Service shall be deemed to have terminated on account of death if the Participant dies within three (3) months after the Participant's termination of Service.

(iii) ***Termination for Cause*.** Notwithstanding any other provision of the Plan to the contrary, if the Participant's Service is terminated for Cause or if, following the Participant's termination of Service and during any period in which the Option otherwise would remain exercisable, the Participant engages in any act that would constitute Cause, the Option shall terminate in its entirety and cease to be exercisable immediately upon such termination of Service or act.

(iv) **Other Termination of Service.** If the Participant's Service terminates for any reason, except Disability, death or Cause, the Option, to the extent unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the Participant at any time prior to the expiration of three (3) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date.

(b) ***Extension if Exercise Prevented by Law.*** Notwithstanding the foregoing, other than termination of Service for Cause, if the exercise of an Option within the applicable time periods set forth in Section 6.4(a) is prevented by the provisions of Section 15 below, the Option shall remain exercisable until the later of (i) thirty (30) days after the date such exercise first would no longer be prevented by such provisions or (ii) the end of the applicable time period under Section 6.4(a), but in any event no later than the Option Expiration Date.

6.5 **Transferability of Options.** During the lifetime of the Participant, an Option shall be exercisable only by the Participant or the Participant's guardian or legal representative. An Option shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. Notwithstanding the foregoing, to the extent permitted by the Committee, in its discretion, and set forth in the Award Agreement evidencing such Option, a Nonstatutory Stock Option shall be assignable or transferable subject to the applicable limitations, if any, described in the General Instructions to Form S-8 under the Securities Act.

7. **STOCK APPRECIATION RIGHTS.**

Stock Appreciation Rights shall be evidenced by Award Agreements specifying the number of shares of Stock subject to the Award, in such form as the Committee shall from time to time establish. Award Agreements evidencing SARs may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

7.1 **Types of SARs Authorized.** SARs may be granted in tandem with all or any portion of a related Option (a *"**Tandem SAR**"*) or may be granted independently of any Option (a *"**Freestanding SAR**"*). A Tandem SAR may only be granted concurrently with the grant of the related Option.

7.2 **Exercise Price.** The exercise price for each SAR shall be established in the discretion of the Committee; provided, however, that (a) the exercise price per share subject to a Tandem SAR shall be the exercise price per share under the related Option and (b) the exercise price per share subject to a Freestanding SAR shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the SAR.

7.3 **Exercisability and Term of SARs.**

(a) ***Tandem SARs.*** Tandem SARs shall be exercisable only at the time and to the extent, and only to the extent, that the related Option is exercisable, subject to such provisions as the Committee may specify where the Tandem SAR is granted with respect to

less than the full number of shares of Stock subject to the related Option. The Committee may, in its discretion, provide in any Award Agreement evidencing a Tandem SAR that such SAR may not be exercised without the advance approval of the Company and, if such approval is not given, then the Option shall nevertheless remain exercisable in accordance with its terms. A Tandem SAR shall terminate and cease to be exercisable no later than the date on which the related Option expires or is terminated or canceled. Upon the exercise of a Tandem SAR with respect to some or all of the shares subject to such SAR, the related Option shall be canceled automatically as to the number of shares with respect to which the Tandem SAR was exercised. Upon the exercise of an Option related to a Tandem SAR as to some or all of the shares subject to such Option, the related Tandem SAR shall be canceled automatically as to the number of shares with respect to which the related Option was exercised.

(b) ***Freestanding SARs.*** Freestanding SARs shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such SAR; provided, however, that no Freestanding SAR shall be exercisable after the expiration of ten (10) years after the effective date of grant of such SAR.

7.4 **Exercise of SARs.** Upon the exercise (or deemed exercise pursuant to Section 7.5) of an SAR, the Participant (or the Participant's legal representative or other person who acquired the right to exercise the SAR by reason of the Participant's death) shall be entitled to receive payment of an amount for each share with respect to which the SAR is exercised equal to the excess, if any, of the Fair Market Value of a share of Stock on the date of exercise of the SAR over the exercise price. Payment of such amount shall be made (a) in the case of a Tandem SAR, solely in shares of Stock in a lump sum upon the date of exercise of the SAR and (b) in the case of a Freestanding SAR, in cash, shares of Stock, or any combination thereof as determined by the Committee, in a lump sum upon the date of exercise of the SAR. When payment is to be made in shares of Stock, the number of shares to be issued shall be determined on the basis of the Fair Market Value of a share of Stock on the date of exercise of the SAR. For purposes of Section 7, an SAR shall be deemed exercised on the date on which the Company receives notice of exercise from the Participant or as otherwise provided in Section 7.5.

7.5 **Deemed Exercise of SARs.** If, on the date on which an SAR would otherwise terminate or expire, the SAR by its terms remains exercisable immediately prior to such termination or expiration and, if so exercised, would result in a payment to the holder of such SAR, then any portion of such SAR which has not previously been exercised shall automatically be deemed to be exercised as of such date with respect to such portion.

7.6 **Effect of Termination of Service.** Subject to earlier termination of the SAR as otherwise provided herein and unless otherwise provided by the Committee, an SAR shall be exercisable after a Participant's termination of Service only to the extent and during the applicable time period determined in accordance with Section 6.4 (treating the SAR as if it were an Option) and thereafter shall terminate.

7.7 **Transferability of SARs.** During the lifetime of the Participant, an SAR shall be exercisable only by the Participant or the Participant's guardian or legal representative. An SAR shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer,

assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. Notwithstanding the foregoing, to the extent permitted by the Committee, in its discretion, and set forth in the Award Agreement evidencing such Award, a Tandem SAR related to a Nonstatutory Stock Option or a Freestanding SAR shall be assignable or transferable subject to the applicable limitations, if any, described in the General Instructions to Form S-8 under the Securities Act.

8. **RESTRICTED STOCK AWARDS.**

Restricted Stock Awards shall be evidenced by Award Agreements specifying whether the Award is a Restricted Stock Bonus or a Restricted Stock Purchase Right and the number of shares of Stock subject to the Award, in such form as the Committee shall from time to time establish. Award Agreements evidencing Restricted Stock Awards may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

8.1 **Types of Restricted Stock Awards Authorized.** Restricted Stock Awards may be granted in the form of either a Restricted Stock Bonus or a Restricted Stock Purchase Right. Restricted Stock Awards may be granted upon such conditions as the Committee shall determine, including, without limitation, upon the attainment of one or more Performance Goals described in Section 10.4. If either the grant of or satisfaction of Vesting Conditions applicable to a Restricted Stock Award is to be contingent upon the attainment of one or more Performance Goals, the Committee shall follow procedures substantially equivalent to those set forth in Sections 10.3 through 10.5(a).

8.2 **Purchase Price.** The purchase price for shares of Stock issuable under each Restricted Stock Purchase Right shall be established by the Committee in its discretion. No monetary payment (other than applicable tax withholding) shall be required as a condition of receiving shares of Stock pursuant to a Restricted Stock Bonus, the consideration for which shall be services actually rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable state corporate law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the shares of Stock subject to a Restricted Stock Award.

8.3 **Purchase Period.** A Restricted Stock Purchase Right shall be exercisable within a period established by the Committee, which shall in no event exceed thirty (30) days from the effective date of the grant of the Restricted Stock Purchase Right.

8.4 **Payment of Purchase Price.** Except as otherwise provided below, payment of the purchase price for the number of shares of Stock being purchased pursuant to any Restricted Stock Purchase Right shall be made (a) in cash, by check or in cash equivalent, (b) by such other consideration as may be approved by the Committee from time to time to the extent permitted by applicable law, or (c) by any combination thereof.

8.5 **Vesting and Restrictions on Transfer.** Shares issued pursuant to any Restricted Stock Award may (but need not) be made subject to Vesting Conditions based upon the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 10.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award. During any period in which shares acquired pursuant to a Restricted Stock Award remain subject to Vesting Conditions, such shares may not be sold, exchanged, transferred, pledged, assigned or otherwise disposed of other than pursuant to an Ownership Change Event or as provided in Section 8.8. The Committee, in its discretion, may provide in any Award Agreement evidencing a Restricted Stock Award that, if the satisfaction of Vesting Conditions with respect to any shares subject to such Restricted Stock Award would otherwise occur on a day on which the sale of such shares would violate the provisions of the Insider Trading Policy, then satisfaction of the Vesting Conditions automatically shall be determined on the next trading day on which the sale of such shares would not violate the Insider Trading Policy. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

8.6 **Voting Rights; Dividends and Distributions.** Except as provided in this Section, Section 8.5 and any Award Agreement, during any period in which shares acquired pursuant to a Restricted Stock Award remain subject to Vesting Conditions, the Participant shall have all of the rights of a stockholder of the Company holding shares of Stock, including the right to vote such shares and to receive all dividends and other distributions paid with respect to such shares. However, in the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.4, any and all new, substituted or additional securities or other property (other than normal cash dividends) to which the Participant is entitled by reason of the Participant's Restricted Stock Award shall be immediately subject to the same Vesting Conditions as the shares subject to the Restricted Stock Award with respect to which such dividends or distributions were paid or adjustments were made.

8.7 **Effect of Termination of Service.** Unless otherwise provided by the Committee in the Award Agreement evidencing a Restricted Stock Award, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or disability), then (a) the Company shall have the option to repurchase for the purchase price paid by the Participant any shares acquired by the Participant pursuant to a Restricted Stock Purchase Right which remain subject to Vesting Conditions as of the date of the Participant's termination of Service and (b) the Participant shall forfeit to the Company any shares acquired by the Participant pursuant to a Restricted Stock Bonus which remain subject to Vesting Conditions as of the date of the Participant's termination of Service. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company.

8.8 **Nontransferability of Restricted Stock Award Rights.** Rights to acquire shares of Stock pursuant to a Restricted Stock Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance or

garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or the laws of descent and distribution. All rights with respect to a Restricted Stock Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

9. **RESTRICTED STOCK UNIT AWARDS.**

Restricted Stock Unit Awards shall be evidenced by Award Agreements specifying the number of Restricted Stock Units subject to the Award, in such form as the Committee shall from time to time establish. Award Agreements evidencing Restricted Stock Units may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

9.1 **Grant of Restricted Stock Unit Awards.** Restricted Stock Unit Awards may be granted upon such conditions as the Committee shall determine, including, without limitation, upon the attainment of one or more Performance Goals described in Section 10.4. If either the grant of a Restricted Stock Unit Award or the Vesting Conditions with respect to such Award is to be contingent upon the attainment of one or more Performance Goals, the Committee shall follow procedures substantially equivalent to those set forth in Sections 10.3 through 10.5(a).

9.2 **Purchase Price.** No monetary payment (other than applicable tax withholding, if any) shall be required as a condition of receiving a Restricted Stock Unit Award, the consideration for which shall be services actually rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable state corporate law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the shares of Stock issued upon settlement of the Restricted Stock Unit Award.

9.3 **Vesting.** Restricted Stock Unit Awards may (but need not) be made subject to Vesting Conditions based upon the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 10.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award.

9.4 **Voting Rights, Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to shares of Stock represented by Restricted Stock Units until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Restricted Stock Unit Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date such Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date the Award is settled or the date on which it is terminated. Such Dividend Equivalent Rights, if any, shall be paid by crediting the Participant with additional whole Restricted Stock Units as of the date of payment of such cash dividends on Stock. The number of additional Restricted Stock Units (rounded to the nearest whole number) to be so credited shall be

determined by dividing (a) the amount of cash dividends paid on such date with respect to the number of shares of Stock represented by the Restricted Stock Units previously credited to the Participant by (b) the Fair Market Value per share of Stock on such date. Such additional Restricted Stock Units shall be subject to the same terms and conditions and shall be settled in the same manner and at the same time as the Restricted Stock Units originally subject to the Restricted Stock Unit Award. In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.4, appropriate adjustments shall be made in the Participant's Restricted Stock Unit Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than normal cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of the Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Vesting Conditions as are applicable to the Award.

9.5 **Effect of Termination of Service.** Unless otherwise provided by the Committee and set forth in the Award Agreement evidencing a Restricted Stock Unit Award, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or disability), then the Participant shall forfeit to the Company any Restricted Stock Units pursuant to the Award which remain subject to Vesting Conditions as of the date of the Participant's termination of Service.

9.6 **Settlement of Restricted Stock Unit Awards.** The Company shall issue to a Participant on the date on which Restricted Stock Units subject to the Participant's Restricted Stock Unit Award vest or on such other date determined by the Committee, in its discretion, and set forth in the Award Agreement one (1) share of Stock (and/or any other new, substituted or additional securities or other property pursuant to an adjustment described in Section 9.4) for each Restricted Stock Unit then becoming vested or otherwise to be settled on such date, subject to the withholding of applicable taxes, if any. If permitted by the Committee, the Participant may elect, consistent with the requirements of Section 409A, to defer receipt of all or any portion of the shares of Stock or other property otherwise issuable to the Participant pursuant to this Section, and such deferred issuance date(s) and amount(s) elected by the Participant shall be set forth in the Award Agreement. Notwithstanding the foregoing, the Committee, in its discretion, may provide for settlement of any Restricted Stock Unit Award by payment to the Participant in cash of an amount equal to the Fair Market Value on the payment date of the shares of Stock or other property otherwise issuable to the Participant pursuant to this Section. The Committee, in its discretion, may provide in any Award Agreement evidencing a Restricted Stock Unit Award that, if the satisfaction of Vesting Conditions with respect to any shares subject to the Award would otherwise occur on a day on which the sale of such shares would violate the provisions of the Insider Trading Policy, then the satisfaction of the Vesting Conditions automatically shall be determined on the first to occur of (a) the next trading day on which the sale of such shares would not violate the Insider Trading Policy or (b) the later of (i) last day of the calendar year in which the original vesting date occurred or (ii) the last day of the Company's taxable year in which the original vesting date occurred.

9.7 **Nontransferability of Restricted Stock Unit Awards.** The right to receive shares pursuant to a Restricted Stock Unit Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or

garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to a Restricted Stock Unit Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

10. **PERFORMANCE AWARDS.**

Performance Awards shall be evidenced by Award Agreements in such form as the Committee shall from time to time establish. Award Agreements evidencing Performance Awards may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

10.1 **Types of Performance Awards Authorized.** Performance Awards may be granted in the form of either Performance Shares or Performance Units. Each Award Agreement evidencing a Performance Award shall specify the number of Performance Shares or Performance Units subject thereto, the Performance Award Formula, the Performance Goal(s) and Performance Period applicable to the Award, and the other terms, conditions and restrictions of the Award.

10.2 **Initial Value of Performance Shares and Performance Units.** Unless otherwise provided by the Committee in granting a Performance Award, each Performance Share shall have an initial monetary value equal to the Fair Market Value of one (1) share of Stock, subject to adjustment as provided in Section 4.4, on the effective date of grant of the Performance Share, and each Performance Unit shall have an initial monetary value established by the Committee at the time of grant. The final value payable to the Participant in settlement of a Performance Award determined on the basis of the applicable Performance Award Formula will depend on the extent to which Performance Goals established by the Committee are attained within the applicable Performance Period established by the Committee.

10.3 **Establishment of Performance Period, Performance Goals and Performance Award Formula.** In granting each Performance Award, the Committee shall establish in writing the applicable Performance Period, Performance Award Formula and one or more Performance Goals which, when measured at the end of the Performance Period, shall determine on the basis of the Performance Award Formula the final value of the Performance Award to be paid to the Participant. Unless otherwise permitted in compliance with the requirements under Section 162(m) with respect to each Performance Award intended to result in the payment of Performance-Based Compensation, the Committee shall establish the Performance Goal(s) and Performance Award Formula applicable to each Performance Award no later than the earlier of (a) the date ninety (90) days after the commencement of the applicable Performance Period or (b) the date on which 25% of the Performance Period has elapsed, and, in any event, at a time when the outcome of the Performance Goals remains substantially uncertain. Once established, the Performance Goals and Performance Award Formula applicable to a Covered Employee shall not be changed during the Performance Period. The Company shall notify each Participant granted a Performance Award of the terms of such Award, including the Performance Period, Performance Goal(s) and Performance Award Formula.

10.4 **Measurement of Performance Goals.** Performance Goals shall be established by the Committee on the basis of targets to be attained ("***Performance Targets***") with respect to one or more measures of business or financial performance (each, a "***Performance Measure***"), subject to the following:

(a) ***Performance Measures.*** Performance Measures shall have the same meanings as used in the Company's financial statements, or, if such terms are not used in the Company's financial statements, they shall have the meaning applied pursuant to generally accepted accounting principles, or as used generally in the Company's industry. Performance Measures shall be calculated with respect to the Company and each Subsidiary Corporation consolidated therewith for financial reporting purposes or such division or other business unit as may be selected by the Committee. For purposes of the Plan, the Performance Measures applicable to a Performance Award shall be calculated in accordance with generally accepted accounting principles, if applicable, but prior to the accrual or payment of any Performance Award for the same Performance Period and excluding the effect (whether positive or negative) of any change in accounting standards or any extraordinary, unusual or nonrecurring item, as determined by the Committee, occurring after the establishment of the Performance Goals applicable to the Performance Award. Each such adjustment, if any, shall be made solely for the purpose of providing a consistent basis from period to period for the calculation of Performance Measures in order to prevent the dilution or enlargement of the Participant's rights with respect to a Performance Award. Performance Measures may be one or more of the following, as determined by the Committee:

(i) revenue;

(ii) sales;

(iii) expenses;

(iv) operating income;

(v) gross margin;

(vi) operating margin;

(vii) earnings before any one or more of: stock-based compensation expense, interest, taxes, depreciation and amortization;

(viii) pre-tax profit;

(ix) net operating income;

(x) net income;

(xi) economic value added;

(xii) free cash flow;

(xiii) operating cash flow;

(xiv) balance of cash, cash equivalents and marketable securities;

(xv) stock price;

(xvi) earnings per share;

(xvii) return on stockholder equity;

(xviii) return on capital;

(xix) return on assets;

(xx) return on investment;

(xxi) employee satisfaction;

(xxii) employee retention;

(xxiii) market share;

(xxiv) customer satisfaction;

(xxv) product development;

(xxvi) research and development expenses;

(xxvii) completion of an identified special project; and

(xxviii) completion of a joint venture or other corporate transaction.

(b) ***Performance Targets.*** Performance Targets may include a minimum, maximum, target level and intermediate levels of performance, with the final value of a Performance Award determined under the applicable Performance Award Formula by the level attained during the applicable Performance Period. A Performance Target may be stated as an absolute value or as a value determined relative to an index, budget or other standard selected by the Committee.

10.5 **Settlement of Performance Awards.**

(a) ***Determination of Final Value.*** As soon as practicable following the completion of the Performance Period applicable to a Performance Award, the Committee shall certify in writing the extent to which the applicable Performance Goals have been attained and the resulting final value of the Award earned by the Participant and to be paid upon its settlement in accordance with the applicable Performance Award Formula.

(b) ***Discretionary Adjustment of Award Formula.*** In its discretion, the Committee may, either at the time it grants a Performance Award or at any time thereafter,

provide for the positive or negative adjustment of the Performance Award Formula applicable to a Performance Award granted to any Participant who is not a Covered Employee to reflect such Participant's individual performance in his or her position with the Company or such other factors as the Committee may determine. If permitted under a Covered Employee's Award Agreement, the Committee shall have the discretion, on the basis of such criteria as may be established by the Committee, to reduce some or all of the value of the Performance Award that would otherwise be paid to the Covered Employee upon its settlement notwithstanding the attainment of any Performance Goal and the resulting value of the Performance Award determined in accordance with the Performance Award Formula. No such reduction may result in an increase in the amount payable upon settlement of another Participant's Performance Award that is intended to result in Performance-Based Compensation.

