

Arconic Inc.
Form DEFA14A
April 05, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 14A
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Rule 14a-12

ARCONIC INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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- (1) Title of each class of securities to which transaction applies:

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(3) Filing Party:

(4) Date Filed:

FOR IMMEDIATE RELEASE

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Arconic Board Issues New Letter to Shareholders

\$8 Billion of Shareholder Value Created in 8 Years

through Business Transformation and Separation

Independent Directors Address Elliott's Misleading Statements

Vote FOR the Company's Nominees on the WHITE Proxy Card to Vote FOR a

Board that Has Created Shareholder Value and Has a Clear Plan for Success

NEW YORK, April 5, 2017 The Arconic (NYSE: ARNC) Board of Directors today issued a new letter to shareholders. Information regarding the Company's track record and plan for continued value creation is available in its presentation to shareholders dated March 27, 2017. The presentation and other materials are available at www.arconic.com/annualmeeting. The Company urges shareholders to vote FOR the Company's nominees and governance proposals on the WHITE proxy card.

The full text of the letter follows:

April 5, 2017

Dear Fellow Arconic Shareholder:

You have an important decision to make regarding your investment in Arconic at the upcoming Annual Meeting. The Arconic Board of Directors and management team are committed to shareholder value creation while upholding the highest ethical standards and principles of good governance. We want to ensure shareholders have the facts to make an informed decision, while Elliott Management continues to make misleading statements about Arconic.

The Arconic Board and management team have outlined a detailed roadmap for the future success of the Company that we believe will enhance value for all shareholders. Core to this strategy is a focus on the right markets with advantageous growth characteristics like the aerospace and automotive industries. We believe Arconic's expertise in innovation and strong customer relationships will drive above-

market growth in sales, and the Company will continue productivity enhancements and cost reduction actions to help drive profits. As a result of the Company's leadership team successfully executing the complex, multi-year transformation of Alcoa Inc., and the launch of Arconic and Alcoa Corporation, the Company is in a strong position to continue driving value for shareholders.

What is Elliott doing?

Elliott is promoting a misleading view of Klaus Kleinfeld's track record of Total Shareholder Return (TSR). In calculating TSR, three key questions should be asked: What is the start date for the analysis? What is the end date for the analysis? What are the relevant indices for comparison purposes?

Regarding the first question, Arconic's Board determined that the 62 percent plunge in the price of aluminum during Mr. Kleinfeld's first months as CEO, and the impact of high financial leverage that Mr. Kleinfeld inherited, resulted in a dramatic stock price decline that was outside of management's control. Therefore, our shareholder return analysis starting point is March 18, 2009, the point at which Alcoa Inc. was recapitalized.

Second, in terms of end dates, we cannot imagine an analysis that does not include the separation of Alcoa Inc. into Arconic and Alcoa Corporation, given that it was a critical milestone in the Company's strategic plan that has created significant value for shareholders.

Third, separate from Elliott's biased selection of start and end dates for its TSR analysis, we also looked at value creation for Alcoa Inc.'s shareholders since March 18, 2009, and found that Alcoa Inc. TSR outperformed both the S&P 500 Metals & Mining Index and the overall S&P Metals & Mining Index since 2009.² These well-established third-party sector indices serve as appropriate benchmarks for evaluating relative performance, given Alcoa Inc. was included in the S&P 500 Metals & Mining Index and the S&P Metals & Mining Index every year leading up to the separation.

The fact is that CEO Klaus Kleinfeld has led Alcoa Inc., now Arconic, to create approximately \$8 billion³ in shareholder wealth over the last eight years, reflecting total shareholder returns of 182 percent.⁴ In addition to Alcoa Inc. creating more value for shareholders than the S&P 500 Metals & Mining and the S&P Metals & Mining Indices,⁵ if you are a new shareholder and invested in Arconic on its first day

¹ LME aluminum cash price dropped 62% between July 2008 and February 2009. Calculated using data sourced from Bloomberg.

² The indices that Alcoa Inc. was included in every year leading up to the separation: S&P 500 Metals & Mining Index and S&P Metals & Mining Index performance reflects the period March 18, 2009 to March 1, 2017. Performance calculated based on closing prices using data sourced from Capital IQ.