(c) ***Effect of Leaves of Absence.*** Unless otherwise required by law or a Participant's Award Agreement, payment of the final value, if any, of a Performance Award held by a Participant who has taken in excess of thirty (30) days in unpaid leaves of absence during a Performance Period shall be prorated on the basis of the number of days of the Participant's Service during the Performance Period during which the Participant was not on an unpaid leave of absence.

(d) ***Notice to Participants.*** As soon as practicable following the Committee's determination and certification in accordance with Sections 10.5(a) and (b), the Company shall notify each Participant of the determination of the Committee.

(e) ***Payment in Settlement of Performance Awards.*** As soon as practicable following the Committee's determination and certification in accordance with Sections 10.5(a) and (b), but in any event within the Short-Term Deferral Period described in Section 16.1 (except as otherwise provided below or consistent with the requirements of Section 409A), payment shall be made to each eligible Participant (or such Participant's legal representative or other person who acquired the right to receive such payment by reason of the Participant's death) of the final value of the Participant's Performance Award. Payment of such amount shall be made in cash, shares of Stock, or a combination thereof as determined by the Committee. Unless otherwise provided in the Award Agreement evidencing a Performance Award, payment shall be made in a lump sum. If permitted by the Committee, the Participant may elect, consistent with the requirements of Section 409A, to defer receipt of all or any portion of the payment to be made to Participant pursuant to this Section, and such deferred payment date(s) elected by the Participant shall be set forth in the Award Agreement. If any payment is to be made on a deferred basis, the Committee may, but shall not be obligated to, provide for the payment during the deferral period of Dividend Equivalent Rights or interest.

(f) ***Provisions Applicable to Payment in Shares.*** If payment is to be made in shares of Stock, the number of such shares shall be determined by dividing the final value of the Performance Award by the Fair Market Value of a share of Stock determined by the method specified in the Award Agreement. Shares of Stock issued in payment of any Performance Award may be fully vested and freely transferable shares or may be shares of Stock subject to Vesting Conditions as provided in Section 8.5. Any shares subject to Vesting Conditions shall be evidenced by an appropriate Award Agreement and shall be subject to the provisions of Sections 8.5 through 8.8 above.

10.6 **Voting Rights; Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to shares of Stock represented by Performance Share Awards until the date of the issuance of such shares, if any (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Performance Share Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date the Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date on which the Performance Shares are settled or the date on which they are forfeited. Such Dividend Equivalent Rights, if any, shall be credited to the Participant in the form of additional whole Performance Shares as of the date of payment of such cash dividends on Stock. The number of additional Performance Shares (rounded to the nearest whole number) to be so credited shall be determined by dividing (a) the amount of cash dividends paid on the dividend payment date with respect to the number of shares of Stock represented by the Performance Shares previously credited to the Participant by (b) the Fair Market Value per share of Stock on such date. Dividend Equivalent Rights may be paid currently or may be accumulated and paid to the extent that Performance Shares become nonforfeitable, as determined by the Committee. Settlement of Dividend Equivalent Rights may be made in cash, shares of Stock, or a combination thereof as determined by the Committee, and may be paid on the same basis as settlement of the related Performance Share as provided in Section 10.5. Dividend Equivalent Rights shall not be paid with respect to Performance Units. In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.4, appropriate adjustments shall be made in the Participant's Performance Share Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than normal cash dividends) to which the Participant would entitled by reason of the shares of Stock issuable upon settlement of the Performance Share Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Performance Goals as are applicable to the Award.

10.7 **Effect of Termination of Service.** Unless otherwise provided by the Committee and set forth in the Award Agreement evidencing a Performance Award, the effect of a Participant's termination of Service on the Performance Award shall be as follows:

(a) ***Death or Disability.*** If the Participant's Service terminates because of the death or Disability of the Participant before the completion of the Performance Period applicable to the Performance Award, the final value of the Participant's Performance Award shall be determined by the extent to which the applicable Performance Goals have been attained with respect to the entire Performance Period and shall be prorated based on the number of months of the Participant's Service during the Performance Period. Payment shall be made following the end of the Performance Period in any manner permitted by Section 10.5.

(b) ***Other Termination of Service.*** If the Participant's Service terminates for any reason except death or Disability before the completion of the Performance Period applicable to the Performance Award, such Award shall be forfeited in its entirety; provided, however, that in the event of an involuntary termination of the Participant's Service, the Committee, in its discretion, may waive the automatic forfeiture of all or any portion of any such Award and provide for payment following the end of the Performance Period in any manner permitted by Section 10.5.

10.8 **Nontransferability of Performance Awards.** Prior to settlement in accordance with the provisions of the Plan, no Performance Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to a Performance Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

11. **CASH-BASED AWARDS AND OTHER STOCK-BASED AWARDS.**

Cash-Based Awards and Other Stock-Based Awards shall be evidenced by Award Agreements in such form as the Committee shall from time to time establish. Award Agreements evidencing Cash-Based Awards and Other Stock-Based Awards may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

11.1 **Grant of Cash-Based Awards**. Subject to the provisions of the Plan, the Committee, at any time and from time to time, may grant Cash-Based Awards to Participants in such amounts and upon such terms and conditions, including the achievement of performance criteria, as the Committee may determine.

11.2 **Grant of Other Stock-Based Awards**. The Committee may grant other types of equity-based or equity-related Awards not otherwise described by the terms of this Plan (including the grant or offer for sale of unrestricted securities, stock-equivalent units, stock appreciation units, securities or debentures convertible into common stock or other forms determined by the Committee) in such amounts and subject to such terms and conditions as the Committee shall determine. Such Awards may involve the transfer of actual shares of Stock to Participants, or payment in cash or otherwise of amounts based on the value of Stock and may include, without limitation, Awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States.

11.3 **Value of Cash-Based and Other Stock-Based Awards**. Each Cash-Based Award shall specify a monetary payment amount or payment range as determined by the Committee. Each Other Stock-Based Award shall be expressed in terms of shares of Stock or units based on such shares of Stock, as determined by the Committee. The Committee may require the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 10.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award. If the Committee exercises its discretion to establish performance criteria, the final value of Cash-Based Awards or Other Stock-Based Awards that will be paid to the Participant will depend on the extent to which the performance criteria are met. The establishment of performance criteria with respect to the grant or vesting of any Cash-Based Award or Other Stock-Based Award intended to result in Performance-Based Compensation shall follow procedures substantially equivalent to those applicable to Performance Awards set forth in Section 10.

11.4 **Payment or Settlement of Cash-Based Awards and Other Stock-Based Awards**. Payment or settlement, if any, with respect to a Cash-Based Award or an Other Stock-Based Award shall be made in accordance with the terms of the Award, in cash, shares of Stock or other securities or any combination thereof as the Committee determines. The determination and certification of the final value with respect to any Cash-Based Award or Other Stock-Based Award intended to result in Performance-Based Compensation shall comply with the requirements applicable to Performance Awards set forth in Section 10. To the extent applicable, payment or settlement with respect to each Cash-Based Award and Other Stock-Based Award shall be made in compliance with the requirements of Section 409A.

11.5 **Voting Rights; Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to shares of Stock represented by Other Stock-Based Awards until the date of the issuance of such shares of Stock (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), if any, in settlement of such Award. However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Other Stock-Based Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date such Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date the Award is settled or the date on which it is terminated. Such Dividend Equivalent Rights, if any, shall be paid in accordance with the provisions set forth in Section 9.4. Dividend Equivalent Rights shall not be granted with respect to Cash-Based Awards.

11.6 **Effect of Termination of Service**. Each Award Agreement evidencing a Cash-Based Award or Other Stock-Based Award shall set forth the extent to which the Participant shall have the right to retain such Award following termination of the Participant's Service. Such provisions shall be determined in the discretion of the Committee, need not be uniform among all Cash-Based Awards or Other Stock-Based Awards, and may reflect distinctions based on the reasons for termination, subject to the requirements of Section 409A, if applicable.

11.7 **Nontransferability of Cash-Based Awards and Other Stock-Based Awards.** Prior to the payment or settlement of a Cash-Based Award or Other Stock-Based Award, the Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. The Committee may impose such additional restrictions on any shares of Stock issued in settlement of Cash-Based Awards and Other Stock-Based Awards as it may deem advisable, including, without limitation, minimum holding period requirements, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such shares of Stock are then listed and/or traded, or under any state securities laws applicable to such shares of Stock.

12. NONEMPLOYEE DIRECTOR AWARDS.

From time to time, the Board or the Committee shall set the amount(s) and type(s) of Nonemployee Director Awards that shall be granted to all Nonemployee Directors on a periodic, nondiscriminatory basis pursuant to the Plan, as well as the additional amount(s) and type(s) of Nonemployee Director Awards, if any, to be awarded, also on a periodic, nondiscriminatory basis, in consideration of one or more of the following: (a) the initial election or appointment of an individual to the Board as a Nonemployee Director, (b) a Nonemployee Director's service as Chairman or Lead Director of the Board, (c) a Nonemployee Director's service as the chairman of a committee of the Board, and (d) a Nonemployee Director's service other than as the chairman of a committee of the Board. The terms and conditions of each Nonemployee Director Award shall comply with the applicable provisions of the Plan. Subject to the foregoing, the Board or the Committee shall grant Nonemployee Director Awards having such terms and conditions as it shall from time to time determine.

13. **STANDARD FORMS OF AWARD AGREEMENT.**

13.1 **Award Agreements.** Each Award shall comply with and be subject to the terms and conditions set forth in the appropriate form of Award Agreement approved by the Committee and as amended from time to time. No Award or purported Award shall be a valid and binding obligation of the Company unless evidenced by a fully executed Award Agreement. Any Award Agreement may consist of an appropriate form of Notice of Grant and a form of Agreement incorporated therein by reference, or such other form or forms, including electronic media, as the Committee may approve from time to time.

13.2 **Authority to Vary Terms.** The Committee shall have the authority from time to time to vary the terms of any standard form of Award Agreement either in connection with the grant or amendment of an individual Award or in connection with the authorization of a new standard form or forms; provided, however, that the terms and conditions of any such new, revised or amended standard form or forms of Award Agreement are not inconsistent with the terms of the Plan.

14. **CHANGE IN CONTROL.**

14.1 **Effect of Change in Control on Awards.** Subject to the requirements and limitations of Section 409A, if applicable, the Committee may provide for any one or more of the following:

(a) ***Accelerated Vesting.*** In its discretion, the Committee may provide in the grant of any Award or at any other time may take such action as it deems appropriate to provide for acceleration of the exercisability, vesting and/or settlement in connection with a Change in Control of each or any outstanding Award or portion thereof and shares acquired pursuant thereto upon such conditions, including termination of the Participant's Service prior to, upon, or following such Change in Control, to such extent as the Committee shall determine.

(b) ***Assumption, Continuation or Substitution.*** In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the *"**Acquiror**"*), may, without the consent

of any Participant, either assume or continue the Company's rights and obligations under each or any Award or portion thereof outstanding immediately prior to the Change in Control or substitute for each or any such outstanding Award or portion thereof a substantially equivalent award with respect to the Acquiror's stock, as applicable. For purposes of this Section, if so determined by the Committee, in its discretion, an Award denominated in shares of Stock shall be deemed assumed if, following the Change in Control, the Award confers the right to receive, subject to the terms and conditions of the Plan and the applicable Award Agreement, for each share of Stock subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock on the effective date of the Change in Control was entitled; provided, however, that if such consideration is not solely common stock of the Acquiror, the Committee may, with the consent of the Acquiror, provide for the consideration to be received upon the exercise or settlement of the Award, for each share of Stock subject to the Award, to consist solely of common stock of the Acquiror equal in Fair Market Value to the per share consideration received by holders of Stock pursuant to the Change in Control. Any Award or portion thereof which is neither assumed or continued by the Acquiror in connection with the Change in Control nor exercised or settled as of the time of consummation of the Change in Control shall terminate and cease to be outstanding effective as of the time of consummation of the Change in Control.

(c) ***Cash-Out of Outstanding Stock-Based Awards.*** The Committee may, in its discretion and without the consent of any Participant, determine that, upon the occurrence of a Change in Control, each or any Award denominated in shares of Stock or portion thereof outstanding immediately prior to the Change in Control and not previously exercised or settled shall be canceled in exchange for a payment with respect to each vested share (and each unvested share, if so determined by the Committee) of Stock subject to such canceled Award in (i) cash, (ii) stock of the Company or of a corporation or other business entity a party to the Change in Control, or (iii) other property which, in any such case, shall be in an amount having a Fair Market Value equal to the Fair Market Value of the consideration to be paid per share of Stock in the Change in Control, reduced (but not below zero) by the exercise or purchase price per share, if any, under such Award. In the event such determination is made by the Committee, an Award having an exercise or purchase price per share equal to or greater than the Fair Market Value of the consideration to be paid per share of Stock in the Change in Control may be canceled without payment of consideration to the holder thereof. Payment pursuant to this Section (reduced by applicable withholding taxes, if any) shall be made to Participants in respect of the vested portions of their canceled Awards as soon as practicable following the date of the Change in Control and in respect of the unvested portions of their canceled Awards in accordance with the vesting schedules applicable to such Awards.

14.2 **Effect of Change in Control on Nonemployee Director Awards.** Subject to the requirements and limitations of Section 409A, if applicable, in the event of a Change in Control, each outstanding Nonemployee Director Award shall become immediately exercisable and vested in full and, except to the extent assumed, continued or substituted for pursuant to Section 14.1(b), shall be settled effective immediately prior to the time of consummation of the Change in Control.

14.3 **Federal Excise Tax Under Section 4999 of the Code.**

(a) ***Excess Parachute Payment.*** In the event that any acceleration of vesting pursuant to an Award and any other payment or benefit received or to be received by a Participant would subject the Participant to any excise tax pursuant to Section 4999 of the Code due to the characterization of such acceleration of vesting, payment or benefit as an "excess parachute payment" under Section 280G of the Code, the Participant may elect to reduce the amount of any acceleration of vesting called for under the Award in order to avoid such characterization.

(b) ***Determination by Independent Accountants.*** To aid the Participant in making any election called for under Section 14.3(a), no later than the date of the occurrence of any event that might reasonably be anticipated to result in an "excess parachute payment" to the Participant as described in Section 14.3(a), the Company shall request a determination in writing by independent public accountants selected by the Company (the "***Accountants***"). As soon as practicable thereafter, the Accountants shall determine and report to the Company and the Participant the amount of such acceleration of vesting, payments and benefits which would produce the greatest after-tax benefit to the Participant. For the purposes of such determination, the Accountants may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Participant shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make their required determination. The Company shall bear all fees and expenses the Accountants may reasonably charge in connection with their services contemplated by this Section.

15. **COMPLIANCE WITH SECURITIES LAW.**

The grant of Awards and the issuance of shares of Stock pursuant to any Award shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities and the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, no Award may be exercised or shares issued pursuant to an Award unless (a) a registration statement under the Securities Act shall at the time of such exercise or issuance be in effect with respect to the shares issuable pursuant to the Award or (b) in the opinion of legal counsel to the Company, the shares issuable pursuant to the Award may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares hereunder shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to issuance of any Stock, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

16. **COMPLIANCE WITH SECTION 409A.**

16.1 **Awards Subject to Section 409A.** The Company intends that Awards granted pursuant to the Plan shall either be exempt from or comply with Section 409A, and the Plan shall be so construed. The provisions of this Section 16 shall apply to any Award or portion thereof that constitutes or provides for payment of Section 409A Deferred Compensation. Such Awards may include, without limitation:

(a) A Nonstatutory Stock Option or SAR that includes any feature for the deferral of compensation other than the deferral of recognition of income until the later of (i) the exercise or disposition of the Award or (ii) the time the stock acquired pursuant to the exercise of the Award first becomes substantially vested.

(b) Any Restricted Stock Unit Award, Performance Award, Cash-Based Award or Other Stock-Based Award that either (i) provides by its terms for settlement of all or any portion of the Award at a time or upon an event that will or may occur later than the end of the Short-Term Deferral Period (as defined below) or (ii) permits the Participant granted the Award to elect one or more dates or events upon which the Award will be settled after the end of the Short-Term Deferral Period.

Subject to the provisions of Section 409A, the term "***Short-Term Deferral Period***" means the 2 1/2 month period ending on the later of (i) the 15th day of the third month following the end of the Participant's taxable year in which the right to payment under applicable portion of the Award is no longer subject to a substantial risk of forfeiture or (ii) the 15th day of the third month following the end of the Company's taxable year in which the right to payment under the applicable portion of the Award is no longer subject to a substantial risk of forfeiture. For this purpose, the term "substantial risk of forfeiture" shall have the meaning provided by Section 409A.

16.2 **Deferral and/or Distribution Elections.** Except as otherwise permitted or required by Section 409A, the following rules shall apply to any compensation deferral and/or payment elections (each, an "***Election***") that may be permitted or required by the Committee pursuant to an Award providing Section 409A Deferred Compensation:

(a) Elections must be in writing and specify the amount of the payment in settlement of an Award being deferred, as well as the time and form of payment as permitted by this Plan.

(b) Elections shall be made by the end of the Participant's taxable year prior to the year in which services commence for which an Award may be granted to such Participant.

(c) Elections shall continue in effect until a written revocation or change in Election is received by the Company, except that a written revocation or change in Election must be received by the Company prior to the last day for making the Election determined in accordance with paragraph (b) above or as permitted by Section 16.3.

16.3 **Subsequent Elections.** Except as otherwise permitted or required by Section 409A, any Award providing Section 409A Deferred Compensation which permits a subsequent Election to delay the payment or change the form of payment in settlement of such Award shall comply with the following requirements:

(a) No subsequent Election may take effect until at least twelve (12) months after the date on which the subsequent Election is made.

(b) Each subsequent Election related to a payment in settlement of an Award not described in Section 16.4(b), 16.4(c) or 16.4(f) must result in a delay of the payment for a period of not less than five (5) years from the date on which such payment would otherwise have been made.

(c) No subsequent Election related to a payment pursuant to Section 16.4(d) shall be made less than twelve (12) months before the date on which such payment would otherwise have been made.

(d) Subsequent Elections shall continue in effect until a written revocation or change in the subsequent Election is received by the Company, except that a written revocation or change in a subsequent Election must be received by the Company prior to the last day for making the subsequent Election determined in accordance the preceding paragraphs of this Section 16.3.

16.4 **Payments Pursuant to Deferral Elections.** Except as otherwise permitted or required by Section 409A, an Award providing Section 409A Deferred Compensation must provide for payment in settlement of the Award only upon one or more of the following:

(a) The Participant’s separation from service (as defined by Section 409A);

(b) The Participant’s becoming Disabled (as defined below);

(c) The Participant’s death;

(d) A time or fixed schedule that is either (i) specified by the Committee upon the grant of an Award and set forth in the Award Agreement evidencing such Award or (ii) specified by the Participant in an Election complying with the requirements of Section 16.2 or 16.3, as applicable;

(e) A change in the ownership or effective control or the Company or in the ownership of a substantial portion of the assets of the Company determined in accordance with Section 409A; or

(f) The occurrence of an Unforeseeable Emergency (as defined by Section 409A).

Notwithstanding any provision of the Plan or an Award Agreement to the contrary, except as otherwise permitted by Section 409A, no payment pursuant to Section 16.4(a) in settlement of an Award providing for Section 409A Deferred Compensation may be made to a Participant who is a "specified employee" (as defined by Section 409A) as of the date of the Participant's separation from service before the date (the "***Delayed Payment Date***") that is six (6) months after the date of such Participant's separation from service, or, if earlier, the date of the Participant's death. All such amounts that would, but for this paragraph, become payable prior to the Delayed Payment Date shall be accumulated and paid on the Delayed Payment Date.