³ Value represents the aggregate change in market value of the total shares outstanding of Alcoa Inc. from March 18, 2009 through March 1, 2017, plus dividends. Analysis begins on March 18, 2009, the day prior to Alcoa Inc.'s recapitalization. Management and the Board took decisive action to stabilize Alcoa Inc. in the face of extreme market headwinds. On March 19, 2009, Alcoa Inc. priced \$906M of common equity and \$575M of convertible debt, which ensured Alcoa Inc. would have adequate liquidity to survive the 2009 financial crisis. Calculation based on closing prices and reflects Arconic analysis of Capital IQ data.

⁴ Represents package value to Alcoa Inc. shareholders from March 18, 2009 through March 1, 2017. Package value to Alcoa Inc. shareholders includes Alcoa Inc. total shareholder return through October 31, 2016. From November 1, 2016 through March 1, 2017, package value to the Alcoa Inc. shareholder is calculated based on the performance of 1 share of Arconic and 1/3 share of Alcoa Corp. On November 1, 2016, as a result of the separation, every shareholder of Alcoa Inc. retained 1 share of Arconic and received 1/3 share of Alcoa Corp. for

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every 1 share of Alcoa Inc.; the package value calculates the total value to the former Alcoa Inc. shareholder over the specified time period. Calculation based on closing prices and reflects Arconic analysis of Capital IQ data.
5 The indices that Alcoa Inc. was included in every year leading up to the separation: S&P 500 Metals & Mining Index and S&P Metals & Mining Index performance reflects the period March 18, 2009 to March 1, 2017. Performance calculated based on closing prices using data sourced from Capital IQ.

of trading on November 1, 2016,⁶ you have seen a return of 57 percent. Arconic's performance is significantly better than both the S&P 500 Industrials Index and the S&P 500 Aerospace & Defense Index in that same timeframe.⁷

In fact, in a presentation to Alcoa Inc. on November 9, 2015, Elliott applauded the Board and current Arconic leadership for creating shareholder value:

Elliott would like to commend the Board and management team for the significant steps taken to build a better Alcoa [Inc.] and maximize value for shareholders.⁸

Has Elliott offered a plan?

It has become increasingly evident that Elliott Management – an activist hedge fund investor – has no serious plan for the future of Arconic and instead has relied largely on misleading attacks on Arconic's track record. The Board's extensive review of Elliott's claims has made it clear to us that they do not understand Arconic's business or what is needed to maximize value for shareholders. In addition to using a misleading shareholder value creation analysis, Elliott:

Misuses and misunderstands industry data

Compares Arconic to companies that are different in structure or industry

Advocates for a CEO who is legally restricted from serving as Arconic's CEO

Fails to appreciate that close, collaborative partnerships with customers are critical for our future success. Even setting aside Elliott's many misrepresentations and attacks throughout its campaign, **Elliott has not produced any operational plan for the future of Arconic.**

Does Elliott understand Arconic's business?

Elliott has shown a clear lack of understanding of Arconic's business. Elliott made numerous revisions to its investor presentations to try to correct its flawed and misleading analysis of Arconic's business, and it has concealed the changes. For example, Elliott revised its perceived opportunity in Arconic's Global Rolled Products (GRP) business from \$750 million in cost savings down to \$245 million in cost savings, and it slashed the share price percentage upside that Elliott believed it could deliver from GRP margin improvement by over 65 percent⁹.

The fact is that this business is already in-line or better than its 10 largest competitors. And, Arconic's management team has a strategy in place to further improve the cost and margin structure by approximately \$100 million by 2019.¹⁰

⁶ Performance of Arconic reflects the period November 1, 2016 to March 1, 2017. Performance calculated based on closing prices using data sourced from Capital IQ.

⁷ The indices that Arconic has been included in since the separation: S&P 500 Industrials Index and S&P 500 Aerospace & Defense Index performance reflects the period November 1, 2016 to March 1, 2017. Performance

calculated based on closing prices using data sourced from Capital IQ.

8 Permission to use quotations neither sought nor obtained.

9 Elliott Definitive Proxy Statement, filed March 9, 2017, p. 11.

10 Based on Arconic GRP 2016 revenue of \$4.9B.

In addition, Elliott compares the profitability of Arconic's Engineered Products and Solutions (EPS) segment with the profitability of Precision Cast Parts (PCP), without acknowledging the significant differences between the two businesses. In reality, Arconic EPS is different in scale and business mix to PCP. In most segments where the two businesses are comparable, Arconic's margins are in-line or better than PCP's. In segments where there are differences, Arconic has been attacking the margin gap through technology investments, increased capacity utilization, strategic acquisitions and organic expansions.