16.5 **Unforeseeable Emergency**. The Committee shall have the authority to provide in the Award Agreement evidencing any Award providing for Section 409A Deferred Compensation for payment in settlement of all or a portion of such Award in the event that a Participant establishes, to the satisfaction of the Committee, the occurrence of an Unforeseeable Emergency. In such event, the amount(s) distributed with respect to such Unforeseeable Emergency cannot exceed the amounts reasonably necessary to satisfy the emergency need plus amounts necessary to pay taxes reasonably anticipated as a result of such distribution(s), after taking into account the extent to which such emergency need is or may be relieved through reimbursement or compensation by insurance or otherwise, by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship) or by cessation of deferrals under the Award. All distributions with respect to an Unforeseeable Emergency shall be made in a lump sum as soon as practicable following the Committee's determination that an Unforeseeable Emergency has occurred.

The occurrence of an Unforeseeable Emergency shall be judged and determined by the Committee. The Committee's decision with respect to whether an Unforeseeable Emergency has occurred and the manner in which, if at all, the payment in settlement of an Award shall be altered or modified, shall be final, conclusive, and not subject to approval or appeal.

16.6 **Disabled.** The Committee shall have the authority to provide in any Award providing Section 409A Deferred Compensation for payment in settlement of such Award in the event that the Participant becomes Disabled. A Participant shall be considered "Disabled" if either:

(a) the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or

(b) the Participant is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Participant's employer.

All distributions payable by reason of a Participant becoming Disabled shall be paid in a lump sum or in periodic installments as established by the Participant's Election. If the Participant has made no Election with respect to distributions upon becoming Disabled, all such distributions shall be paid in a lump sum upon the determination that the Participant has become Disabled.

16.7 **Death**. If a Participant dies before complete distribution of amounts payable upon settlement of an Award subject to Section 409A, such undistributed amounts shall be distributed to his or her beneficiary under the distribution method for death established by the Participant's Election upon receipt by the Committee of satisfactory notice and confirmation of the Participant's death. If the Participant has made no Election with respect to distributions upon death, all such distributions shall be paid in a lump sum upon receipt by the Committee of satisfactory notice and confirmation of the Participant's death.

16.8 **Prohibition of Acceleration of Payments.** Notwithstanding any provision of the Plan or an Award Agreement to the contrary, this Plan does not permit the acceleration of the time or schedule of any payment under an Award providing Section 409A Deferred Compensation, except as permitted by Section 409A.

17. **TAX WITHHOLDING.**

17.1 **Tax Withholding in General.** The Company shall have the right to deduct from any and all payments made under the Plan, or to require the Participant, through payroll withholding, cash payment or otherwise, to make adequate provision for, the federal, state, local and foreign taxes, if any, required by law to be withheld by any Participating Company with respect to an Award or the shares acquired pursuant thereto. The Company shall have no obligation to deliver shares of Stock, to release shares of Stock from an escrow established pursuant to an Award Agreement, or to make any payment in cash under the Plan until the Participating Company Group's tax withholding obligations have been satisfied by the Participant.

17.2 **Withholding in Shares.** The Company shall have the right, but not the obligation, to deduct from the shares of Stock issuable to a Participant upon the exercise or settlement of an Award, or to accept from the Participant the tender of, a number of whole shares of Stock having a Fair Market Value, as determined by the Company, equal to all or any part of the tax withholding obligations of any Participating Company. The Fair Market Value of any shares of Stock withheld or tendered to satisfy any such tax withholding obligations shall not exceed the amount determined by the applicable minimum statutory withholding rates.

18. **AMENDMENT OR TERMINATION OF PLAN.**

The Committee may amend, suspend or terminate the Plan at any time. However, without the approval of the Company's stockholders, there shall be (a) no increase in the maximum aggregate number of shares of Stock that may be issued under the Plan (except by operation of the provisions of Section 4.4), (b) no change in the class of persons eligible to receive Incentive Stock Options, and (c) no other amendment of the Plan that would require approval of the Company's stockholders under any applicable law, regulation or rule, including the rules of any stock exchange or market system upon which the Stock may then be listed. No amendment, suspension or termination of the Plan shall affect any then outstanding Award unless expressly provided by the Committee. Except as provided by the next sentence, no

amendment, suspension or termination of the Plan may adversely affect any then outstanding Award without the consent of the Participant. Notwithstanding any other provision of the Plan to the contrary, the Committee may, in its sole and absolute discretion and without the consent of any Participant, amend the Plan or any Award Agreement, to take effect retroactively or otherwise, as it deems necessary or advisable for the purpose of conforming the Plan or such Award Agreement to any present or future law, regulation or rule applicable to the Plan, including, but not limited to, Section 409A.

19. **MISCELLANEOUS PROVISIONS.**

19.1 **Repurchase Rights.** Shares issued under the Plan may be subject to one or more repurchase options, or other conditions and restrictions as determined by the Committee in its discretion at the time the Award is granted. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

19.2 **Forfeiture Events.**

(a) The Committee may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but shall not be limited to, termination of Service for Cause or any act by a Participant, whether before or after termination of Service, that would constitute Cause for termination of Service.

(b) If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws, any Participant who knowingly or through gross negligence engaged in the misconduct, or who knowingly or through gross negligence failed to prevent the misconduct, and any Participant who is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002, shall reimburse the Company for (i) the amount of any payment in settlement of an Award received by such Participant during the twelve- (12-) month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document embodying such financial reporting requirement and (ii) any profits realized by such Participant from the sale of securities of the Company during such twelve- (12-) month period.

19.3 **Provision of Information.** Each Participant shall be given access to information concerning the Company equivalent to that information generally made available to the Company's common stockholders.

19.4 **Rights as Employee, Consultant or Director.** No person, even though eligible pursuant to Section 5, shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant. Nothing in the Plan or any Award granted under the Plan shall confer on any Participant a right to remain an Employee, Consultant or Director or interfere with or limit in any way any right of a Participating Company to terminate the Participant's Service at any time. To the extent that an Employee of a Participating Company other than the Company receives an Award under the Plan, that Award shall in no event be understood or interpreted to mean that the Company is the Employee's employer or that the Employee has an employment relationship with the Company.

19.5 **Rights as a Stockholder.** A Participant shall have no rights as a stockholder with respect to any shares covered by an Award until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such shares are issued, except as provided in Section 4.4 or another provision of the Plan.

19.6 **Delivery of Title to Shares.** Subject to any governing rules or regulations, the Company shall issue or cause to be issued the shares of Stock acquired pursuant to an Award and shall deliver such shares to or for the benefit of the Participant by means of one or more of the following: (a) by delivering to the Participant evidence of book entry shares of Stock credited to the account of the Participant, (b) by depositing such shares of Stock for the benefit of the Participant with any broker with which the Participant has an account relationship, or (c) by delivering such shares of Stock to the Participant in certificate form.

19.7 **Fractional Shares.** The Company shall not be required to issue fractional shares upon the exercise or settlement of any Award.

19.8 **Retirement and Welfare Plans**. Neither Awards made under this Plan nor shares of Stock or cash paid pursuant to such Awards may be included as "compensation" for purposes of computing the benefits payable to any Participant under any Participating Company's retirement plans (both qualified and non-qualified) or welfare benefit plans unless such other plan expressly provides that such compensation shall be taken into account in computing a Participant's benefit.

19.9 **Beneficiary Designation.** Subject to local laws and procedures, each Participant may file with the Company a written designation of a beneficiary who is to receive any benefit under the Plan to which the Participant is entitled in the event of such Participant's death before he or she receives any or all of such benefit. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. If a married Participant designates a beneficiary other than the Participant's spouse, the effectiveness of such designation may be subject to the consent of the Participant's spouse. If a Participant dies without an effective designation of a beneficiary who is living at the time of the Participant's death, the Company will pay any remaining unpaid benefits to the Participant's legal representative.

19.10 **Severability**. If any one or more of the provisions (or any part thereof) of this Plan shall be held invalid, illegal or unenforceable in any respect, such provision shall be modified so as to make it valid, legal and enforceable, and the validity, legality and enforceability of the remaining provisions (or any part thereof) of the Plan shall not in any way be affected or impaired thereby.

19.11 **No Constraint on Corporate Action.** Nothing in this Plan shall be construed to: (a) limit, impair, or otherwise affect the Company's or another Participating Company's right or power to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell, or transfer all or any part of its business or assets; or (b) limit the right or power of the Company or another Participating Company to take any action which such entity deems to be necessary or appropriate.

19.12 **Unfunded Obligation.** Participants shall have the status of general unsecured creditors of the Company. Any amounts payable to Participants pursuant to the Plan shall be unfunded and unsecured obligations for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974. No Participating Company shall be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Participant account shall not create or constitute a trust or fiduciary relationship between the Committee or any Participating Company and a Participant, or otherwise create any vested or beneficial interest in any Participant or the Participant's creditors in any assets of any Participating Company. The Participants shall have no claim against any Participating Company for any changes in the value of any assets which may be invested or reinvested by the Company with respect to the Plan.

19.13 **Choice of Law.** Except to the extent governed by applicable federal law, the validity, interpretation, construction and performance of the Plan and each Award Agreement shall be governed by the laws of the State of California, without regard to its conflict of law rules.

IN WITNESS WHEREOF, the undersigned Secretary of the Company certifies that the foregoing sets forth the MagnaChip Semiconductor Corporation 2008 Equity Incentive Plan as duly adopted by the Board on _____, 2008.

_____
Secretary

MAGNACHIP SEMICONDUCTOR CORPORATION

2008 Employee Stock Purchase Plan

MagnaChip Semiconductor Corporation
2008 Employee Stock Purchase Plan

1. **ESTABLISHMENT, PURPOSE AND TERM OF PLAN.**

1.1 **Establishment.** The MagnaChip Semiconductor Corporation 2008 Employee Stock Purchase Plan (the "***Plan***") is hereby established effective as of the effective date of the initial registration by the Company of its Stock under Section 12 of the Securities Exchange Act of 1934, as amended (the "***Effective Date***").

1.2 **Purpose.** The purpose of the Plan is to advance the interests of the Company and its stockholders by providing an incentive to attract, retain and reward Eligible Employees of the Participating Company Group and by motivating such persons to contribute to the growth and profitability of the Participating Company Group. The Plan provides such Eligible Employees with an opportunity to acquire a proprietary interest in the Company through the purchase of Stock. The Company intends that the Plan qualify as an "employee stock purchase plan" under Section 423 of the Code (including any amendments or replacements of such section), and the Plan shall be so construed.

1.3 **Term of Plan.** The Plan shall continue in effect until its termination by the Committee.

2. **DEFINITIONS AND CONSTRUCTION.**

2.1 **Definitions.** Any term not expressly defined in the Plan but defined for purposes of Section 423 of the Code shall have the same definition herein. Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) "***Board***" means the Board of Directors of the Company.

(b) "***Cash Exercise Notice***" means a written notice in such form as specified by the Company which states a Participant's election to exercise, as of the next Purchase Date, a Purchase Right granted to such Participant with respect to a Pre-Registration Offering Period.

(c) "***Change in Control***" means the occurrence of any of the following:

(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total Fair Market Value or total combined voting power of the Company's then-outstanding securities entitled to vote generally in the election of Directors; provided, however, that the following acquisitions shall not constitute a Change in Control: (1) an acquisition by any such person who on the Effective Date is the beneficial owner of more than fifty percent (50%) of such voting power, (2) any acquisition

directly from the Company, including, without limitation, a public offering of securities, (3) any acquisition by the Company, (4) any acquisition by a trustee or other fiduciary under an employee benefit plan of a Participating Company or (5) any acquisition by an entity owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the voting securities of the Company; or

(ii) an Ownership Change Event or series of related Ownership Change Events (collectively, a "***Transaction***") in which the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding securities entitled to vote generally in the election of Directors or, in the case of an Ownership Change Event described in Section 2.1(o)(iii), the entity to which the assets of the Company were transferred (the "***Transferee***"), as the case may be; or

(iii) a liquidation or dissolution of the Company;

provided, however, that a Change in Control shall be deemed not to include a transaction described in subsections (i) or (ii) of this Section 2.1(c) in which a majority of the members of the board of directors of the continuing, surviving or successor entity, or parent thereof, immediately after such transaction is comprised of Incumbent Directors.

For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company or the Transferee, as the case may be, either directly or through one or more subsidiary corporations or other business entities. The Committee shall determine whether multiple sales or exchanges of the voting securities of the Company or multiple Ownership Change Events are related, and its determination shall be final, binding and conclusive.

(d) "***Code***" means the Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated thereunder.

(e) "***Committee***" means the Compensation Committee and such other committee or subcommittee of the Board, if any, duly appointed to administer the Plan and having such powers in each instance as shall be specified by the Board. If at any time there is no committee of the Board then authorized or properly constituted to administer the Plan, the Board shall exercise all of the powers of the Committee granted herein, and, in any event, the Board may in its discretion exercise any or all of such powers.

(f) "***Company***" means MagnaChip Semiconductor Corporation, a Delaware corporation, or any successor corporation thereto.

(g) "***Compensation***" means, with respect to any Offering Period, base wages or salary, overtime, bonuses, commissions, shift differentials, payments for paid time off, payments in lieu of notice, and compensation deferred under any program or plan, including, without limitation, pursuant to Section 401(k) or Section 125 of the Code. Compensation shall be limited to amounts actually payable in cash or deferred during the Offering Period. Compensation shall not include moving allowances, payments pursuant to a severance

agreement, termination pay, relocation payments, sign-on bonuses, any amounts directly or indirectly paid pursuant to the Plan or any other stock purchase, stock option or other stock-based compensation plan, or any other compensation not included above.

(h) "***Eligible Employee***" means an Employee who meets the requirements set forth in Section 5 for eligibility to participate in the Plan.

(i) "***Employee***" means a person treated as an employee of a Participating Company for purposes of Section 423 of the Code. A Participant shall be deemed to have ceased to be an Employee either upon an actual termination of employment or upon the corporation employing the Participant ceasing to be a Participating Company. For purposes of the Plan, an individual shall not be deemed to have ceased to be an Employee while on any military leave, sick leave, or other bona fide leave of absence approved by the Company of ninety (90) days or less. If an individual's leave of absence exceeds ninety (90) days, the individual shall be deemed to have ceased to be an Employee on the ninety-first (91st) day of such leave unless the individual's right to reemployment with the Participating Company Group is guaranteed either by statute or by contract.

(j) "***Fair Market Value***" means, as of any date:

(i) Except as otherwise determined by the Committee, if the Stock is then listed on a national or regional securities exchange or market system, the closing sale price of a share of Stock as quoted on the national or regional securities exchange or market system constituting the primary market for the Stock, as reported in *The Wall Street Journal* or such other source as the Company deems reliable. If the relevant date does not fall on a day on which the Stock has traded on such securities exchange or market system, the date on which the Fair Market Value is established shall be the last day on which the Stock was so traded or quoted prior to the relevant date, or such other appropriate day as determined by the Committee, in its discretion.

(ii) If, on the relevant date, the Stock is not then listed on a national or regional securities exchange or market system, the Fair Market Value of a share of Stock shall be as determined in good faith by the Committee.

(iii) Notwithstanding the foregoing, if the initial Offering Period commences on the Effective Date, then the Fair Market Value of a share of Stock on such date shall be deemed to be the public offering price set forth in the final prospectus filed with the Securities and Exchange Commission in connection with the Company's initial public offering of the Stock.

(k) "***Incumbent Director***" means a director who either (i) is a member of the Board as of the Effective Date or (ii) is elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination, but who was not elected or nominated in connection with an actual or threatened proxy contest relating to the election of directors of the Company.

(l) "***Offering***" means an offering of Stock pursuant to the Plan, as provided in Section 6.

(m) "***Offering Date***" means, for any Offering Period, the first day of such Offering Period.

(n) "***Offering Period***" means a period, established by the Committee in accordance with Section 6, during which an Offering is outstanding.

(o) "***Ownership Change Event***" means the occurrence of any of the following with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of more than fifty percent (50%) of the voting stock of the Company; (ii) a merger or consolidation in which the Company is a party; or (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company (other than a sale, exchange or transfer to one or more subsidiaries of the Company).

(p) "***Parent Corporation***" means any present or future "parent corporation" of the Company, as defined in Section 424(e) of the Code.

(q) "***Participant***" means an Eligible Employee who has become a participant in an Offering Period in accordance with Section 7 and remains a participant in accordance with the Plan.

(r) "***Participating Company***" means the Company and any Parent Corporation or Subsidiary Corporation designated by the Committee as a corporation the Employees of which may, if Eligible Employees, participate in the Plan. The Committee shall have the discretion to determine from time to time which Parent Corporations or Subsidiary Corporations shall be Participating Companies.

(s) "***Participating Company Group***" means, at any point in time, the Company and all other corporations collectively which are then Participating Companies.

(t) "***Pre-Registration Offering Period***" means an Offering Period commencing prior to the Registration Date with respect to the shares of Stock issuable pursuant to such Offering Period.

(u) "***Purchase Date***" means, for any Offering Period, the last day of such Offering Period, or, if so determined by the Committee, the last day of each Purchase Period occurring within such Offering Period.

(v) "***Purchase Period***" means a period, established by the Committee in accordance with Section 6, included within an Offering Period and on the final date of which outstanding Purchase Rights are exercised.

(w) "***Purchase Price***" means the price at which a share of Stock may be purchased under the Plan, as determined in accordance with Section 9.

(x) "***Purchase Right***" means an option granted to a Participant pursuant to the Plan to purchase such shares of Stock as provided in Section 8, which the Participant may or may not exercise during the Offering Period in which such option is outstanding. Such option arises from the right of a Participant to withdraw any payroll

deductions or other funds accumulated on behalf of the Participant and not previously applied to the purchase of Stock under the Plan, and to terminate participation in the Plan at any time during an Offering Period.

(y) "***Registration Date***" means the effective date of the registration on Form S-8 of shares of Stock issuable pursuant to the Plan.

(z) "***Securities Act***" means the Securities Act of 1933, as amended.

(aa) "***Stock***" means the common stock of the Company, as adjusted from time to time in accordance with Section 4.3.

(bb) "***Subscription Agreement***" means a written or electronic agreement in such form as specified by the Company, stating an Employee's election to participate in the Plan and authorizing payroll deductions under the Plan from the Employee's Compensation or other method of payment authorized by the Committee pursuant to Section 11.1(c).

(cc) "***Subscription Date***" means the last business day prior to the Offering Date of an Offering Period or such earlier date as the Company shall establish.

(dd) "***Subsidiary Corporation***" means any present or future "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code.

2.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

3. ADMINISTRATION.

3.1 **Administration by the Committee.** The Plan shall be administered by the Committee. All questions of interpretation of the Plan, of any form of agreement or other document employed by the Company in the administration of the Plan, or of any Purchase Right shall be determined by the Committee, and such determinations shall be final, binding and conclusive upon all persons having an interest in the Plan or the Purchase Right, unless fraudulent or made in bad faith. Subject to the provisions of the Plan, the Committee shall determine all of the relevant terms and conditions of Purchase Rights; provided, however, that all Participants granted Purchase Rights pursuant to an Offering shall have the same rights and privileges within the meaning of Section 423(b)(5) of the Code. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or any agreement thereunder (other than determining questions of interpretation pursuant to the second sentence of this Section 3.1) shall be final, binding and conclusive upon all persons having an interest therein. All expenses incurred in connection with the administration of the Plan shall be paid by the Company.

3.2 **Authority of Officers.** Any officer of the Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election that is the responsibility of or that is allocated to the Company herein, provided that the officer has apparent authority with respect to such matter, right, obligation, determination or election.

3.3 **Power to Adopt Sub-plans.** The Committee shall have the power, in its discretion, to adopt on or more sub-plans of the Plan as the Committee deems necessary or desirable to comply with the laws or regulations, tax policy, accounting principles or custom of foreign jurisdictions applicable to employees of a subsidiary business entity of the Company, provided that any such sub-plan shall not be within the scope of an "employee stock purchase plan" within the meaning of Section 423 of the Code. Any of the provisions of any such sub-plan may supersede the provisions of this Plan, other than Section 4. Except as superseded by the provisions of a sub-plan, the provisions of this Plan shall govern such sub-plan.

3.4 **Policies and Procedures Established by the Company.** Without regard to whether any Participant's Purchase Right may be considered adversely affected, the Company may, from time to time, consistent with the Plan and the requirements of Section 423 of the Code, establish, change or terminate such rules, guidelines, policies, procedures, limitations, or adjustments as deemed advisable by the Company, in its discretion, for the proper administration of the Plan, including, without limitation, (a) a minimum payroll deduction amount required for participation in an Offering, (b) a limitation on the frequency or number of changes permitted in the rate of payroll deduction during an Offering, (c) an exchange ratio applicable to amounts withheld or paid in a currency other than United States dollars, (d) a payroll deduction greater than or less than the amount designated by a Participant in order to adjust for the Company's delay or mistake in processing a Subscription Agreement or in otherwise effecting a Participant's election under the Plan or as advisable to comply with the requirements of Section 423 of the Code, and (e) determination of the date and manner by which the Fair Market Value of a share of Stock is determined for purposes of administration of the Plan. All such actions by the Company shall be taken consistent with the requirement under Section 423(b)(5) of the Code that all Participants granted Purchase Rights pursuant to an Offering shall have the same rights and privileges within the meaning of such section.

3.5 **Indemnification.** In addition to such other rights of indemnification as they may have as members of the Board or the Committee or as officers or employees of the Participating Company Group, members of the Board or the Committee and any officers or employees of the Participating Company Group to whom authority to act for the Board, the Committee or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

4. **SHARES SUBJECT TO PLAN.**

4.1 **Maximum Number of Shares Issuable.** Subject to adjustment as provided in Sections 4.3 and , the maximum aggregate number of shares of Stock that may be issued under the Plan shall be _____ (_____)[1] and shall consist of authorized but unissued or reacquired shares of Stock, or any combination thereof. If an outstanding Purchase Right for any reason expires or is terminated or canceled, the shares of Stock allocable to the unexercised portion of that Purchase Right shall again be available for issuance under the Plan.

4.2 **Annual Increase in Maximum Number of Shares Issuable.** Subject to adjustment as provided in Section 4.3, the maximum aggregate number of shares of Stock that may be issued under the Plan as set forth in Section 4.1 shall be cumulatively increased on January 1, 2009 and on each subsequent January 1, through and including January 1, 2017, by a number of shares (the "***Annual Increase***") equal to the smallest of (a) one percent (1.0%) of the number of shares of Stock issued and outstanding on the immediately preceding December 31, (b) _____ (_____)[2] shares or (c) an amount determined by the Board.

4.3 **Adjustments for Changes in Capital Structure.** Subject to any required action by the stockholders of the Company and the requirements of Section 424 of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting normal cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate and proportionate adjustments shall be made in the number and kind of shares subject to the Plan, the Annual Increase, the limit on the shares which may be purchased by any Participant during an Offering (as described in Sections 8.1 and 8.2) and each Purchase Right, and in the Purchase Price in order to prevent dilution or enlargement of Participants' rights under the Plan. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." If a majority of the shares which are of the same class as the shares that are subject to outstanding Purchase Rights are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event) shares of another corporation (the "***New Shares***"), the Committee may unilaterally amend the outstanding Purchase Rights to provide that such Purchase Rights are for New Shares.

---

[1] The number of shares authorized for issuance under the plan will be established immediately prior to submission of the plan to stockholders for approval prior to the effective time of the S-1 registration. This number will equal 2% of the number of shares of common stock of the company to be outstanding immediately after the initial public offering.

[2] This number will equal the number in Section 4.1.

In the event of any such amendment, the number of shares subject to, and the exercise price per share of, the outstanding Purchase Rights shall be adjusted in a fair and equitable manner as determined by the Committee, in its discretion. Any fractional share resulting from an adjustment pursuant to this Section 4.3 shall be rounded down to the nearest whole number, and in no event may the Purchase Price be decreased to an amount less than the par value, if any, of the stock subject to the Purchase Right. The adjustments determined by the Committee pursuant to this Section 4.3 shall be final, binding and conclusive.

5. **ELIGIBILITY.**

5.1 **Employees Eligible to Participate.** Each Employee of a Participating Company is eligible to participate in the Plan and shall be deemed an Eligible Employee, except the following:

(a) Any Employee who is customarily employed by the Participating Company Group for twenty (20) hours or less per week; or

(b) Any Employee who is customarily employed by the Participating Company Group for not more than five (5) months in any calendar year.

5.2 **Exclusion of Certain Stockholders.** Notwithstanding any provision of the Plan to the contrary, no Employee shall be treated as an Eligible Employee and granted a Purchase Right under the Plan if, immediately after such grant, the Employee would own or hold options to purchase stock of the Company or of any Parent Corporation or Subsidiary Corporation possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of such corporation, as determined in accordance with Section 423(b)(3) of the Code. For purposes of this Section 5.2, the attribution rules of Section 424(d) of the Code shall apply in determining the stock ownership of such Employee.

5.3 **Determination by Company.** The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee or an Eligible Employee and the effective date of such individual's attainment or termination of such status, as the case may be. For purposes of an individual's participation in or other rights, if any, under the Plan as of the time of the Company's determination of whether or not the individual is an Employee, all such determinations by the Company shall be final, binding and conclusive as to such rights, if any, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination as to such individual's status as an Employee.

6. **OFFERINGS.**

The Plan shall be implemented by sequential Offerings of approximately three (3) months duration or such other duration as the Committee shall determine. Offering Periods shall commence on or about the first trading days of February, May, August and November of each year and end on or about the last trading days of the next April, July, October and January, respectively, occurring thereafter. However, if so determined by the Committee, the initial Offering Period shall commence on the Effective Date and end on or about June 30, 2008. Notwithstanding the foregoing, the Committee may establish additional or alternative sequential

or overlapping Offering Periods, a different duration for one or more Offering Periods or different commencing or ending dates for such Offering Periods; provided, however, that no Offering Period may have a duration exceeding twenty-seven (27) months. If the Committee shall so determine in its discretion, each Offering Period may consist of two (2) or more consecutive Purchase Periods having such duration as the Committee shall specify, and the last day of each such Purchase Period shall be a Purchase Date. If the first or last day of an Offering Period or a Purchase Period is not a day on which the principal stock exchange or market system on which the Stock is then listed is open for trading, the Company shall specify the trading day that will be deemed the first or last day, as the case may be, of the Offering Period or Purchase Period.

7. PARTICIPATION IN THE PLAN.

7.1 Initial Participation.

(a) **Generally.** Except as provided in Section 7.1(b), an Eligible Employee may become a Participant in an Offering Period by delivering a properly completed written or electronic Subscription Agreement to the Company office or representative designated by the Company (including a third-party administrator designated by the Company) not later than the close of business on the Subscription Date established by the Company for that Offering Period. An Eligible Employee who does not deliver a properly completed Subscription Agreement in the manner permitted or required on or before the Subscription Date for an Offering Period shall not participate in the Plan for that Offering Period or for any subsequent Offering Period unless the Eligible Employee subsequently delivers a properly completed Subscription Agreement to the appropriate Company office or representative on or before the Subscription Date for such subsequent Offering Period. An Employee who becomes an Eligible Employee after the Offering Date of an Offering Period shall not be eligible to participate in that Offering Period but may participate in any subsequent Offering Period provided the Employee is still an Eligible Employee as of the Offering Date of such subsequent Offering Period.

(b) **Automatic Participation in Pre-Registration Offering Period.** Notwithstanding Section 7.1(a), each Employee who is an Eligible Employee as of the Offering Date of a Pre-Registration Offering Period shall automatically become a Participant in the Pre-Registration Offering Period and shall be granted automatically a Purchase Right consisting of an option to purchase the lesser of (a) a number of whole shares of Stock determined in accordance with Section 8 or (b) a number of whole shares of Stock determined by dividing twenty percent (20%) of such Participant's Compensation paid during the Pre-Registration Offering Period by the Purchase Price applicable to the Pre-Registration Offering Period. The Company shall not require or permit any Participant to deliver a Subscription Agreement for participation in the Pre-Registration Offering Period; provided, however, that following the applicable Registration Date a Participant may deliver a Subscription Agreement to the office designated by the Company if the Participant wishes to change the terms of the Participant's participation in the Pre-Registration Offering Period. Such changes may include, for example, an election to commence payroll deductions in accordance with Section 10.

7.2 **Continued Participation.**

(a) **Generally.** Except as provided in Section 7.2(b), a Participant shall automatically participate in the next Offering Period commencing immediately after the final Purchase Date of each Offering Period in which the Participant participates provided that the Participant remains an Eligible Employee on the Offering Date of the new Offering Period and has not either (a) withdrawn from the Plan pursuant to Section 12.1 or (b) terminated employment or otherwise ceased to be an Eligible Employee as provided in Section 13. A Participant who may automatically participate in a subsequent Offering Period, as provided in this Section, is not required to deliver any additional Subscription Agreement for the subsequent Offering Period in order to continue participation in the Plan. However, a Participant may deliver a new Subscription Agreement for a subsequent Offering Period in accordance with the procedures set forth in Section 7.1(a) if the Participant desires to change any of the elections contained in the Participant's then effective Subscription Agreement.

(b) **Participation Following Pre-Registration Offering Period.** Notwithstanding Section 7.2(a), an Eligible Employee who was automatically enrolled in a Pre-Registration Offering Period and who wishes to participate in an Offering Period which begins after the Pre-Registration Offering Period shall deliver a Subscription Agreement in accordance with Section 7.1(a) no earlier than the applicable Registration Date and no later than the Subscription Date for such Offering Period, unless the Employee delivered a Subscription Agreement with respect to the Pre-Registration Offering Period as provided in Section 7.1(b).

8. **RIGHT TO PURCHASE SHARES.**

8.1 **Grant of Purchase Right.** Except as provided in Section 7.1 with respect to a Pre-Registration Offering Period or as otherwise provided below, and subject to the calendar year purchase limitation as set forth in Section 8.2 below, on the Offering Date of each Offering Period, each Participant in such Offering Period shall be granted automatically a Purchase Right consisting of an option to purchase that number of whole shares of Stock determined by dividing the Dollar Limit (determined as provided below) by the Fair Market Value of a share of Stock on such Offering Date. The Committee may, in its discretion and prior to the Offering Date of any Offering Period, (i) change the method of, or any of the foregoing factors in, determining the number of shares of Stock subject to Purchase Rights to be granted on such Offering Date or (ii) specify a maximum aggregate number of shares that may be purchased by all Participants in an Offering or on any Purchase Date within an Offering Period. No Purchase Right shall be granted on an Offering Date to any person who is not, on such Offering Date, an Eligible Employee. For the purposes of this Section, the "***Dollar Limit***" shall be Twenty-Five Thousand Dollars ($25,000).

8.2 **Calendar Year Purchase Limitation.** Notwithstanding any provision of the Plan to the contrary, no Participant shall be granted a Purchase Right which permits his or her right to purchase shares of Stock under the Plan to accrue at a rate which, when aggregated with such Participant's rights to purchase shares under all other employee stock purchase plans of a Participating Company intended to meet the requirements of Section 423 of the Code, exceeds Twenty-Five Thousand Dollars ($25,000) in Fair Market Value (or such other limit, if any, as may be imposed by the Code) for each calendar year in which such Purchase Right is outstanding at any time. For purposes of the preceding sentence, the Fair Market Value of shares purchased during a given Offering Period shall be determined as of the Offering Date for such Offering Period. The limitation described in this Section shall be applied in conformance with applicable regulations under Section 423(b)(8) of the Code.

9. **PURCHASE PRICE.**

The Purchase Price at which each share of Stock may be acquired in an Offering Period upon the exercise of all or any portion of a Purchase Right shall be established by the Committee; provided, however, that the Purchase Price on each Purchase Date shall not be less than eighty-five percent (85%) of the lesser of (a) the Fair Market Value of a share of Stock on the Offering Date of the Offering Period or (b) the Fair Market Value of a share of Stock on the Purchase Date. Subject to adjustment as provided by the Plan and unless otherwise provided by the Committee, the Purchase Price for each Offering Period shall be ninety-five percent (95%) of the Fair Market Value of a share of Stock on the Purchase Date.

10. **ACCUMULATION OF PURCHASE PRICE THROUGH PAYROLL DEDUCTION.**

Except as provided in Section 11.1(b) with respect to a Pre-Registration Offering Period and in Section 11.1(c) with respect to non-United States Participants for whom payroll deductions are prohibited by applicable law, shares of Stock acquired pursuant to the exercise of all or any portion of a Purchase Right may be paid for only by means of payroll deductions from the Participant's Compensation accumulated during the Offering Period for which such Purchase Right was granted, subject to the following:

10.1 **Amount of Payroll Deductions.** Except as otherwise provided herein, the amount to be deducted under the Plan from a Participant's Compensation on each pay day during an Offering Period shall be determined by the Participant's Subscription Agreement. The Subscription Agreement shall set forth the percentage of the Participant's Compensation to be deducted on each pay day during an Offering Period in whole percentages of not less than one percent (1%) (except as a result of an election pursuant to Section 10.3 to stop payroll deductions effective following the first pay day during an Offering) or more than twenty percent (20%). The Committee may change the foregoing limits on payroll deductions effective as of any Offering Date.

10.2 **Commencement of Payroll Deductions.** Payroll deductions shall commence on the first pay day following the Offering Date and shall continue to the end of the Offering Period unless sooner altered or terminated as provided herein; provided, however, that with respect to a Pre-Registration Offering Period, payroll deductions shall commence as soon as practicable following the Company's receipt of the Participant's Subscription Agreement (delivered no earlier than the applicable Registration Date), if any.

10.3 **Election to Decrease or Stop Payroll Deductions.** During an Offering Period, a Participant may elect to decrease the rate of or to stop deductions from his or her Compensation by delivering to the Company office or representative designated by the Company (including a third-party administrator designated by the Company) an amended Subscription Agreement authorizing such change on or before the "Change Notice Date." The *"**Change Notice Date**"* shall be a date prior to the beginning of the first pay period for which such election is to be effective as established by the Company from time to time and announced to the

Participants. A Participant who elects, effective following the first pay day of an Offering Period, to decrease the rate of his or her payroll deductions to zero percent (0%) shall nevertheless remain a Participant in such Offering Period unless the Participant withdraws from the Plan as provided in Section 12.1.

10.4 **Administrative Suspension of Payroll Deductions.** The Company may, in its discretion, suspend a Participant's payroll deductions under the Plan as the Company deems advisable to avoid accumulating payroll deductions in excess of the amount that could reasonably be anticipated to purchase the maximum number of shares of Stock permitted (a) under the Participant's Purchase Right or (b) during a calendar year under the limit set forth in Section 8.2. Unless the Participant has either withdrawn from the Plan as provided in Section 12.1 or has ceased to be an Eligible Employee, payroll deductions shall be resumed at the rate specified in the Participant's then effective Subscription Agreement either (i) at the beginning of the next Offering Period if the reason for suspension was clause (a) in the preceding sentence or (ii) at the beginning of the next Offering Period having a first Purchase Date that falls within the subsequent calendar year if the reason for suspension was clause (b) in the preceding sentence.

10.5 **Participant Accounts.** Individual bookkeeping accounts shall be maintained for each Participant. All payroll deductions from a Participant's Compensation (and other amounts received from the Participant in a Pre-Registration Offering Period pursuant to Section 11.1(b) or a non-United States Participant pursuant to Section 11.1(c)) shall be credited to such Participant's Plan account and shall be deposited with the general funds of the Company. All such amounts received or held by the Company may be used by the Company for any corporate purpose.

10.6 **No Interest Paid.** Interest shall not be paid on sums deducted from a Participant's Compensation pursuant to the Plan or otherwise credited to the Participant's Plan account.

11. PURCHASE OF SHARES.

11.1 Exercise of Purchase Right.

(a) **Generally.** Except as provided in Section 11.1(b) and Section 11.1(c), on each Purchase Date of an Offering Period, each Participant who has not withdrawn from the Plan and whose participation in the Offering has not otherwise terminated before such Purchase Date shall automatically acquire pursuant to the exercise of the Participant's Purchase Right the number of whole shares of Stock determined by dividing (a) the total amount of the Participant's payroll deductions accumulated in the Participant's Plan account during the Offering Period and not previously applied toward the purchase of Stock by (b) the Purchase Price. However, in no event shall the number of shares purchased by the Participant during an Offering Period exceed the number of shares subject to the Participant's Purchase Right. No shares of Stock shall be purchased on a Purchase Date on behalf of a Participant whose participation in the Offering or the Plan has terminated before such Purchase Date.

(b) **Purchase in Pre-Registration Period.** Notwithstanding Section 11.1(a), on the Purchase Date of a Pre-Registration Offering Period, each Participant who has not withdrawn from the Plan and whose participation in such Offering Period has not otherwise terminated before such Purchase Date shall automatically acquire pursuant to the exercise of the Participant's Purchase Right (i) a number of whole shares of Stock determined in accordance with Section 11.1(a) to the extent of the total amount of the Participant's payroll deductions accumulated in the Participant's Plan account during the Pre-Registration Offering Period, if any, and not previously applied toward the purchase of Stock and (ii) such additional shares of Stock (not exceeding in the aggregate the Participant's Purchase Right) as determined in accordance with a Cash Exercise Notice delivered to the Company office or representative designated by the Company (including a third-party administrator designated by the Company) no earlier than the applicable Registration Date and not later than the close of business on the business day immediately preceding the Purchase Date or such earlier date as the Company shall establish, accompanied by payment of the Purchase Price for such additional shares in cash or by check. However, in no event shall the number of shares purchased by a Participant during the Pre-Registration Offering Period exceed the number of shares subject to the Participant's Purchase Right. In addition, if a Participant delivers a Subscription Agreement to the Company after the applicable Registration Date, the Participant may not elect to exercise a Purchase Right pursuant to a Cash Exercise Notice in an amount which, when aggregated with payroll deductions pursuant to such Subscription Agreement, exceeds twenty percent (20%) of the Participant's Compensation during the Pre-Registration Offering Period. The Company shall refund to the Participant in accordance with Section 11.4 any excess Purchase Price payment received from the Participant.

(c) **Purchase by Non-United States Participants for Whom Payroll Deduction Are Prohibited by Applicable Law.** Notwithstanding Section 11.1(a), where payroll deductions on behalf of Participants who are residents for income tax purposes of countries other than the United States are prohibited by applicable law (each, a *"**non-United States Participant**"*), the Committee shall provide another method for payment of the Purchase Price of the shares with such terms and conditions as shall be administratively convenient and comply with applicable law. On each Purchase Date of an Offering Period, each such non-United States Participant who has not withdrawn from the Plan and whose participation in such Offering Period has not otherwise terminated before such Purchase Date shall automatically acquire pursuant to the exercise of the Participant's Purchase Right a number of whole shares of Stock determined in accordance with Section 11.1(a) to the extent of the total amount of the Participant's Plan account balance accumulated during the Offering Period in accordance with the method established by the Committee and not previously applied toward the purchase of Stock. However, in no event shall the number of shares purchased by a non-United States Participant during the Offering Period exceed the number of shares subject to the Participant's Purchase Right. The Company shall refund to the non-United States Participant in accordance with Section 11.4 any excess Purchase Price payment received from such Participant.

11.2 **Pro Rata Allocation of Shares.** If the number of shares of Stock which might be purchased by all Participants on a Purchase Date exceeds the number of shares of Stock available in the Plan as provided in Section 4.1 or the maximum aggregate number of shares of Stock that may be purchased on such Purchase Date pursuant to a limit established by the Committee pursuant to Section 8.1, the Company shall make a pro rata allocation of the shares

available in as uniform a manner as practicable and as the Company determines to be equitable. Any fractional share resulting from such pro rata allocation to any Participant shall be disregarded.