A recent report by aerospace analysts at Cowen and Company¹¹ highlighted Elliott's misleading analysis:

The margin gap between ARNC's EPS segment and PCP (F15) cannot be eliminated for a host of reasons. **In effect, the benchmark that Elliott cites is an unrealistic bar.**

It has become clear that Elliott in fact has no idea how to actually operate Arconic to create value for shareholders.

What is the nature of Elliott's agreement with Larry Lawson?

It appears that Elliott's only concrete plan is to replace Mr. Kleinfeld, Arconic's current CEO, with Larry Lawson, a former Spirit AeroSystems CEO, **who is legally restricted from serving as Arconic's CEO** due to a non-compete agreement with his former employer. Elliott failed to provide the full details of its relationship with Mr. Lawson when it began calling for him to become Arconic's CEO. When Elliott's agreement with Mr. Lawson was finally made public, it revealed the troubling fact that if Mr. Lawson became Arconic's CEO, he would **remain on Elliott's payroll for years.**

In fact, Elliott has already paid Mr. Lawson approximately \$6.6 million in consulting fees and indemnification payments and, in total, Elliott has agreed to pay him approximately \$28 million over the course of the next two years. Shareholders must therefore ask how Elliott's proposed compensation arrangements with Mr. Lawson would influence his actions if he were to become CEO, and whether he would truly serve the interests of ALL Arconic shareholders.

Does Elliott's analysis consider the importance of customer relationships?

Customers are the lifeblood of our business. Our largest customers, key to our future success, including Airbus Group, The Boeing Company, United Technologies Corp., and GE Aviation have proactively expressed their support for the work Arconic is doing with them, its importance to their businesses and their respect and support for Mr. Kleinfeld, Arconic's CEO:

What I particularly value is Klaus' deep understanding of the critical levers to support OEM goals. As CEO of Airbus, I fully support his continued leadership of Arconic.

Tom Enders, CEO, Airbus Group, March 2017

Klaus Kleinfeld and his team have improved our business relationship by focusing in the right areas, increasing our collective competitiveness and delivering innovation and greater value to the customers we serve together.

Dennis Muilenburg, Chairman, President & CEO, The Boeing Company, March 2017

- ¹¹ Cowen and Company equity research report, ARNC Initiation: PCP s Margin Bogey is Unrealistic , March 29, 2017; Permission to use quotations neither sought nor obtained.

[We] support Klaus and the rest of Arconic management as they remain focused on the investments that will secure sustainable, long-term growth for UTC, for Arconic, and for our entire industry.

Greg J. Hayes, Chairman, President & CEO of United Technologies Corp., March 2017

Investments in technology and rate readiness are more important than ever within the supply chains of our growing aviation industry. GE supports Klaus and the Arconic commitment to those priorities and the long-term future of our industry.

David Joyce, GE Vice Chair and GE Aviation President & CEO, February 2017

What other misinformation is Elliott communicating?

Because Elliott has no credible plan for Arconic, Elliott has sought to distract shareholders by mischaracterizing an agreement with Oak Hill. This is a false claim designed to mislead.

When Arconic and Oak Hill resolved a working capital adjustment relating to the Firth Rixson transaction in August 2016, one of the many terms of the agreement was a commitment by Oak Hill to vote its Arconic shares in the manner recommended by the Arconic Board, which has a fiduciary duty to act in the best interests of Arconic's shareholders. No additional value was given to Oak Hill by Arconic for the voting commitment and Oak Hill only held about two percent of Arconic's shares and was free to sell them - and thereby terminate the commitment - at any time.

In the end, the voting commitment did not have any effect at all. There was no election of directors or contested vote after it was entered into and, after carefully reviewing the commitment in the context of the current proxy contest, management and the Arconic Board decided to release Oak Hill from its commitment in order to facilitate the fullest participation by all shareholders in the current proxy contest.

In short, Elliott has made false claims and mischaracterized an ordinary course agreement in a deliberate attempt to divert attention away from what is really at stake in this proxy contest: who are the best qualified director nominees to oversee the execution of the Company's strategy to enhance shareholder value.

Arconic's Board and management offer you a clear plan for the continued success of the Company and further enhancement of shareholder value. Elliott offers no operational plan, flawed and misleading analysis, and an ineligible CEO candidate on its own payroll. **We believe the choice is clear. To protect the future of Arconic and the value of your investment we urge you to vote the WHITE proxy card TODAY.**

Thank you.