11.3 **Delivery of Certificates.** As soon as practicable after each Purchase Date, the Company shall arrange the delivery to each Participant of a certificate representing the shares acquired by the Participant on such Purchase Date; provided that the Company may deliver such shares to a broker designated by the Company that will hold such shares for the benefit of the Participant. Shares to be delivered to a Participant under the Plan shall be registered in the name of the Participant, or, if requested by the Participant, in the name of the Participant and his or her spouse, or, if applicable, in the names of the heirs of the Participant.

11.4 **Return of Plan Account Balance.** Any cash balance remaining in a Participant's Plan account following any Purchase Date shall be refunded to the Participant as soon as practicable after such Purchase Date. However, if the cash balance to be returned to a Participant pursuant to the preceding sentence is less than the amount that would have been necessary to purchase an additional whole share of Stock on such Purchase Date, the Company may retain the cash balance in the Participant's Plan account to be applied toward the purchase of shares of Stock in the subsequent Purchase Period or Offering Period.

11.5 **Tax Withholding.** At the time a Participant's Purchase Right is exercised, in whole or in part, or at the time a Participant disposes of some or all of the shares of Stock he or she acquires under the Plan, the Participant shall make adequate provision for the federal, state, local and foreign tax withholding obligations, if any, of the Participating Company Group which arise upon exercise of the Purchase Right or upon such disposition of shares, respectively. The Participating Company Group may, but shall not be obligated to, withhold from the Participant's compensation the amount necessary to meet such withholding obligations.

11.6 **Expiration of Purchase Right.** Any portion of a Participant's Purchase Right remaining unexercised after the end of the Offering Period to which the Purchase Right relates shall expire immediately upon the end of the Offering Period.

11.7 **Provision of Reports and Stockholder Information to Participants.** Each Participant who has exercised all or part of his or her Purchase Right shall receive, as soon as practicable after the Purchase Date, a report of such Participant's Plan account setting forth the total amount credited to his or her Plan account prior to such exercise, the number of shares of Stock purchased, the Purchase Price for such shares, the date of purchase and the cash balance, if any, remaining immediately after such purchase that is to be refunded or retained in the Participant's Plan account pursuant to Section 11.4. The report required by this Section may be delivered in such form and by such means, including by electronic transmission, as the Company may determine. In addition, each Participant shall be provided information concerning the Company equivalent to that information provided generally to the Company's common stockholders.

12. **WITHDRAWAL FROM PLAN.**

12.1 **Voluntary Withdrawal from the Plan.** A Participant may withdraw from the Plan by signing and delivering to the Company office or representative designated by the Company (including a third-party administrator designated by the Company) a written or electronic notice of withdrawal on a form provided by the Company for this purpose. Such withdrawal may be elected at any time prior to the end of an Offering Period; provided, however, that if a Participant withdraws from the Plan after a Purchase Date, the withdrawal shall not affect shares of Stock acquired by the Participant on such Purchase Date. A Participant who voluntarily withdraws from the Plan is prohibited from resuming participation in the Plan in the same Offering from which he or she withdrew, but may participate in any subsequent Offering by again satisfying the requirements of Sections 5 and 7.1. The Company may impose, from time to time, a requirement that the notice of withdrawal from the Plan be on file with the Company office or representative designated by the Company for a reasonable period prior to the effectiveness of the Participant's withdrawal.

12.2 **Return of Plan Account Balance.** Upon a Participant's voluntary withdrawal from the Plan pursuant to Section 12.1, the Participant's accumulated Plan account balance which has not been applied toward the purchase of shares of Stock shall be refunded to the Participant as soon as practicable after the withdrawal, without the payment of any interest, and the Participant's interest in the Plan and the Offering shall terminate. Such amounts to be refunded in accordance with this Section may not be applied to any other Offering under the Plan.

13. **TERMINATION OF EMPLOYMENT OR ELIGIBILITY.**

Upon a Participant's ceasing, prior to a Purchase Date, to be an Employee of the Participating Company Group for any reason, including retirement, disability or death, or upon the failure of a Participant to remain an Eligible Employee, the Participant's participation in the Plan shall terminate immediately. In such event, the Participant's Plan account balance which has not been applied toward the purchase of shares shall, as soon as practicable, be returned to the Participant or, in the case of the Participant's death, to the Participant's beneficiary designated in accordance with Section 20, if any, or legal representative, and all of the Participant's rights under the Plan shall terminate. Interest shall not be paid on sums returned pursuant to this Section 13. A Participant whose participation has been so terminated may again become eligible to participate in the Plan by satisfying the requirements of Sections 5 and 7.1.

14. **EFFECT OF CHANGE IN CONTROL ON PURCHASE RIGHTS.**

In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or parent thereof, as the case may be (the "***Acquiring Corporation***"), may, without the consent of any Participant, either assume or continue the Company's rights and obligations under outstanding Purchase Rights or substitute substantially equivalent purchase rights for the Acquiring Corporation's stock. If the Acquiring Corporation elects not to assume or continue the Company's rights and obligations under outstanding Purchase Rights, the Purchase Date of the then current Offering Period shall be accelerated to a date before the date of the Change in Control specified by the Committee, but the number of shares of Stock subject to

outstanding Purchase Rights shall not be adjusted. All Purchase Rights which are neither assumed or continued by the Acquiring Corporation in connection with the Change in Control nor exercised as of the date of the Change in Control shall terminate and cease to be outstanding effective as of the date of the Change in Control.

15. **NONTRANSFERABILITY OF PURCHASE RIGHTS.**

Neither payroll deductions or other amounts credited to a Participant's Plan account nor a Participant's Purchase Right may be assigned, transferred, pledged or otherwise disposed of in any manner other than as provided by the Plan or by will or the laws of descent and distribution. (A beneficiary designation pursuant to Section 20 shall not be treated as a disposition for this purpose.) Any such attempted assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw from the Plan as provided in Section 12.1. A Purchase Right shall be exercisable during the lifetime of the Participant only by the Participant.

16. **COMPLIANCE WITH SECURITIES LAW.**

The issuance of shares under the Plan shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities. A Purchase Right may not be exercised if the issuance of shares upon such exercise would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any securities exchange or market system upon which the Stock may then be listed. In addition, no Purchase Right may be exercised unless (a) a registration statement under the Securities Act shall at the time of exercise of the Purchase Right be in effect with respect to the shares issuable upon exercise of the Purchase Right, or (b) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Purchase Right may be issued in accordance with the terms of an applicable exemption from the registration requirements of said Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares under the Plan shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise of a Purchase Right, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation, and to make any representation or warranty with respect thereto as may be requested by the Company.

17. **RIGHTS AS A STOCKHOLDER AND EMPLOYEE.**

A Participant shall have no rights as a stockholder by virtue of the Participant's participation in the Plan until the date of the issuance of the shares purchased pursuant to the exercise of the Participant's Purchase Right (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such shares are issued, except as provided in Section 4.3. Nothing herein shall confer upon a Participant any right to continue in the employ of the Participating Company Group or interfere in any way with any right of the Participating Company Group to terminate the Participant's employment at any time.

18. **NOTIFICATION OF DISPOSITION OF SHARES.**

The Company may require the Participant to give the Company prompt notice of any disposition of shares acquired by exercise of a Purchase Right. The Company may require that until such time as a Participant disposes of shares acquired upon exercise of a Purchase Right, the Participant shall hold all such shares in the Participant's name (or, if elected by the Participant, in the name of the Participant and his or her spouse but not in the name of any nominee) until the later of two years after the date of grant of such Purchase Right or one year after the date of exercise of such Purchase Right. The Company may direct that the certificates evidencing shares acquired by exercise of a Purchase Right refer to such requirement to give prompt notice of disposition.

19. **LEGENDS.**

The Company may at any time place legends or other identifying symbols referencing any applicable federal, state or foreign securities law restrictions or any provision convenient in the administration of the Plan on some or all of the certificates representing shares of Stock issued under the Plan. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to a Purchase Right in the possession of the Participant in order to carry out the provisions of this Section. Unless otherwise specified by the Company, legends placed on such certificates may include but shall not be limited to the following:

"THE SHARES EVIDENCED BY THIS CERTIFICATE WERE ISSUED BY THE CORPORATION TO THE REGISTERED HOLDER UPON THE PURCHASE OF SHARES UNDER AN EMPLOYEE STOCK PURCHASE PLAN AS DEFINED IN SECTION 423 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED. THE TRANSFER AGENT FOR THE SHARES EVIDENCED HEREBY SHALL NOTIFY THE CORPORATION IMMEDIATELY OF ANY TRANSFER OF THE SHARES BY THE REGISTERED HOLDER HEREOF. THE REGISTERED HOLDER SHALL HOLD ALL SHARES PURCHASED UNDER THE PLAN IN THE REGISTERED HOLDER'S NAME (AND NOT IN THE NAME OF ANY NOMINEE)."

20. **DESIGNATION OF BENEFICIARY.**

20.1 **Designation Procedure.** Subject to local laws and procedures, a Participant may file a written designation of a beneficiary who is to receive (a) shares and cash, if any, from the Participant's Plan account if the Participant dies subsequent to a Purchase Date but prior to delivery to the Participant of such shares and cash or (b) cash, if any, from the Participant's Plan account if the Participant dies prior to the exercise of the Participant's Purchase Right. If a married Participant designates a beneficiary other than the Participant's spouse, the effectiveness of such designation may be subject to the consent of the Participant's spouse. A Participant may change his or her beneficiary designation at any time by written notice to the Company.

20.2 **Absence of Beneficiary Designation.** If a Participant dies without an effective designation pursuant to Section 20.1 of a beneficiary who is living at the time of the Participant's death, the Company shall deliver any shares or cash credited to the Participant's Plan account to the Participant's legal representative or as otherwise required by applicable law.

21. **NOTICES.**

All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

22. **AMENDMENT OR TERMINATION OF THE PLAN.**

The Committee may at any time amend, suspend or terminate the Plan, except that (a) no such amendment, suspension or termination shall affect Purchase Rights previously granted under the Plan unless expressly provided by the Committee and (b) no such amendment, suspension or termination may adversely affect a Purchase Right previously granted under the Plan without the consent of the Participant, except to the extent permitted by the Plan or as may be necessary to qualify the Plan as an employee stock purchase plan pursuant to Section 423 of the Code or to comply with any applicable law, regulation or rule. In addition, an amendment to the Plan must be approved by the stockholders of the Company within twelve (12) months of the adoption of such amendment if such amendment would authorize the sale of more shares than are then authorized for issuance under the Plan or would change the definition of the corporations that may be designated by the Committee as Participating Companies. Notwithstanding the foregoing, in the event that the Committee determines that continuation of the Plan or an Offering would result in unfavorable financial accounting consequences to the Company, the Committee may, in its discretion and without the consent of any Participant, including with respect to an Offering Period then in progress: (a) terminate the Plan or any Offering Period, (b) accelerate the Purchase Date of any Offering Period, (c) reduce the discount or the method of determining the Purchase Price in any Offering Period (e.g., by determining the Purchase Price solely on the basis of the Fair Market Value on the Purchase Date), (d) reduce the maximum number of shares of Stock that may be purchased in any Offering Period or (e) take any combination of the foregoing actions.

IN WITNESS WHEREOF, the undersigned Secretary of the Company certifies that the foregoing sets forth the MagnaChip Semiconductor Corporation 2008 Employee Stock Purchase Plan as duly adopted by the Board on _____, 2008.

_____
Secretary

Exhibit 10.60

MagnaChip Semiconductor, Ltd.
891 Daechi-dong. Kangnam-gu
Seoul 135-738 Korea
Tel. +82 2 3459-3007
youm.huh@magnachip.com

March 7, 2006

Mr. Brent A. Rowe
2 Russell Road
Cumberland-Foreside, Maine 04105
USA

Dear Mr. Rowe:

MagnaChip Semiconductor LLC ("MagnaChip") is pleased to present you with an offer for employment with MagnaChip Semiconductor, Inc. (the "Company"), a wholly-owned subsidiary of MagnaChip, in the position of Senior Vice President, Worldwide Sales. We believe that you have the potential to make valuable contributions to MagnaChip, and we hope you will find your employment with us to be a rewarding experience.

You will be based in Santa Clara, California, but will be expected to travel as needed to other destinations as the job may require, including spending a substantial portion of the first six months of your employment travelling in Asia.

Your salary will be US$220,000 per annum. You will be paid in accordance with the Company's normal payroll practices and your compensation will be subject to payroll deductions and all required withholdings. Annual salary increases will be determined in accordance with MagnaChip's internal policies and procedures. In addition, you will be eligible to earn an annual incentive of up to 80% of your base salary. The annual incentive will be based on company performance and attainment of your management objectives under a plan to be established and approved MagnaChip's Board of Directors.

You will be paid a sign-on bonus of US$50,000 on the first normal pay date after your employment begins. You may elect to receive your first year annual bonus of 80% of base pay, in advance, to facilitate the purchase of a new home in California. You may elect to continue advancing your annual bonus each year for the first three years of your employment with the understanding that should you leave employment of the company at any time and for any reason, you will refund to the Company the prorated portion of the bonus for the remainder of the calendar year in which your employment is terminated.

Upon approval of MagnaChip's Board of Directors, you will be granted options to purchase 200,000 common units of MagnaChip at an exercise price per unit of the greater of (i) $1.04 or (ii) the fair market value of a common unit at the time you begin your employment.

You will be eligible to participate in the company's employee benefits programs for which you qualify, including medical, disability, and life insurance plans 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 Company will also provide reasonable household relocation expenses from your home in Maine to your workplace in California, including surface transportation

MagnaChip Semiconductor, Ltd.
891 Daechi-dong. Kangnam-gu
Seoul 135-738 Korea
Tel. +82 2 3459-3007
youm.huh@magnachip.com

for your household goods, air transportation for you and your family, temporary housing, household goods storage and real estate brokerage fees for the sale and purchase of a home. Additionally, we will provide reimbursement of the annual tuition and fees for your son to attend high school at a school of your choice in California, for the period of your employment.

We understand that you have a large household in Maine and may require a larger than normal transportation and/or storage fee to facilitate your move to California. Temporary housing for your family to facilitate marketing and sale of your home and transition into your new home will be provided for four months (this does not include your business travel related hotel expenses which will be reimbursed separately).

Your employment relationship with the Company is at-will, although we shall provide a six-month severance payment should we terminate your employment without cause. You may terminate your employment with the Company at any time and for any reason whatsoever simply by notifying us. Likewise, the Company may terminate your employment at any time and for any reason whatsoever, with or without cause or advance notice. As required by law, this offer is subject to satisfactory proof of your right to work in the United States.

As an employee in the MagnaChip organization, you will be expected to abide by MagnaChip's and the Company's rules and regulations and sign and comply with the Company's form Employee Proprietary Information and Invention Assignment Agreement, which prohibits unauthorized use or disclosure of the Company's proprietary information and requires you to assign any inventions created while employed at the Company to the Company.

To ensure the rapid and economical resolution of disputes which arise in connection with your employment with the Company, you and the Company agree that any and all disputes, claims or causes of action arising from or relating to your employment with the Company will be resolved to the fullest extent permitted by law by final and binding confidential arbitration held in Santa Clara, California, through the American Arbitration Association ("AAA") under its National Rules for the Resolution of Employment Disputes; provided, however, that either party may obtain injunctive relief from a court if necessary to prevent irreparable damage prior to a final decision under arbitration or in situations where arbitrator lacks authority to issue injunctive relief. By agreeing to this arbitration procedure, both parties waive the right to a trial by jury or by a court or to an administrative proceeding. Nothing in this offer letter should be construed as restricting your access or resort to the Equal Employment Opportunity Commission. The Company shall pay all arbitration fees.

This letter forms the complete and exclusive offer of your employment with the Company. Any modification to this offer must be in writing and signed by Youm Huh, President and CEO of MagnaChip. Please indicate your acceptance of this offer of employment by signing in the space below. Please return the two executed copies of this letter to me as soon as possible.

We look forward to your participation in the future growth of MagnaChip. If you have any questions, please call me at 82-2-3459-3007 or contact me via e-mail at youm.huh@magnachip.com.

MagnaChip Semiconductor, Ltd.
891 Daechi-dong. Kangnam-gu
Seoul 135-738 Korea
Tel. +82 2 3459-3007
youm.huh@magnachip.com

Sincerely,

MAGNACHIP SEMICONDUCTOR LLC

Youm Huh, Ph.D.
President and Chief Executive Officer

ACCEPTED BY:
Brent A. Rowe

Signature /s/ Brent A. Rowe
Date 3/15/06

891 Daechi-dong, Kangnam-gu, Seoul,
135-178, Korea
Tel: 82-2-3459-3675
Fax: 82-2-3459-3686
www.magnachip.com

Strictly Confidential

December 20, 2006

OFFER LETTER SUPPLEMENT REGARDING BONUS

To: Brent A Rowe

Dear Brent:

As a way to enable you to complete the move of your household from Maine to California, and as an incentive to succeed in your career at MagnaChip Semiconductor LLC (or a subsidiary thereof), we offer this Offer Letter Supplement regarding your eligibility for an advance on your prospective performance bonus.

Your current employment terms provide that you are eligible to receive an annual bonus of 80% of base pay based on Company performance and achievement of your management objectives. You may elect to receive your first year annual bonus in advance.

Under the terms of this Offer Letter Supplement, we agree to allow you to elect to receive your first three years of annual bonus payments at a rate of 80% of base pay in advance up to a payment of US$528,000 (0.80*220,000*3). Should you elect to take this advance, no annual incentive payments will be paid to you until the earlier of (i) April 4, 2009, or (ii) the date on which the cumulative annual performance bonus payments you have accrued reaches US$528,000.

Should your employment with the Company terminate at any time for any reason, whether voluntary or involuntary, or for cause or for no cause, you will refund to the Company a pro rata portion of the advance determined as the lesser of:

1. an annualized payment determined by subtracting from US$528,000 the amount determined by multiplying US$528,000 by the number of calendar days from April 4, 2006, to the date of termination, divided by 1,096; and
2. an accrued bonus payment determined by subtracting from US$528,000 all performance-based bonuses accruing during the period from April 4, 2006, to the date of termination. For purposes of this Offer Letter Supplement, a bonus does not accrue until the date the bonus would have been paid in accordance with the normal policies and procedures of the Company. For example, if executives of the Company receive FY2007 bonuses on February 25, 2008, then no FY2007 bonus accrues for purposes of this calculation until February 25, 2008.

For the avoidance of doubt, we offer the following examples of a refund calculated per the foregoing formula:

1. You leave voluntarily on April 4, 2008, and the performance based payout on February 25, 2007, totals 40% of your base salary and on March 31, 2008, totals 80% of your base salary. You would refund the Company $176,321.17, which is the lesser of $176,321.17 ($528,000—$528,000*730 / 1096) or $264,000.00 ($528,000 – (0.40*$220,000) – (0.80*$220,000)).

2. You are terminated for cause on December 4, 2007, and you are not granted a performance based payout in 2007 covering the fiscal year 2006. You would refund the Company $255,328.47, which is the lesser of $255,328.47 ($528,000—$528,000*566 / 1096) or $528,000.00 ($528,000 – (0.0*220,000) – (0.0*220,000)).

3. You are terminated without cause on June 30, 2008, and the performance based payout on April 30, 2007, totals 20% of your base salary, and on February 1, 2008, totals 80% of your base salary, which was raised to $250,000 on January 1, 2008. You would refund the Company $159,459.85, which is the lesser of $159,459.85 ($528,000—$528,000*765 / 1096) or $284,000.00 ($528,000 – (0.20*$220,000) – (0.80*$250,000)).