The Independent Directors of Arconic Inc.:

Patricia F. Russo, Lead Independent Director
Arthur D. Collins, Jr.
David P. Hess
E. Stanley O'Neal
L. Rafael Reif
Ulrich Schmidt

Amy E. Alving
Rajiv L. Gupta
Sean O. Mahoney
John C. Plant
Julie G. Richardson
Ratan N. Tata

VOTE THE WHITE PROXY CARD TODAY

Your Vote Is Important, No Matter How Many or How Few Shares You Own

Please vote today by telephone, via the Internet or by signing, dating and returning the WHITE proxy card. Simply follow the easy instructions on the **WHITE** proxy card.

If you have questions or need assistance, please contact:

INNISFREE M&A INCORPORATED

Shareholders Call Toll-Free: (877) 750-5836

Banks and Brokers Call Collect: (212) 750-5833

REMEMBER:

Please simply discard any Blue proxy card that you may receive from Elliott Management.

Returning a Blue proxy card even if you withhold on Elliott Management's nominees will revoke any vote you had previously submitted on Arconic's WHITE proxy card.

About Arconic

Arconic (NYSE: ARNC) creates breakthrough products that shape industries. Working in close partnership with our customers, we solve complex engineering challenges to transform the way we fly, drive, build and power. Through the ingenuity of our people and cutting-edge advanced manufacturing techniques, we deliver these products at a quality and efficiency that ensure customer success and shareholder value. For more information: www.arconic.com. Follow @arconic: [Twitter](#), [Instagram](#), [Facebook](#), [LinkedIn](#) and [YouTube](#).

Dissemination of Company Information

Arconic intends to make future announcements regarding Company developments and financial performance through its website at www.arconic.com.

Forward Looking Statements

This communication contains statements that relate to future events and expectations and as such constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements include those containing such words as anticipates, believes, could, estimates, expect, forecasts, guidance, goal, intends, may, outlook, plans, projects, seeks, sees, should, targets, words of similar meaning. All statements that reflect Arconic's expectations, assumptions or projections about the future, other than statements of historical fact, are forward-looking statements, including, without limitation, forecasts relating to the growth of end markets and potential share gains; statements and guidance regarding future financial results or operating performance; and statements about Arconic's strategies, outlook, business and financial prospects. Forward-looking statements are not guarantees of future performance, and it is possible that actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks and uncertainties, including, but not limited to: (a) deterioration in global economic and financial market conditions generally;

(b) unfavorable changes in the markets served by Arconic; (c) the inability to achieve the level of revenue growth, cash generation, cost savings, improvement in profitability and margins, fiscal discipline, or strengthening of competitiveness and operations anticipated from restructuring programs and productivity improvement, cash sustainability, technology advancements, and other initiatives; (d) changes in discount rates or investment returns on pension assets; (e) Arconic's

inability to realize expected benefits, in each case as planned and by targeted completion dates, from acquisitions, divestitures, facility closures, curtailments, expansions, or joint ventures; (f) the impact of cyber attacks and potential information technology or data security breaches; (g) political, economic, and regulatory risks in the countries in which Arconic operates or sells products; (h) the outcome of contingencies, including legal proceedings, government or regulatory investigations, and environmental remediation; and (i) the other risk factors discussed in Arconic's Form 10-K for the year ended December 31, 2016, and other reports filed with the U.S. Securities and Exchange Commission (SEC). Arconic disclaims any obligation to update publicly any forward-looking statements, whether in response to new information, future events or otherwise, except as required by applicable law. Market projections are subject to the risks discussed above and other risks in the market.

Non-GAAP Financial Measures

Some of the information included in this communication is derived from Arconic's consolidated financial information but is not presented in Arconic's financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Certain of these data are considered non-GAAP financial measures under SEC rules. Arconic has not provided a reconciliation of any forward-looking non-GAAP financial measures to the most directly comparable GAAP financial measures because Arconic is unable to quantify certain amounts that would be required to be included in the GAAP measure without unreasonable efforts, and Arconic believes such reconciliations would imply a degree of precision that would be confusing or misleading to investors. In particular, reconciliations of forward-looking non-GAAP financial measures such as adjusted EBITDA margin to the most directly comparable GAAP measures are not available without unreasonable efforts due to the variability and complexity with respect to the charges and other components excluded from these non-GAAP measures, such as the effects of foreign currency movements, equity income, gains or losses on sales of assets, taxes and any future restructuring or impairment charges. These reconciling items are in addition to the inherent variability already included in the GAAP measures, which includes, but is not limited to, price/mix and volume.

T SIZE=2> 2.03 *Financial Literacy.* Each member shall be financially literate at the time of his or her appointment, as determined by the Board, or shall become financially literate within a reasonable period of time after his or her appointment to the Audit Committee; and

2.04 *Financial Expert.* At least one member of the Audit Committee shall be a "financial expert" as defined by the corporate governance rules and regulations of the SEC, in effect from time to time and in accordance with the time frames specified therein, as determined by the Board.

2.05 *Service on More Than Three Audit Committees.* A Board member who simultaneously serves on the audit committees of more than three public companies shall not be eligible to serve on the Company's Audit Committee, unless the Board affirmatively determines that such simultaneous service does not impair the ability of such member to effectively serve on the Company's Audit Committee and the Company discloses such determination in the Company's annual proxy statement.

2.06 *Committee Compensation.* The fees paid to members of the Audit Committee shall be determined by the Board in its sole discretion.

3. CHAIRMANSHIP

3.01 *Chairman.* Unless the Board elects the Audit Committee Chairman, the members of the Audit Committee shall designate a Chairman by the majority vote of the full Audit Committee membership.

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4. DUTIES AND RESPONSIBILITIES

In order to carry out the purpose described above, the Audit Committee shall undertake those specific duties and responsibilities listed below and such other duties as the Board may from time to time prescribe.

4.01 *Authority to Engage Advisors and Funding.* The Audit Committee shall have the authority to engage independent counsel and other advisors, as it deems necessary to carry out its duties. The Company shall provide for appropriate funding, as determined by the Audit Committee, in its capacity as a committee of the Board, for payment of: (a) compensation to any registered public accounting firm engaged for the purposes of preparing or issuing an audit report or performing other audit, review or attest services; (b) compensation to any advisors employed by the Audit Committee pursuant to this Section 4.01 and (c) ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

4.02 *Access.* The Audit Committee shall enjoy full access to the Company's officers, employees and independent advisors as may be appropriate or necessary to carry out its responsibilities, subject to reasonable advance notice to the Company and reasonable efforts to avoid disruption to the Company's management, business and operations. To avoid disruption, such requests for access shall be coordinated through the Chairman of the Audit Committee.

4.03 *Financial Reporting Discussions and Reviews.*

4.03.01 The Audit Committee shall discuss with management and the independent auditors the annual audited financial statements and quarterly unaudited financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," prior to filing with the SEC the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, respectively.

4.03.02 The Audit Committee shall discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's annual and quarterly financial statements, including any (a) significant changes in the Company's selection or application of accounting principles, (b) major issues as to the adequacy of the Company's internal controls, and (c) special steps adopted by the Company in light of identified material control deficiencies.

4.03.03 The Audit Committee shall discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made) and need not take place in advance of each earnings release.

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4.03.04 The Audit Committee shall review annually, prior to the completion of the independent auditor's annual audit of the Company's year-end financial statements (the "Annual Audit"), the independent auditor's report that describes (a) the critical accounting policies and practices to be used in the Annual Audit, (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments on the Company's financial statements, and the treatment preferred by the independent auditor, and (c) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences. Review annually any reports on such topics or similar topics prepared by management.

4.03.05 The Audit Committee shall discuss with the independent auditor any material issues raised in the report referred to in Section 4.03.04.

4.03.06 The Audit Committee shall review quarterly any reports addressed to management prepared by the independent auditors or internal auditors and any responses thereto.

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4.04 *Management of the Independent Auditor Relationship.*

4.04.01 The Audit Committee, in its capacity as a committee of the Board, shall be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm employed by the Company (including resolutions of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, permissible non-audit, review or attest services for the Company and each such registered public accounting firm shall report directly to the Audit Committee.

4.04.02 The Audit Committee shall pre-approve all audit and non-audit services provided to the Company by the independent auditors, except for such de minimus non-audit services for which the pre-approved requirements are waived in accordance with the rules and regulations of the SEC. The Audit Committee may delegate to one or more of its members the authority to grant such pre-approvals, provided that any such decision of such member or members must be presented to the full Audit Committee at its next scheduled meeting.

4.04.03 The Audit Committee shall review at least annually the rotation of the lead independent audit partner, concurring partner and other independent auditor personnel to ensure rotations comply with applicable law.

4.04.04 The Audit Committee shall review quarterly with the independent auditors, internal audit and management the status of any previously approved changes or improvements in financial or accounting practices and internal controls.