4. You leave voluntarily on March 4, 2007, and the performance based payout on March 1, 2007, totals 80% of your base salary. You would refund the Company $352,000.00, which is the lesser of $367,094.89 ($528,000—$528,000*334 / 1096) or $352,000.00 ($528,000 – (0.80*$220,000)).

5. You are terminated without cause on March 31, 2009, and the performance based payout on April 30, 2007, totals 20% of your base salary, and on February 1, 2008, totals 80% of your base salary, and the Company has said that it would pay you a performance bonus of 60% of your base salary on April 1, 2009. You would refund the Company $1,927.01, which is the lesser of $1,927.01 ($528,000—$528,000*1092 / 1096) or $308,000.00 ($528,000 – (0.20*$220,000) – (0.80*$220,000) – (0.0*220,000)).

You may elect at any time to voluntarily repay all or a portion of your bonus advance. For purposes of calculating any refund due to the Company, the $528,000 term in the refund calculations will be reduced by aggregate amounts repaid.

You and the Company agree that any and all disputes, claims or causes of action arising from or relating to this Offer Letter Supplement or your employment with the Company will be resolved to the fullest extent permitted by law by final and binding confidential arbitration held in Santa Clara, California, through the American Arbitration Association (“AAA”) under its National Rules for the Resolution of Employment Disputes; provided, however, that either party may obtain injunctive relief from a court if necessary to prevent irreparable damage prior to a final decision under arbitration or in situations where arbitrator lacks authority to issue injunctive relief. By agreeing to this arbitration procedure, both parties waive the right to a trial by jury or by a court or to an administrative proceeding. Nothing in this offer letter should be construed as restricting your access or resort to the Equal Employment Opportunity Commission. The Company shall pay all arbitration fees.

Again, thank you for your continued performance and contributions.

Regards,
MagnaChip Semiconductor LLC

/s/ Sang Park
President and CEO
Sang Park

I have read and understood this Offer Letter Supplement. I agree that this Offer Letter Supplement is strictly confidential and must not be disclosed to any internal and external parties. I understand that any such disclosure could lead to disciplinary action up to and including termination.

Acknowledged and Agreed:

/s/ Brent Rowe 12/20/06
Brent A. Rowe

Exhibit 10.61

OPTION AGREEMENT

THIS OPTION AGREEMENT, dated as of **April 25, 2006**, is executed by and between MagnaChip Semiconductor LLC, a Delaware limited liability company (the "**Company**"), and **Brent A. Rowe** (the "**Grantee**"), pursuant to the MagnaChip Semiconductor LLC California Equity Incentive Plan (the "**Plan**"). Capitalized terms that are not defined herein shall have the meanings given to such terms in the Plan.

WHEREAS, the Company desires to grant options to purchase its Common Units (the "**Common Units**") to certain employees of its wholly-owned subsidiary, MagnaChip Semiconductor, Inc. ("**MagnaChip**");

WHEREAS, the Company has adopted the Plan in order to effect such grants; and

WHEREAS, the Grantee is an employee as contemplated by the Plan, and the Committee has determined that it is in the interest of the Company to grant these options to the Grantee.

NOW, THEREFORE, in consideration of the premises and subject to the terms and conditions set forth herein and in the Plan, the parties hereto agree as follows:

1. Confirmation of Grant.

(a) Confirmation of Grant. The Company hereby evidences and confirms the grant to the Grantee, effective as of **April 6, 2006** (the "**Grant Date**"), of options to purchase from the Company the number of Common Units (the "**Options**") at the exercise price per Common Unit (the "**Option Price**") as follows:

	Option Price	Number of Units
US$	**1.04**	**200,000**
Total		**200,000**

(b) Options Subject to Plan. The Options granted pursuant to this Agreement are subject in all respects to the Plan, all of the terms of which are made a part of and incorporated into this Agreement. By signing this Agreement, the Grantee acknowledges that the Grantee has been provided a copy of the Plan and has had the opportunity to review such Plan. In the event of a conflict between the terms and conditions of the Plan and this Option Agreement, the terms and conditions of the Plan shall prevail.

(c) Character of Options. The Options granted hereunder are non-qualified options and not intended to be "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended.

2. Exercisability.

(a) Vesting Provisions. An installment of 25% of the Common Units subject to the Options shall become vested and exercisable on the first anniversary of the Grant Date and 6.25% of the Common Units subject to the Options shall become vested and exercisable at the end of each three month period thereafter on the same day of the month as the Grant Date (or, if earlier, the last day of such month), so that the Options shall become fully vested and exercisable on the fourth anniversary of the Grant Date; subject to the Grantee's continuous employment with MagnaChip from the Grant Date to each such vesting date.

(b) Normal Expiration Date. Unless the Options earlier terminate in accordance with Section 4, the Options shall terminate on the tenth anniversary of the Grant Date (the "**Normal Expiration Date**"). Once Options have become vested and exerciseable pursuant to this Section 2, such Options may be exercised, subject to the provisions hereof, at any time and from time to time until the Normal Expiration Date.

3. Method of Exercise and Payment.

All or part of the exercisable Options may be exercised by the Grantee upon (a) the Grantee's written notice to the Company of exercise (on such Exercise Notice as provided by the Company, a form of which is attached hereto as Exhibit A), (b) the Grantee's payment of the Option Price in full at the time of exercise (i) in cash or cash equivalents or (ii) in accordance with such procedures or in such other form as the Committee shall from time to time determine and (c) the Grantee's execution of a joinder to the LLC Agreement (if the Grantee is not then a party to such agreement) in order to become a party to such agreement with respect to the Common Units issuable upon the exercise of such Options.

4. Termination of Employment.

(a) Upon termination of the Grantee's employment, the Options shall be exercisable only in accordance with the terms of the Plan. Notwithstanding anything else contained herein to the contrary, the Committee may at any time extend the post-termination exercise period of all or any portion of the Options up to and including, but not beyond, the Normal Expiration Date of such Options.

(b) Upon any termination of the Grantee's employment prior to a Public Offering, the Company shall have the right to purchase all or any of the Common Units acquired by the Grantee upon exercise of any of the Options (whether acquired before or after such termination) for a cash payment equal to the Fair Market Value of such Common Units on the date of repurchase, provided that if the Grantee's employment is terminated for Cause, then the cash payment shall be equal to the lower of the Fair Market Value and the Option Price of the Common Units so purchased. The Company's repurchase right under this provision shall terminate ninety days after the termination of the Grantee's employment.

5. Tax Withholding.

Whenever Common Units are to be issued pursuant to the exercise of an Option or any cash payment is to be made hereunder, the Company shall have the power to withhold, or

require the Grantee to remit to the Company, an amount sufficient to satisfy federal, state, and local withholding tax requirements relating to such transaction, and the Company may defer payment of cash or issuance of Common Units until such requirements are satisfied.

6. Nontransferability of Awards or Common Units.

Unless the Committee shall permit (on such terms and conditions as it shall establish) Options and/or Common Units acquired by the Grantee upon exercise of any of the Options to be transferred, no Options or Common Units acquired by the Grantee upon exercise of any of the Options may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution; provided that the Grantee may transfer Options and/or Common Units acquired by the Grantee upon exercise of any of the Options to an immediate family member or family trust, which such family member or family trust shall not be permitted to further transfer such Options or Common Units other than back to the Grantee; further provided that the restrictions on the transfer of Common Units acquired by the Grantee upon exercise of any of the Options shall lapse on the 181st day after a Public Offering. Following the Grantee's death, all rights with respect to Options that were exercisable at the time of the Grantee's death and have not terminated may be exercised by his designated beneficiary, his estate or such transferee as permitted by the Committee.

7. Beneficiary Designation.

The Grantee may from time to time name any beneficiary or beneficiaries (who may be named contingently or successively) by whom any right under the Plan and this Agreement is to be exercised in case of his death. Each designation will revoke all prior designations by the Grantee, shall be in a form reasonably prescribed by the Committee, and will be effective only when filed by the Grantee in writing with the Committee during his lifetime. If no beneficiary is named, or if a named beneficiary does not survive the Grantee, the Successor Holder may exercise the Grantee's rights under the Plan.

8. Requirements of Law.

The issuance of Common Units pursuant to the Options shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. Such issuance may be delayed, if necessary, to comply with applicable laws, including the U.S. federal securities laws and any applicable state securities laws, and no Common Units shall be issued upon exercise of any Options granted hereunder, if such exercise would result in a violation of applicable law.

9. No Guarantee of Employment.

Nothing in this Agreement shall interfere with or limit in any way the right of the Company or any of its subsidiaries to terminate the Grantee's employment at any time, or confer upon the Grantee any right to continue in the employ of MagnaChip.

10. No Rights as Securityholder.

Except as otherwise required by law, the Grantee shall not have any rights as a securityholder with respect to any Common Units covered by the Options granted hereby until such time as the Common Units issuable upon exercise of such Options have been so issued.

11. Grantee's Representations.

In the event the Common Units have not been registered under the Securities Act at the time this Options are exercised, the Grantee shall, if required by the Company, concurrently with the exercise of all or any portion of the Options, deliver to the Company the Grantee's Investment Representation Statement in the form attached hereto as Exhibit B.

12. Interpretation; Construction.

Any determination or interpretation by the Committee under or pursuant to this Agreement shall be final and conclusive on all persons affected hereby. Except as otherwise expressly provided in the Plan, in the event of a conflict between any term of this Agreement and the terms of the Plan, the terms of the Plan shall control.

13. Amendments.

The Committee shall have the right, in its sole discretion, to alter or amend this Agreement, from time to time, as provided in the Plan in any manner for the purpose of promoting the objectives of the Plan, provided that no such amendment shall in any manner adversely affect the Grantee's rights under this Agreement without the Grantee's consent. Subject to the preceding sentence, any alteration or amendment of this Agreement by the Committee shall, upon adoption thereof by the Committee, become and be binding and conclusive on the Grantee without requirement for the Grantee's consent or other action. The Company shall give written notice to the Grantee of any such alteration or amendment of this Agreement as promptly as practicable after the adoption thereof. This agreement may also be amended by a written agreement executed by both the Company and the Grantee.

14. Miscellaneous.

(a) Notices. All notices and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given if delivered personally or sent by certified or express mail, return receipt requested, postage prepaid, or by any recognized international equivalent of such mail delivery, to the Company, or the Grantee, as the case may be, at the following addresses or to such other address as the Company or the Grantee, as the case may be, shall specify by notice to the others:

(i) if to the Company:

c/o MagnaChip Semiconductor Ltd.
891 Daechi-dong, Gangnam-gu
Seoul, 135-738 Korea
Attn: General Counsel
Fax: 82-2-3459-3898

(ii) if to the Grantee, to the Grantee at the address as reflected in the Company's books and records.

All such notices and communications shall be deemed to have been received on the date of delivery if delivered personally or on the third business day after the mailing thereof.

(b) Binding Effect; Benefits. This Agreement shall be binding upon and inure to the benefit of the parties to this Agreement and their respective successors and assigns. Nothing in this Agreement, express or implied, is intended or shall be construed to give any person other than the parties to this Agreement or their respective successors or assigns any legal or equitable right, remedy or claim under or in respect of any agreement or any provision contained herein.

(c) Waiver. Either party hereto may by written notice to the other (i) extend the time for the performance of any of the obligations or other actions of the other under this Agreement, (ii) waive compliance with any of the conditions or covenants of the other contained in this Agreement and (iii) waive or modify performance of any of the obligations of the other under this Agreement. Except as provided in the preceding sentence, no action taken pursuant to this Agreement, including, without limitation, any investigation by or on behalf of either party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained herein. The waiver by either party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any preceding or succeeding breach and no failure by either party to exercise any right or privilege hereunder shall be deemed a waiver of such party's rights or privileges hereunder or shall be deemed a waiver of such party's rights to exercise the same at any subsequent time or times hereunder.

(d) Entire Agreement. This Agreement, together with the Plan, is the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements, understandings, documents, statements, representations and warranties, oral or written, express or implied, between the parties hereto and their respective affiliates, representatives and agents in respect of the subject matter hereof.

(e) Applicable Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF DELAWARE WITHOUT REGARDS TO CONFLICTS OF LAWS PROVISIONS.

(f) Section and Other Headings. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

(g) 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.

IN WITNESS WHEREOF, the Company and the Grantee have duly executed this Agreement as of the date first above written.

MAGNACHIP SEMICONDUCTOR LLC

By: /s/ Sang Park
Name Sang Park
Title: Chief Executive Officer and President

GRANTEE

/s/ Brent A. Rowe
Name: Brent A. Rowe

Exhibit A

Form of Exercise Notice

MAGNACHIP SEMICONDUCTOR LLC

CALIFORNIA EQUITY INCENTIVE PLAN
EXERCISE NOTICE

MagnaChip Semiconductor LLC
c/o MagnaChip Semiconductor, Ltd.
891 Daechi-dong, Gangnam-gu
Seoul, 135-738 Korea

Attention: General Counsel

1. Exercise of Option. Effective as of today, _____, 200_, the undersigned ("Grantee") hereby elects to exercise Grantee's option to purchase Common Units (the "Common Units") of MagnaChip Semiconductor LLC (the "Company") under and pursuant to the Company's California Equity Incentive Plan (the "Plan") and the Option Agreement dated _____, 200__(the "Option Agreement"). Capitalized terms not defined herein shall have the meanings given to such terms in the Plan and/or the Option Agreement.

2. Delivery of Payment. Grantee herewith delivers to the Company the full purchase price of the Common Units, as set forth in the Option Agreement in such form as permitted by the Option Agreement and the Plan, and any and all withholding taxes due in connection with the exercise of the Option.

3. Representations of Grantee. Grantee acknowledges that Grantee has received, read and understood the Plan and the Option Agreement and agrees to abide by and be bound by their terms and conditions.

4. Rights as a Unitholder. Until the issuance of the Common Units (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive allocations of profits or losses or any other rights as a Member shall exist with respect to the Common Units, notwithstanding the exercise of the Option. The Common Units shall be issued to the Grantee as soon as practicable after the Option is exercised. No adjustment shall be made for a dividend or other right for which the record date is prior to the date of issuance except as provided in Section 12(a) of the Plan.

5. Delivery of Other Documents. As a condition to the exercise of this Option, Grantee shall complete, sign and deliver with this Exercise Notice (i) a signature page for the Company's Securityholders' Agreement and the Company's Operating Agreement in the form as attached hereto as Exhibit A-1, (ii) provided that the Common Units have not been registered under the Securities Act, the Investment Representation Statement in the form attached hereto as Exhibit B, and (iii) and any other documents required by the Company of its holders of Common Units.

6. Non-Transferability of the Common Units. Pursuant to Section 6 of the Option Agreement, unless the Committee shall permit (on such terms and conditions as it shall establish) Options and/or Common Units acquired by the Grantee upon exercise of any of the Options to be transferred, no Options or Common Units acquired by the Grantee upon exercise of any of the Options may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution; provided that the Grantee may transfer Options and/or Common Units acquired by the Grantee upon exercise of any of the Options to an immediate family member or family trust, which such family member or family trust shall not be permitted to further transfer such Options or Common Units other than back to the Grantee; further provided that the restrictions on the transfer of Common Units acquired by the Grantee upon exercise of any of the Options shall lapse on the 181st day after a Public Offering. Following the Grantee's death, all rights with respect to Options that were exercisable at the time of the Grantee's death and have not terminated may be exercised by Grantee's designated beneficiary, Grantee's estate or such transferee as permitted by the Committee.

7. Lock-Up Period. Grantee hereby agrees that Grantee shall not offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Common Units (or the securities into which the Common Units are converted or other securities) of the Company or enter into any swap, hedging or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Common Units (or the securities into which the Common Units are converted or other securities) of the Company held by Grantee (other than those included in the registration) for a period specified by the representative of the underwriters of Common Units (or the securities into which the Common Units are converted or other securities) of the Company not to exceed one hundred eighty (180) days following the effective date of any registration statement of the Company filed under the Securities Act.

Grantee agrees to execute and deliver such other agreements as may be reasonably requested by the Company or the underwriter which are consistent with the foregoing or which are necessary to give further effect thereto. In addition, if requested by the Company or the representative of the underwriters of Common Units (or the securities into which the Common Units are converted or other securities) of the Company, Grantee shall provide, within ten (10) days of such request, such information as may be required by the Company or such representative in connection with the completion of any public offering of the Company's securities pursuant to a registration statement filed under the Securities Act. The obligations described in this Section shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form S-4 or similar forms that may be promulgated in the fixture. The Company may impose stop-transfer instructions with respect to the Common Units (or the securities into which the Common Units are converted or other securities) subject to the foregoing restriction until the end of said one hundred eighty (180) day period. Grantee agrees that any transferee of the Options or units acquired pursuant to the Options shall be bound by this Section.

8. Tax Consultation. Grantee understands that Grantee may suffer adverse tax consequences as a result of Grantee's purchase or disposition of the Common Units. Grantee represents that Grantee has consulted with any tax consultants Grantee deems advisable in connection with the purchase or disposition of the Common Units and that Grantee is not relying on the Company for any tax advice.

9. Restrictive Legends and Stop-Transfer Orders.

(a) Legends. Grantee understands and agrees that the Company shall cause the legends set forth below or legends substantially equivalent thereto, to be placed upon any certificate(s) evidencing ownership of the Common Units together with any other legends that may be required by the Company or by state or federal securities laws:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE ACT OR, IN THE OPINION OF COMPANY COUNSEL SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE THEREWITH.

THE COMMON UNITS REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER, INCLUDING A REPURCHASE OPTION HELD BY THE ISSUER OR ITS ASSIGNEE(S) AS SET FORTH IN THE OPTION AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE COMMON UNITS, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH TRANSFER RESTRICTIONS ARE BINDING ON TRANSFEREES OF THESE COMMON UNITS.

(b) Stop-Transfer Notices. Grantee agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Common Units that have been sold or otherwise transferred in violation of any of the provisions of this Exercise Notice or (ii) to treat as owner of such Common Units or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Common Units shall have been so transferred.

10. Successors and Assigns. The Company may assign any of its rights under this Exercise Notice to single or multiple assignees, and this Exercise Notice shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Exercise Notice shall be binding upon Grantee and Grantee's heirs, executors, administrators, successors and assigns.

11. Interpretation. Any dispute regarding the interpretation of this Exercise Notice shall be submitted by Grantee or by the Company forthwith to the Administrator which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Administrator shall be final and binding on all parties. For purposes of interpretation and resolving ambiguities, this Exercise Notice, as executed in English, shall prevail over any translation.

12. Governing Law; Severability. This Exercise Notice is governed by the internal substantive laws, but not the choice of law rules, of the State of Delaware. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Exercise Notice will continue in full force and effect.

13. Entire Agreement. The Plan and Option Agreement are incorporated herein by reference. This Exercise Notice (including all exhibits hereto), the Plan, the Option Agreement, the Company's Securityholders' Agreement and the Company's Operating Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Grantee with respect to the subject matter hereof, and may not be modified adversely to the Grantee's interest except by means of a writing signed by the Company and Grantee.

[Signature Page Follows]

Date Received: _____

Submitted by:
GRANTEE:

_____
Signature

_____
Print Name

Grantee's Address

_____

_____

_____

Accepted by:
MAGNACHIP SEMICONDUCTOR LLC

_____
Signature

_____
Print Name

_____
Title

EXHIBIT A-1 TO EXERCISE NOTICE

JOINDER TO SECURITYHOLDERS' AGREEMENT AND OPERATING AGREEMENT

This Joinder Agreement (this "Joinder Agreement") is made as of the date written below by the undersigned (the "Joining Party") in accordance with (i) the Second Amended and Restated Securityholders' Agreement dated as of October 6, 2004, by and among, MagnaChip Semiconductor LLC (the "Company"), 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 and (ii) the Operating Agreement (as defined in the Securityholders' Agreement). 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 and the Operating Agreement as of the date hereof and shall have all of the rights and obligations of (i) a "Securityholder" under the Securityholders' Agreement as if it had executed the Securityholders' Agreement and (ii) a "Member" under the Operating Agreement as if it had executed the Operating 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 and the Operating Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has executed this Joinder Agreement as of , 200 .

Membership Interests Transferred:

Common Units _____

GRANTEE:

_____
Signature

_____
Print Name

Grantee's Address:

_____

_____

_____

Agreed and Accepted by:
MAGNACHIP SEMICONDUCTOR LLC

By: _____

Name: _____

Title: _____

EXHIBIT B TO EXERCISE NOTICE

INVESTMENT REPRESENTATION STATEMENT

GRANTEE: _____

COMPANY: MagnaChip Semiconductor LLC

SECURITY: Common Units

AMOUNT: _____

DATE: _____

Effective as of the date set forth above, in connection with the purchase of the above-listed Securities (the "Securities"), the undersigned Grantee hereby represents and warrants to MagnaChip Semiconductor LLC (the "Company") the following:

(a) Grantee is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Securities. Grantee is acquiring these Securities for investment for Grantee's own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act").

(b) Grantee acknowledges and understands that the Securities constitute "restricted securities" under the Securities Act and have not been registered under the Securities Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Grantee's investment intent as expressed herein. In this connection, Grantee understands that, in the view of the Securities and Exchange Commission, the statutory basis for such exemption may be unavailable if Grantee's representation was predicated solely upon a present intention to hold these Securities for the minimum capital gains period specified under tax statutes, for a deferred sale, for or until an increase or decrease in the market price of the Securities, or for a period of one year or any other fixed period in the future. Grantee further understands that the Securities must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Grantee further acknowledges and understands that the Company is under no obligation to register the Securities. Grantee understands that the certificate evidencing the Securities will be imprinted with any legend required under applicable state securities laws.

(c) Grantee is familiar with the provisions of Rule 701 and Rule 144, each promulgated under the Securities Act, which, in substance, permit limited public resale of "restricted securities" acquired, directly or indirectly from the issuer thereof, in a non-public offering subject to the satisfaction of certain conditions. Rule 701 provides that if the issuer qualifies under Rule 701 at the time of the grant of the Option to the Grantee, the exercise will be exempt from registration under the Securities Act. In the event the Company becomes subject to

the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, ninety (90) days thereafter (or such longer period as any market stand-off agreement may require) the Securities exempt under Rule 701 may be resold, subject to the satisfaction of certain of the conditions specified by Rule 144, including: (i) the resale being made through a broker in an unsolicited "broker's transaction" or in transactions directly with a market maker (as said term is defined under the Securities Exchange Act of 1934); and, in the case of an affiliate, (ii) the availability of certain public information about the Company, (iii) the amount of Securities being sold during any three month period not exceeding the limitations specified in Rule 144(e), and (iv) the timely filing of a Form 144, if applicable.

In the event that the Company does not qualify under Rule 701 at the time of grant of the Option, then the Securities may be resold in certain limited circumstances subject to the provisions of Rule 144, which requires the resale to occur not less than one year after the later of the date the Securities were sold by the Company or the date the Securities were sold by an affiliate of the Company, within the meaning of Rule 144; and, in the case of acquisition of the Securities by an affiliate, or by a non-affiliate who subsequently holds the Securities less than two years, the satisfaction of the conditions set forth in sections (i), (ii), (iii) and (iv) of the paragraph immediately above.

(d) Grantee further understands that in the event all of the applicable requirements of Rule 701 or 144 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption will be required; and that, notwithstanding the fact that Rules 144 and 701 are not exclusive, the Staff of the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rules 144 or 701 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk. Grantee understands that no assurances can be given that any such other registration exemption will be available in such event.

GRANTEE:

_____

Signature

_____

Print Name

Grantee's Address:

_____

_____

Exhibit 10.62

891 Daechi-dong, Kangnam-gu,
Seoul,
135-178, Korea
Tel: 82-2-3459-3675
Fax: 82-2-3459-3686
www.magnachip.com

Confidential

September 5, 2006

Margaret Sakai
#104 World Meridian,
231 Gumi-Dong, Bundang-Gu,
Seongnam-Si, Gyeonggi-Do

Dear Margaret:

MagnaChip Semiconductor, Ltd. ("MagnaChip") is pleased to present you with an offer for employment in the position of Senior Vice President and Corporate Controller, reporting to Robert Krakauer, Executive Vice President, Corporate Operations, and Chief Financial Officer. We believe that you have significant potential to make valuable contributions to MagnaChip, and we hope you will find your employment with us a rewarding experience.

You will be based at MagnaChip's Seoul office, but will be expected to travel as needed within Korea and to other destinations as the job may require. The expected start date of your employment is November 1, 2006.

Your annual salary will be USD250,000 per annum. You will be paid in accordance with MagnaChip's normal payroll practices and your compensation will be subject to payroll deductions and all required withholdings. Annual salary increases will be determined by MagnaChip in accordance with MagnaChip's internal policies and procedures. You will be eligible to earn an annual incentive of up to 50% of your base salary. The annual incentive will be based on company performance and attainment of your management objectives under a plan to be established and approved the Board of Directors of MagnaChip's parent company (the "Board"). MagnaChip may from time to time in its sole discretion adjust the salary and benefits paid to you and its other employees in the normal course of operations.

Upon approval by the Board of Directors of MagnaChip Semiconductor LLC (the "Board"), you will be granted options to purchase 75,000 MagnaChip common units (the "Option") pursuant to the MagnaChip Semiconductor LLC Equity Incentive Plan at the exercise price of $3.00 per common unit. An installment of 25% of the common units subject to the Option shall become vested and exercisable on the first anniversary of the commencement date of your employment and 6.25% of the common units subject to the Option shall become vested and exercisable at the end of each three month period thereafter on the same day of the month as the commencement date (or, if earlier, the last day of such month), subject to your continuing employment with the Company. Other terms of the Option shall be as determined by the Board, and prior to receiving the Option you must execute an option agreement in the form as approved by the Board.

You will be eligible to participate in MagnaChip's employee benefits programs for which you qualify and as are applicable to other MagnaChip employees of your level based in Korea. In addition to that, you shall be entitled to the following expatriate benefits:

(a) 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 employee to legally work and stay in Korea for the duration that the employee is assigned to perform services in Korea.

(b) School tuition for children. The Company will pay gross tuition, including school bus fees, for your two children at a foreign school in Korea.

(c) Housing support. The Company understands that you have located rental housing in Seoul (the "apartment") for which you the lessor requires a key money deposit (*jeonse*) in the amount of KRW750,000,000 (the "key money deposit"). Subject to the conditions set forth herein, the Company agrees to enter a lease arrangement with the apartment owner for your benefit in which the Company leases the apartment and pays the key money deposit in the Company's name; provided, however, that (i) the Company shall in no event be obligated for more than the KRW750,000,000 key money deposit; (ii) the Company shall retain all rights to and under the key money deposit; (iii) you, the apartment owner, and all other holders of security on the apartment agree to provide the Company with a first-priority *jeonse* right registration on the apartment as first-priority security for the Company's key money deposit; (iv) you and the apartment owner shall provide all required assistance to effect such *jeonse* right registration; (v) you shall be responsible for all maintenance fees, resident fees, utilities, and other costs and expenses related to your occupancy of the apartment; and (vi) upon termination of your employment with the Company for any reason, you will immediately (x) vacate the apartment, or (y) arrange for the substitution of the Company on the apartment lease, the return of the full key money deposit to the Company, and the release of the Company from all obligations related to the apartment and this housing support provision. This offer of housing support is conditional upon your tender to the Company of an accurate, up-to-date copy of the real property registry and current and prospective lease agreements for the apartment. If the Company in its sole discretion determines that entering the lease, providing the key money deposit, and effecting the *jeonse* registration are impractical or not in the reasonable best interests of the Company, you and the Company agree to negotiate a suitable substitute arrangement that effects the intent of you and the Company parties under this housing support provision.

(d) Company Car. The Company will furnish a company car with a driver to go to and from work, but during the day, driver will be in a pool for general corporate use.

(e) Tax treatment. The Company shall provide for tax equalization commencing in the tax year when the employment begins through the end of tax year of termination of employment. The employee 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 employee's total tax liability shall not be higher than it would have been had the employee remained in the U.S. The Company will provide tax preparation services to assist the Company with the preparation of the employee's personal income tax returns for the U.S. and Korea.

(f) Vacation. The employee shall be entitled to annual vacation of three weeks per year and, while in an expatriate status in Korea, an additional two weeks of home leave per year, inclusive of business-class flight expenses for one trip to the U.S. for employee.

(g) Health insurance. The employee shall be eligible to participate in or purchase as necessary and be reimbursed for medical, disability and life insurance plans as per the Company's plans and policies.

(h) The Company shall pay or reimburse the employee for all reasonable out-of-pocket expenses incurred by the employee in connection with the employee's employment hereunder upon submission of appropriate documentation or receipts in accordance with the policy and procedures of the Company as are in effect from time to time.

As an employee of MagnaChip organization, you will be expected to abide by MagnaChip's rules and regulations and sign and comply with MagnaChip's form employment agreement for employees based in Korea that includes confidentiality and non-competition provisions. Your employment relationship with MagnaChip is at-will, although you will be eligible for severance programs as required by Korean law. You may terminate your employment with MagnaChip at any time and for any reason whatsoever simply by notifying us. Likewise, MagnaChip may terminate your employment at any time and for any reason whatsoever, with or without cause or advance notice. Upon termination of your employment by MagnaChip without cause, MagnaChip will pay you (i) severance in the form of a continuation of your salary, at the rate in effect on the date of the involuntary termination without cause, for a period of six months, commencing on the date next following the date of the involuntary termination, (ii) payment of the annual incentive, in a prorated amount based on the number of days you were actually employed during the applicable plan year and on deemed satisfactory performance by you and MagnaChip, and (iii) will provide six months' Company-paid benefits for you and your dependents; provided the severance payable to you shall be reduced to the extent that the Company makes any severance payments pursuant to the Korean Commercial Code or any other statute.

This letter forms the complete and exclusive offer of your employment with MagnaChip. No other representative has any authority to modify or enter into an agreement or modification, express or implied, contrary to the foregoing. Any such modification or agreement must be in writing and signed by Sang-ho Park, Robert Krakauer, or Victoria Miller Nam and must clearly and expressly specify an intent to change the at-will nature of your employment.

We look forward to your participation in the future growth of MagnaChip. Please indicate your acceptance of this offer of employment by signing in the space below. Please fax or e-mail an executed copy of this letter to me as soon as possible, with the original to follow by mail.

Sincerely,

/s/ Robert Krakauer
Robert Krakauer
Executive Vice President, Corporate Operations,
and Chief Financial Officer
MagnaChip Semiconductor LLC

THIS EMPLOYMENT OFFER IS WHOLLY AGREED AND ACCEPTED BY:

_/s/ Margaret Sakai_____
Margaret Sakai

[Korean Language Redacted]

THE SECURITIES REPRESENTED HEREBY HAVE BEEN OFFERED IN AN OFFSHORE TRANSACTION TO A PERSON WHO IS NOT A U.S. PERSON (AS DEFINED HEREIN) PURSUANT TO REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT").

THE SECURITIES REPRESENTED HEREBY HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT AND, AS SUCH, THEY MAY NOT BE OFFERED FOR SALE, SOLD, DELIVERED AFTER SALE, TRANSFERRED, PLEDGED, HYPOTHECATED OR EXERCISED (AS APPLICABLE) IN THE ABSENCE OF SUCH REGISTRATION IN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S UNDER THE SECURITIES ACT, PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO REGISTRATION UNDER THE SECURITIES ACT. THE HOLDER OF THE SECURITIES REPRESENTED HEREBY AGREES NOT TO ENGAGE IN HEDGING TRANSACTIONS WITH REGARD TO THE SECURITIES UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.

OPTION AGREEMENT

THIS OPTION AGREEMENT is executed by and between MagnaChip Semiconductor LLC, a Delaware limited liability company (the **"Company"),** and Margaret Sakai (the **"Grantee"**), pursuant to the MagnaChip Semiconductor LLC Equity Incentive Plan (the "**Plan**"). Capitalized terms that are not defined herein shall have the meanings given to such terms in the Plan.

WHEREAS, the Company desires to grant options to purchase its Common Units (the **"Common Units"**) to certain employees of its wholly-owned subsidiary, MagnaChip Semiconductor, Ltd. ("**MagnaChip Korea**");

WHEREAS, the Company has adopted the Plan in order to effect such grants; and

WHEREAS, the Grantee is an employee as contemplated by the Plan, and the Committee has determined that it is in the interest of the Company to grant these options to the Grantee.

NOW, THEREFORE, in consideration of the premises and subject to the terms and conditions set forth herein and in the Plan, the parties hereto agree as follows:

1. Confirmation of Grant.

(a) Confirmation of Grant. The Company hereby evidences and confirms the grant to the Grantee of options to purchase from the Company the number of Common Units (the **"Options"**) at the exercise price per Common Unit (the "**Option Price**") as follows:

Option Price	Number of Units
US$3.00	75,000
US$____	
Total	75,000

The grant of Options to the Grantee is effective as of November 1, 2006 (the **"Grant Date"**), which is the later of (i) the start date of the Grantee's employment at the Company or a subsidiary thereof, or (ii) the date on which the Options are awarded to the Grantee as set forth in the Plan. The "**Vesting Commencement Date"** of the Options for purposes of Section 2(a) below is November 1, 2006.

(b) Options Subject to Plan. The Options granted pursuant to this Agreement are subject in all respects to the Plan, all of the terms of which are made a part of and incorporated into this Agreement. By signing this Agreement, the Grantee acknowledges that the Grantee has been provided a copy of the Plan and has had the opportunity to review such Plan. In the event of a conflict between the terms and conditions of the Plan and this Option Agreement, the terms and conditions of the Plan shall prevail.

(c) Character of Options. The Options granted hereunder are non-qualified options and not intended to be "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended.

2. Exercisability.

(a) Vesting Provisions. An installment of 25% of the Common Units subject to the Options shall become vested and exercisable on the first anniversary of the Vesting Commencement Date and 6.25% of the Common Units subject to the Options shall become vested and exercisable at the end of each three month period thereafter on the same day of the month as the Vesting Commencement Date (or, if earlier, the last day of such month), so that the Options shall become fully vested and exercisable on the fourth anniversary of the Vesting Commencement Date; subject to the Grantee's continuous employment with MagnaChip Korea from the Grant Date to each such vesting date.

(b) Normal Expiration Date. Unless the Options earlier terminate in accordance with Section 4, the Options shall terminate on the tenth anniversary of the Grant Date (the **"Normal Expiration Date"**). Once Options have become vested and exerciseable pursuant to this Section 2, such Options may be exercised, subject to the provisions hereof, at any time and from time to time until the Normal Expiration Date.

3. Method of Exercise and Payment.

All or part of the exercisable Options may be exercised by the Grantee upon (a) the Grantee's written notice to the Company of exercise (on such Exercise Notice as provided by the Company, a form of which is attached hereto as Exhibit A), (b) the Grantee's payment of the Option Price in full at the time of exercise (i) in cash or cash equivalents or (ii) in accordance with such procedures or in such other form as the Committee shall from time to time determine and (c) the Grantee's execution of a joinder to the LLC Agreement (if the Grantee is not then a party to such agreement) in order to become a party to such agreement with respect to the Common Units issuable upon the exercise of such Options.

4. Termination of Employment.

(a) Upon termination of the Grantee's employment, the Options shall be exercisable only in accordance with the terms of the Plan. Notwithstanding anything else contained herein to the contrary, the Committee may at any time extend the post-termination exercise period of all or any portion of the Options up to and including, but not beyond, the Normal Expiration Date of such Options.

(b) Upon any termination of the Grantee's employment prior to a Public Offering, the Company shall have the right to purchase all or any of the Common Units acquired by the Grantee upon exercise of any of the Options (whether acquired before or after such termination) for a cash payment equal to the Fair Market Value of such Common Units on the date of repurchase, provided that if the Grantee's employment is terminated for Cause, then the cash payment shall be equal to the lower of the Fair Market Value and the Option Price of the Common Units so purchased. The Company's repurchase right under this provision shall terminate ninety days after the termination of the Grantee's employment.

5. Tax Withholding.

Whenever Common Units are to be issued pursuant to the exercise of an Option or any cash payment is to be made hereunder, the Company shall have the power to withhold, or require the Grantee to remit to the Company, an amount sufficient to satisfy national, federal, state, and local withholding tax requirements relating to such transaction, and the Company may defer payment of cash or issuance of Common Units until such requirements are satisfied.

6. Nontransferability of Awards or Common Units.

Unless the Committee shall permit (on such terms and conditions as it shall establish) Options and/or Common Units acquired by the Grantee upon exercise of any of the Options to be transferred, no Options or Common Units acquired by the Grantee upon exercise of any of the Options may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution; provided that the Grantee may transfer Options and/or Common Units acquired by the Grantee upon exercise of any of the Options to an immediate family member or family trust, which such family member or family trust shall not be permitted to further transfer such Options or Common Units other than back to the Grantee; further provided that the restrictions on the transfer of Common Units acquired by the Grantee upon exercise of any of the Options shall lapse on the 181st day after a Public Offering. Following the Grantee's death, all rights with respect to Options that were exercisable at the time of the Grantee's death and have not terminated may be exercised by his designated beneficiary, his estate or such transferee as permitted by the Committee.

7. Beneficiary Designation.

The Grantee may from time to time name any beneficiary or beneficiaries (who may be named contingently or successively) by whom any right under the Plan and this Agreement is to be exercised in case of his death. Each designation will revoke all prior designations by the Grantee, shall be in a form reasonably prescribed by the Committee, and will be effective only when filed by the Grantee in writing with the Committee during his lifetime. If no beneficiary is named, or if a named beneficiary does not survive the Grantee, the Successor Holder may exercise the Grantee's rights under the Plan.

8. Requirements of Law.

The issuance of Common Units pursuant to the Options shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. Such issuance may be delayed, if necessary, to comply with applicable laws, including the U.S. federal securities laws and any applicable state or foreign securities laws, and no Common Units shall be issued upon exercise of any Options granted hereunder, if such exercise would result in a violation of applicable law.

9. No Guarantee of Employment.

Nothing in this Agreement shall interfere with or limit in any way the right of the Company or any of its subsidiaries to terminate the Grantee's employment at any time, or confer upon the Grantee any right to continue in the employ of MagnaChip Korea.

10. No Rights as Securityholder.

Except as otherwise required by law, the Grantee shall not have any rights as a securityholder with respect to any Common Units covered by the Options granted hereby until such time as the Common Units issuable upon exercise of such Options have been so issued.

11. Acknowledgements and Representations and Warranties of the Grantee.

(a) The Grantee acknowledges, understands and agrees that:

(i) None of the Options nor any Common Units that may be acquired by the Grantee upon exercise of any of the Options (together, the "**Securities**") have been registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and, unless so registered, may not be offered or sold in the United States or, directly or indirectly, to U.S. Persons (as defined in subsection (c) below), except in accordance with the provisions of Regulation S of the Securities Act ("**Regulation S**"), pursuant to an effective registration statement under the Securities Act, or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;

(ii) Grantee will only offer, transfer or sell the Securities in accordance with the provisions of Regulation S, pursuant to an effective registration statement under the Securities Act, or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;

(iii) Grantee will not engage in hedging transactions with regard to the Securities unless in compliance with the Securities Act;

(iv) The Company will refuse to register any transfer of the Securities not made in accordance with the provisions of Regulation S, pursuant to an effective registration statement under the Securities Act or pursuant to an available exemption from the registration requirements of the Securities Act; and

(v) The Company and others will rely upon the truth and accuracy of the acknowledgements, representations and agreements contained in this Option Agreement, and agrees that if any of such acknowledgements, representations and agreements are no longer accurate or have been breached, the Grantee shall promptly notify the Company.