4.04.05 The Audit Committee shall review at least annually the effects on the Company's financial statements of regulatory and accounting initiatives, if any, as well as any off-balance sheet structures.

4.05 *Financial Reporting Process.*

4.05.01 *Annually.*

4.05.01.01 The Audit Committee shall annually, obtain and review the independent auditor's report regarding: (a) the audit firm's internal quality-control procedures; (b) any material issues raised by the most recent internal quality-control review, or peer review, of the audit firm; and (c) all relationships between the independent auditor and the Company.

4.05.01.02 The Audit Committee shall at least annually, assess the qualifications, performance and independence of the independent auditor, including the lead partner, based on the report referred to immediately above and the opinions of management and of the internal auditors. The Audit Committee shall take appropriate action to satisfy itself of the independence of the auditor, including whether the provision of non-audit services by the independent auditor is compatible with the auditor's independence. The Audit Committee shall present its conclusion regarding the independence of the outside auditor to the Board at least annually.

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4.05.01.03 The Audit Committee shall obtain assurance from the independent auditors that the Annual Audit was conducted in a manner consistent with Section 10A of the Securities Exchange Act of 1934.

4.05.01.04 The Audit Committee shall review with the independent auditors any audit problems or difficulties encountered in the course of the audit work, including any restrictions placed on the scope of the independent auditors activities or on access to information or personnel, and the adequacy of management's response. This review shall also include a discussion of the responsibilities, budget and staffing pertaining to the Company's internal controls, including its Internal Audit Department.

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4.05.01.05 The Audit Committee shall discuss with the Company's independent auditors the matters required to be discussed by Statement on Accounting Standard No. 61, as it may be modified or supplemented.

4.05.01.06 The Audit Committee shall review with management the Company's disclosure controls, procedures and checklists, including compliance therewith, used in the preparation of the Company's report of financial results and operations.

4.05.02 *Quarterly.*

4.05.02.01 The Audit Committee shall direct the Company's independent auditors to review, before being filed with the SEC, the Company's interim financial statements included in Quarterly Reports on Form 10-Q, using professional standards and procedures for conducting such reviews.

4.05.02.02 The Audit Committee shall review with management the Company's disclosure controls, procedures and checklists, including compliance therewith, used in the preparation of the Company's report of financial results and operations.

4.06 *Compliance/General.*

4.06.01 The Audit Committee shall review at least quarterly the adequacy of the Company's system of internal controls, including meeting periodically with the Company's management, internal auditors (or the personnel responsible for the internal audit function) and the independent auditors.

4.06.02 The Audit Committee shall review periodically, with the Company's General Counsel or his designee, the Company's compliance with legal and regulatory requirements. The Audit Committee may also discuss periodically with the General Counsel or his delegate legal matters that may have a significant impact on the Company's financial statements.

4.06.03 The Audit Committee shall meet separately, periodically, with management, internal audit and the independent auditor.

4.06.04 The Audit Committee shall discuss guidelines and policies with respect to risk assessment and risk management and the steps management has taken to monitor and control such exposures, including exposure to major financial risk, it being understood that it is the job of management to assess and manage the Company's exposure to risk and that the Audit Committee's responsibility is to discuss guidelines and policies by which risk assessment and management is undertaken.

4.06.05 The Audit Committee shall set clear hiring policies with respect to employees or former employees of the independent auditors.

4.06.06 The Audit Committee shall at least annually conduct a performance evaluation of the Audit Committee.

4.06.07 The Audit Committee shall establish procedures for: (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

4.06.08 The Audit Committee shall oversee compliance with the SEC requirements for disclosure of auditor's services, fees, Audit Committee member qualifications and activities.

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4.07 *Reports.*

4.07.01 The Audit Committee shall report regularly to the Board regarding the Audit Committee's activities, examinations and recommendations, as may be appropriate and as are consistent with this Charter.

4.06.03 The Audit Committee shall report at least annually to the Board the Audit Committee's conclusions as to the independent auditors.

4.07.02 The Audit Committee shall report annually to the Company's shareholders by way of a report in the proxy statement prepared in accordance with the requirements of the rules and regulations of the SEC, including, but not limited to, Item 306 of Regulation S-K and Item 7(d)(3) of Schedule 14A.

4.08 *Authority to Delegate to Subcommittee.* The Audit Committee shall have authority to delegate any of its responsibilities to a subcommittee or subcommittees as it may deem appropriate in its judgment. The subcommittee(s) shall be subject to this Charter.