(b) The Grantee represents and warrants to the Company that:

(i) The Grantee is not a U.S. Person and the Grantee is not acquiring the Securities for the account or benefit of, directly or indirectly, any U.S. Person; and

(ii) The Grantee is outside the United States when receiving and executing this Option Agreement and is acquiring the Securities for investment only and not with a view to resale or distribution and, in particular, it has no intention to distribute either directly or indirectly any of the Securities in the United States or to U.S. Persons.

(c) For purposes of this Option Agreement, "**U.S. Person**" means: (i) any natural person resident in the United States; (ii) any partnership or corporation organized or incorporated under the laws of the United States; (iii) any estate of which any executor or administrator is a U.S. Person; (iv) any trust of which any trustee is a U.S. Person; (v) any agency or branch of a foreign entity located in the United States; (vi) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit of or account of a U.S. Person; (vii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and (viii) any partnership or corporation if (A) organized or incorporated under the laws of any non-U.S. jurisdiction and (B) formed by a U.S. Person principally for the purpose of investing in securities not registered under the

Securities Act, unless it is organized or incorporated, and owned, by accredited investors (as defined below) who are not natural persons, estates or trusts.

12. Interpretation; Construction.

Any determination or interpretation by the Committee under or pursuant to this Agreement shall be final and conclusive on all persons affected hereby. Except as otherwise expressly provided in the Plan, in the event of a conflict between any term of this Agreement and the terms of the Plan, the terms of the Plan shall control.

13. Amendments.

The Committee shall have the right, in its sole discretion, to alter or amend this Agreement, from time to time, as provided in the Plan in any manner for the purpose of promoting the objectives of the Plan, provided that no such amendment shall in any manner adversely affect the Grantee's rights under this Agreement without the Grantee's consent. Subject to the preceding sentence, any alteration or amendment of this Agreement by the Committee shall, upon adoption thereof by the Committee, become and be binding and conclusive on the Grantee without requirement for the Grantee's consent or other action. The Company shall give written notice to the Grantee of any such alteration or amendment of this Agreement as promptly as practicable after the adoption thereof. This agreement may also be amended by a written agreement executed by both the Company and the Grantee.

14. Miscellaneous.

(a) Notices. All notices and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given if delivered personally or sent by certified or express mail, return receipt requested, postage prepaid, or by any recognized international equivalent of such mail delivery, to the Company, or the Grantee, as the case may be, at the following addresses or to such other address as the Company or the Grantee, as the case may be, shall specify by notice to the others:

(i) if to the Company:

c/o MagnaChip Semiconductor Ltd.
891 Daechi-dong Kangnam-gu
Seoul, 135-738 Korea
Attn: General Counsel
Fax: 82-2-3459-3898

(ii) if to the Grantee, to the Grantee at the address as reflected in the Company's books and records.

All such notices and communications shall be deemed to have been received on the date of delivery if delivered personally or on the third business day after the mailing thereof.

(b) Binding Effect; Benefits. This Agreement shall be binding upon and inure to the benefit of the parties to this Agreement and their respective successors and assigns. Nothing in this Agreement, express or implied, is intended or shall be construed to give any person other than the

parties to this Agreement or their respective successors or assigns any legal or equitable right, remedy or claim under or in respect of any agreement or any provision contained herein.

(c) Waiver. Either party hereto may by written notice to the other (i) extend the time for the performance of any of the obligations or other actions of the other under this Agreement, (ii) waive compliance with any of the conditions or covenants of the other contained in this Agreement and (iii) waive or modify performance of any of the obligations of the other under this Agreement. Except as provided in the preceding sentence, no action taken pursuant to this Agreement, including, without limitation, any investigation by or on behalf of either party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained herein. The waiver by either party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any preceding or succeeding breach and no failure by either party to exercise any right or privilege hereunder shall be deemed a waiver of such party's rights or privileges hereunder or shall be deemed a waiver of such party's rights to exercise the same at any subsequent time or times hereunder.

(d) Entire Agreement. This Agreement, together with the Plan, is the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements, understandings, documents, statements, representations and warranties, oral or written, express or implied, between the parties hereto and their respective affiliates, representatives and agents in respect of the subject matter hereof.

(e) Applicable Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF DELAWARE WITHOUT REGARDS TO CONFLICTS OF LAWS PROVISIONS.

(f) Section and Other Headings. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

(g) 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.

IN WITNESS WHEREOF, the Company and the Grantee have duly executed this Agreement as of the date first above written.

MAGNACHIP SEMICONDUCTOR LLC

By: /s/ Sang Park
Name: **Sang Park**
Title: **Chief Executive Officer and Chairman**

GRANTEE

/s/ Margaret Sakai
Name: Margaret Sakai

Exhibit A

Form of Exercise Notice

MAGNACHIP SEMICONDUCTOR LLC

EQUITY INCENTIVE PLAN
EXERCISE NOTICE

MagnaChip Semiconductor LLC
c/o MagnaChip Semiconductor, Ltd.
891 Daechi-dong Kangnam-gu
Seoul, 135-738 Korea

Attention: General Counsel

1. Exercise of Option. Effective as of today, _____, 200__, the undersigned ("Grantee") hereby elects to exercise Grantee's option to purchase _____ Common Units (the "Common Units") of MagnaChip Semiconductor LLC (the "Company") under and pursuant to the Company's Equity Incentive Plan (the "Plan") and the Option Agreement dated , _____, 200__ (the "Option Agreement"). Capitalized terms not defined herein shall have the meanings given to such terms in the Plan and/or the Option Agreement.

2. Delivery of Payment. Grantee herewith delivers to the Company the full purchase price of the Common Units, as set forth in the Option Agreement in such form as permitted by the Option Agreement and the Plan.

3. Representations of Grantee. Grantee acknowledges that Grantee has received, read and understood the Plan and the Option Agreement and agrees to abide by and be bound by their terms and conditions.

4. Rights as a Unitholder. Until the issuance of the Common Units (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive allocations of profits or losses or any other rights as a Member shall exist with respect to the Common Units, notwithstanding the exercise of the Option. The Common Units shall be issued to the Grantee as soon as practicable after the Option is exercised. No adjustment shall be made for a dividend or other right for which the record date is prior to the date of issuance except as provided in Section 12(a) of the Plan.

5. Delivery of Other Documents. As a condition to the exercise of this Option, Grantee shall complete, sign and deliver with this Exercise Notice (i) a signature page for the Company's Securityholders' Agreement and the Company's Operating Agreement in the form as attached hereto as Exhibit A-1, (ii) provided that the Common Units have not been registered under the Securities Act, the Investment Representation Statement in the form attached hereto as Exhibit B, and (iii) and any other documents required by the Company of its holders of Common Units.

6. Non-Transferability of the Common Units. Pursuant to Section 6 of the Option Agreement, unless the Committee shall permit (on such terms and conditions as it shall establish) Options and/or Common Units acquired by the Grantee upon exercise of any of the Options to be transferred, no Options or Common Units acquired by the Grantee upon exercise of any of the Options may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution; provided that the Grantee may transfer Options and/or Common Units acquired by the Grantee upon exercise of any of the Options to an immediate family member or family trust, which such family member or family trust shall not be permitted to further transfer such Options or Common Units other than back to the Grantee; further provided that the restrictions on the transfer of Common Units acquired by the Grantee upon exercise of any of the Options shall lapse on the 181st day after a Public Offering. Following the Grantee's death, all rights with respect to Options that were exercisable at the time of the Grantee's death and have not terminated may be exercised by Grantee's designated beneficiary, Grantee's estate or such transferee as permitted by the Committee.

7. Lock-Up Period. Grantee hereby agrees that Grantee shall not offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Common Units (or the securities into which the Common Units are converted or other securities) of the Company or enter into any swap, hedging or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Common Units (or the securities into which the Common Units are converted or other securities) of the Company held by Grantee (other than those included in the registration) for a period specified by the representative of the underwriters of Common Units (or the securities into which the Common Units are converted or other securities) of the Company not to exceed one hundred eighty (180) days following the effective date of any registration statement of the Company filed under the Securities Act.

Grantee agrees to execute and deliver such other agreements as may be reasonably requested by the Company or the underwriter which are consistent with the foregoing or which are necessary to give further effect thereto. In addition, if requested by the Company or the representative of the underwriters of Common Units (or the securities into which the Common Units are converted or other securities) of the Company, Grantee shall provide, within ten (10) days of such request, such information as may be required by the Company or such representative in connection with the completion of any public offering of the Company's securities pursuant to a registration statement filed under the Securities Act. The obligations described in this Section shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions with respect to the Common Units (or the securities into which the Common Units are converted or other securities) subject to the foregoing restriction until the end of said one hundred eighty (180) day period. Grantee agrees that any transferee of the Options or units acquired pursuant to the Options shall be bound by this Section.

8. Tax Consultation. Grantee understands that Grantee may suffer adverse tax consequences as a result of Grantee's purchase or disposition of the Common Units. Grantee represents that Grantee has consulted with any tax consultants Grantee deems advisable in connection with the purchase or disposition of the Common Units and that Grantee is not relying on the Company for any tax advice.

9. Restrictive Legends and Stop-Transfer Orders.

(a) Legends. Grantee understands and agrees that the Company shall cause the legends set forth below or legends substantially equivalent thereto, to be placed upon any certificate(s) evidencing ownership of the Common Units together with any other legends that may be required by the Company or by state or federal securities laws:

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND, OR REGISTERED OR QUALIFIED UNDER ANY STATE SECURITIES LAWS AND, AS SUCH, THEY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE, DELIVERED AFTER SALE, TRANSFERRED, PLEDGED, OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE ACT OR, IN THE OPINION OF COMPANY COUNSEL SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE THEREWITHIN THE ABSENCE OF SUCH REGISTRATION IN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S UNDER THE SECURITIES ACT, PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO REGISTRATION UNDER THE SECURITIES ACT. THE HOLDER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE AGREES NOT TO ENGAGE IN HEDGING TRANSACTIONS WITH REGARD TO THE SECURITIES UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.

THE COMMON UNITS REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE EXERCISE NOTICE BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE COMMON UNITS, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH TRANSFER RESTRICTIONS ARE BINDING ON TRANSFEREES OF THESE COMMON UNITS.

(b) Stop-Transfer Notices. Grantee agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Common Units that have been sold or otherwise transferred in violation of any of the provisions of this Exercise Notice or (ii) to treat as owner of such Common Units or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Common Units shall have been so transferred.

10. Successors and Assigns. The Company may assign any of its rights under this Exercise Notice to single or multiple assignees, and this Exercise Notice shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Exercise Notice shall be binding upon Grantee and Grantee's heirs, executors, administrators, successors and assigns.

11. Interpretation. Any dispute regarding the interpretation of this Exercise Notice shall be submitted by Grantee or by the Company forthwith to the Administrator which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Administrator shall be final and binding on all parties. For purposes of interpretation and resolving ambiguities, this Exercise Notice, as executed in English, shall prevail over any translation.

12. Governing Law; Severability. This Exercise Notice is governed by the internal substantive laws, but not the choice of law rules, of the State of Delaware. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Exercise Notice will continue in full force and effect.

13. Entire Agreement. The Plan and Option Agreement are incorporated herein by reference. This Exercise Notice (including all exhibits hereto), the Plan, the Option Agreement, the Company's Securityholders' Agreement and the Company's Operating Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Grantee with respect to the subject matter hereof, and may not be modified adversely to the Grantee's interest except by means of a writing signed by the Company and Grantee.

Date Received: _____

Submitted by:
GRANTEE:

_____
Signature

_____
Print Name

Grantee's Address:

_____

_____

_____

Accepted by:
MAGNACHIP SEMICONDUCTOR LLC

_____
Signature

_____
Print Name

_____
Title

EXHIBIT A-1 TO EXERCISE NOTICE

JOINDER TO SECURITYHOLDERS' AGREEMENT AND OPERATING AGREEMENT

This Joinder Agreement (this "Joinder Agreement") is made as of the date written below by the undersigned (the "Joining Party") in accordance with (i) the Second Amended and Restated Securityholders' Agreement dated as of October 6, 2004, by and among, MagnaChip Semiconductor LLC (the "Company"), 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 and (ii) the Operating Agreement (as defined in the Securityholders' Agreement). 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 and the Operating Agreement as of the date hereof and shall have all of the rights and obligations of (i) a "Securityholder" under the Securityholders' Agreement as if it had executed the Securityholders' Agreement and (ii) a "Member" under the Operating Agreement as if it had executed the Operating 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 and the Operating Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Joinder Agreement as of _____, 200__.

Membership Interests Transferred:

Common Units _____

GRANTEE:

_____
Signature

_____
Print Name

Grantee's Address:

_____
_____
_____

Agreed and Accepted by:
MAGNACHIP SEMICONDUCTOR LLC

By: _____
Name: _____
Title: _____

EXHIBIT B TO EXERCISE NOTICE

INVESTMENT REPRESENTATION STATEMENT

GRANTEE: _____

COMPANY: MagnaChip Semiconductor LLC

SECURITY: Common Units

AMOUNT: _____

DATE: _____

Effective as of the date set forth above, in connection with the purchase of the above-listed Securities (the "Securities"), the undersigned Grantee hereby represents and warrants to MagnaChip Semiconductor LLC (the "Company") the following:

(A) Grantee is not a U.S. person, not voting on behalf of or acquiring the Securities for the account or benefit of any U.S. person and will acquire the Securities in an offshore transaction (each such term having the meaning set forth in Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act")).

For purposes of the above representation, "U.S. person" means: (i) any natural person resident in the United States; (ii) any partnership or corporation organized or incorporated under the laws of the United States; (iii) any estate of which any executor or administrator is a U.S. person; (iv) any trust of which any trustee is a U.S. person; (v) any agency or branch of a foreign entity located in the United States; (vi) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit of or account of a U.S. person; (vii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and (viii) any partnership or corporation if (A) organized or incorporated under the laws of any non-U.S. jurisdiction and (B) formed by a U.S. person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organized or incorporated, and owned, by accredited investors (as defined below) who are not natural persons, estates or trusts.

(B) Grantee agrees not to engage in hedging transactions with regard to the Securities unless in compliance with the Securities Act.

(C) Grantee understands that no public market currently exists for the Securities and that there are no assurances that any such market will be created.

(D) Grantee acknowledges that certificates representing the Securities will bear the following legend, in addition to any legends otherwise required:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND 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 IN THE ABSENCE OF SUCH REGISTRATION IN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S UNDER THE SECURITIES ACT, PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO REGISTRATION UNDER THE SECURITIES ACT. THE HOLDER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE AGREES NOT TO ENGAGE IN HEDGING TRANSACTIONS WITH REGARD TO THE SECURITIES UNLESS IN COMPLIANCE WITH THE SECURITIES ACT."

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE EXERCISE NOTICE BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SECURITIES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH TRANSFER RESTRICTIONS ARE BINDING ON TRANSFEREES OF THESE SECURITIES."

(E) Grantee acknowledges and agrees that:

(i) The Securities have not been, and there is no assurance that the Securities will ever be, registered under the Securities Act, and in issuing the Securities to Grantee, the Company is relying upon the "safe harbor" provided by Regulation S under the Securities Act;

(ii) It is a condition to the availability of the Regulation S "safe harbor" that the Securities not be offered or sold in the United States or to a U.S. person until the expiration of a period of one year following the purchase of the Securities (the "Distribution Compliance Period");

(iii) Until the expiration of the Distribution Compliance Period:

(a) Grantee has not and will not solicit offers to buy, offer for sale or sell any of the Common Units or any beneficial interest therein in the United States or to or for the account of a U.S. person;

(b) Notwithstanding the foregoing, prior to the expiration of the Distribution Compliance Period, the Common Units may be offered and sold by Grantee only if: (A) the offer or sale is within the United States or for the account of a U.S. person (as such terms are defined in Regulation S), the Common Units are offered and sold pursuant to an effective registration statement or pursuant to an exemption from the registration requirements of the Securities Act; or (B) the offer and sale is outside the United States and to other than a U.S. person; and

(c) The foregoing restrictions are binding upon subsequent transferees of the Securities, except for transferees pursuant to an effective registration statement. Grantee agrees that after the Distribution Compliance Period, the Securities may be offered or sold within the United States or to or for the account of a U.S. person only pursuant to applicable securities laws.

(iv) Grantee has not engaged, nor is Grantee aware that any party has engaged, and Grantee will not engage or cause any third party to engage, in any directed selling efforts (as such term is defined in Regulation S) in the United States with respect to the Securities;

(v) Grantee is not a “distributor” (as defined in Regulation S) or a “dealer” (as defined in the Securities Act); and

(vi) Grantee acknowledges that the Company shall make a notation in its stock books regarding the restrictions on transfer set forth in this Section (E) and shall transfer such Securities on the books of the Company only to the extent consistent herewith. In particular, Grantee acknowledges that the Company shall refuse to register any transfer of the Securities not made in accordance with the provisions of Regulation S, pursuant to registration under the Securities Act or pursuant to an available exemption from registration.

(F) Grantee will notify any purchaser of the Securities from Grantee of the restrictions relating to the Securities noted herewith.

(G) Grantee has full power and authority to deliver this Investment Representation Statement in relation to the Grantee's purchase of the Securities.

(H) Grantee acknowledges that the Company and is entitled to rely on the truth and accuracy of the foregoing representations and warranties and that the foregoing representations and warranties will survive Grantee's admission as a member of the Company.

(I) Grantee acknowledges that these representations and warranties may be translated into one or more languages other than English. In case of any inconsistency between the English version of these representations and warranties and a version in any other language, the English version shall prevail. In the event Grantee executes and delivers a non-English version of these representations and warranties, such execution and delivery will also be deemed to be execution and delivery of the English version of these representations and warranties.

(J) Grantee represents and warrants that the above acknowledgements, representations and agreements are true and accurate as of the date hereof. Grantee also agrees to inform the Company should any of the information contained in these representations and warranties cease to be true and/or accurate. Grantee acknowledges that in the event it does not inform the Company of any change to the information contained in these representations and warranties, the Company and its respective professional advisers will be entitled to continue to rely on the truth and accuracy of the foregoing representations and warranties until and including the date the Grantee purchases the Securities.

GRANTEE:

Signature

Print Name

Grantee’s Address:

Exhibit 21.1

Subsidiaries of the Registrant

Subsidiary	Jurisdiction of Incorporation
MagnaChip Semiconductor LLC	Delaware
MagnaChip Semiconductor S.A.	Luxembourg
MagnaChip Semiconductor B.V.	The Netherlands
MagnaChip Semiconductor, Ltd.	Korea
MagnaChip Semiconductor, Inc.	California
MagnaChip Semiconductor SA Holdings LLC	Delaware
MagnaChip Semiconductor Finance Company	Delaware
MagnaChip Semiconductor Limited	United Kingdom
MagnaChip Semiconductor Limited	Taiwan
MagnaChip Semiconductor Limited	Hong Kong
MagnaChip Semiconductor Inc.	Japan
MagnaChip Semiconductor Holding Company Limited	British Virgin Islands
MagnaChip Semiconductor (Shanghai) Company Limited	China

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Amendment No. 2 to Registration Statement on Form S-1 (as amended, the “Registration Statement”) of our report dated January 30, 2008 relating to the consolidated financial statements of MagnaChip Semiconductor LLC, which appears in such Registration Statement. We also consent to the references to us under the headings “Experts” in such Registration Statement.

/s/ Samil PricewaterhouseCoopers
Seoul, Korea
March 31, 2008