5. MEETINGS

5.01 *Meetings.* The Audit Committee shall meet with such frequency and at such intervals as it shall determine necessary to carry out its duties and responsibilities, but in any case, not less than four times per year (generally once each quarter). The Audit Committee may establish its own schedule, which it will provide annually to the Board in advance. The Chairman of the Audit Committee or a majority of the Audit Committee members may call meetings of the Audit Committee. Meetings of the Audit Committee may be held telephonically.

5.02 *Meeting Attendance and Invitees.* All non-management directors that are not members of the Audit Committee may attend meetings of the Audit Committee but may not vote. Additionally, the Audit Committee may invite to its meetings any director, officer of the Company and such other persons as it deems appropriate in order to carry out its responsibilities. The Audit Committee may also exclude from its meetings any persons, other than committee members, it deems appropriate in order to carry out its responsibilities.

6. MINUTES

The Audit Committee will maintain written minutes of its meetings, which minutes shall be filed with the minutes of the meetings of the Board.

7. VOTING

Each member of the Audit Committee shall have one vote on any matter requiring action by the Audit Committee. One-third of the members, but no fewer than two members, shall constitute a quorum. The Audit Committee shall be authorized to take any permitted action only by the affirmative vote of a majority of the Audit Committee members present at any meeting at which a quorum is present, or by the unanimous written consent of all of the Audit Committee members. The Chairman shall be entitled to cast a vote to resolve any ties.

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APPENDIX B

**MICRON TECHNOLOGY, INC.
1989 EMPLOYEE STOCK PURCHASE PLAN**

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The following constitute the provisions of the 1989 Employee Stock Purchase Plan of Micron Technology, Inc.:

1. *Purpose.* The purpose of the Plan is to provide employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock of the Company through accumulated payroll deductions. It is the intention of the Company to have the Plan qualify as an "Employee Stock Purchase Plan" under Section 423 of the Internal Revenue Code of 1986, as amended. The provisions of the Plan shall, accordingly, be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code.

2. *Definitions.*

- (a) "*Board*" shall mean the Board of Directors of the Company.
- (b) "*Code*" shall mean the Internal Revenue Code of 1986, as amended.
- (c) "*Committee*" shall mean the committee of the Board appointed by the Board to administer the Plan, if any is appointed.
- (d) "*Common Stock*" shall mean the Common Stock, \$.10 par value, of the Company.
- (e) "*Company*" shall mean Micron Technology, Inc., a Delaware corporation.
- (f) "*Compensation*" with respect to any Employee means such Employee's wages, salaries, fees for professional services and other amounts received for personal services actually rendered in the course of employment with the Company or its designated subsidiaries to the extent that the amounts are includible in gross income (including, but not limited to, commissions paid to salesmen, compensation for services on the basis of a percentage of profits, tips, and bonuses).

Compensation shall exclude (a)(1) contributions made by the employer to a plan of deferred compensation to the extent that, the contributions are not includible in the gross income of the Employee for the taxable year in which contributed, (2) employer contributions made on behalf of an Employee to a simplified employee pension plan described in Code Section 408(k) to the extent such contributions are excludable from the Employee's gross income, (3) any distributions from a plan of deferred compensation; (b) amounts realized from the exercise of a non-qualified stock option, or when restricted stock (or property) held by an Employee either becomes freely transferable or is no longer subject to substantial risk of forfeiture; (c) amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option; (d) other amounts which receive special tax benefits, such as premiums for group-term life insurance (but only to the extent that the premiums are not includible in the gross income of the employee), or contributions made by the employer (whether or not under a salary reduction agreement) towards the purchase of any annuity contract described in Code Section 403(b) (whether or not the contributions are actually excludable from the Employee's gross income); (e) reimbursements or other expense allowances; (f) fringe benefits (cash and noncash); (g) moving expenses; and (h) welfare benefits.

(g) "*Continuous Status as an Employee*" shall mean the absence of any interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of a leave of absence agreed to in writing by the Company, provided that such leave is for a period of not more than 90 days or reemployment upon the expiration of such leave is guaranteed by contract or statute.

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(h) "*Designated Subsidiaries*" shall mean the Subsidiaries which have been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan.

(i) "*Employee*" shall mean any person, including an officer, who is continuously employed for at least twenty (20) hours per week and more than five (5) months in a calendar year by the Company or one of its Designated Subsidiaries.

(j) "*Enrollment Date*" shall mean the first day of each Offering Period.

(k) "*Exercise Date*" shall mean the last Trading Day of each Offering Period of the Plan.

(l) "*Fair Market Value*" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange, including without limitation the New York Stock Exchange ("NYSE"), or a national market system, the Fair Market Value of a Share of Common Stock shall be the average

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closing price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system (or the exchange with the greatest volume of trading in Common Stock) for the last market trading day prior to the day of determination, as reported by *Bloomberg L.P.* or such other source as the Administrator deems reliable;

(ii) If the Common Stock is quoted on the over-the-counter market or is regularly quoted by a recognized securities dealer, but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the last market trading day prior to the day of determination, as reported by *Bloomberg L.P.* or such other source as the Administrator deems reliable;

(iii) In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Administrator.

(m) "*Offering Period*" shall mean a period of three (3) months during which an option granted pursuant to the Plan may be exercised.

(n) "*Plan*" shall mean this Employee Stock Purchase Plan.

(o) "*Subsidiary*" shall mean a corporation, domestic or foreign, of which not less than 50% of the voting shares are held by the Company or a Subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Company or a Subsidiary.

(p) "*Trading Day*" shall mean a day on which the national stock exchanges and Nasdaq system are open for trading.

3. *Eligibility.*

(a) Any Employee as defined in paragraph 2 who is employed by the Company or any Subsidiary of the Company on a given Enrollment Date shall be eligible to participate in the Plan.

(b) Any provisions of the Plan to the contrary notwithstanding, no Employee shall be granted an option under the Plan (i) if, immediately after the grant, such Employee (or any other person whose stock would be attributed to such Employee pursuant to Section 424(d) of the Code) would own stock and/or hold outstanding options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any Subsidiary of the Company, or (ii) which permits his rights to purchase stock under all employee stock purchase plans (described in Section 423 of the Code) of the Company and its Subsidiaries to accrue at a rate which exceeds Twenty-Five Thousand Dollars (\$25,000) of Fair Market Value of such stock (determined at the time such option is granted) for each calendar year in which such option is outstanding at any time.

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(c) All Employees who participate in the Plan shall have the same rights and privileges, except for differences that may be mandated by local law and that are consistent with Code Section 423(b)(5); provided that Employees participating in any sub-plan adopted pursuant to Section 14(c) that is not designed to qualify under Section 423 of the Code need not have the same rights and privileges as Employees participating in the Code Section 423 plan.

4. *Offering Periods.* The Plan shall be implemented by consecutive Offering Periods with a new Offering Period commencing on or about January 1, April 1, July 1, and October 1 of each year commencing on or about January 1, 1989 or, in the discretion of the committee, April 1, 1989, and continuing thereafter until terminated in accordance with paragraph 20 hereof. Subject to the shareholder approval requirements of paragraph 20, the Board of Directors of the Company shall have the power to change the duration of offering periods with respect to future offerings if such change is announced at least fifteen (15) days prior to the scheduled beginning of the first offering period to be affected.

5. *Participation.*

(a) An eligible Employee may become a participant in the Plan by completing a Company approved enrollment form authorizing payroll deductions and filing it with the Company's Global Stock Plans Department at least ten (10) business days prior to the applicable Enrollment Date, unless a different time for filing the subscription agreement is set by the Board for all eligible Employees

with respect to a given Offering Period.

(b) Payroll deductions for a participant shall commence on the first payroll following the Enrollment Date and shall end on the last payroll in the Offering Period to which such authorization is applicable, unless sooner terminated by the participant as provided in paragraph 11.

6. *Payroll Deductions.*

(a) At the time a participant files his subscription agreement, he or she shall elect to have payroll deductions made on each payday during the Offering Period in an amount not less than one percent (1%) and not greater than twenty percent (20%) of the Compensation which he or she received on the payday immediately preceding the Enrollment Date, and the aggregate of such payroll deductions during the Offering Period shall not exceed twenty percent (20%) of his or her aggregate Compensation during said Offering Period.

(b) All payroll deductions made by a participant shall be credited to his or her account under the Plan. A participant may not make any additional payments into such account.

(c) A participant may discontinue his or her participation in the Plan as provided in paragraph 11, but may not otherwise change, their rate of payroll deductions during the Offering Period. A participant's subscription agreement shall remain in effect for successive Offering Periods unless revised as provided herein or terminated as provided in paragraph 11.

(d) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and paragraph 3(b) herein, a participant's payroll deductions may be decreased to 0% at such time during any Offering Period which is scheduled to end during the current calendar year that the aggregate of all payroll deductions accumulated with respect to such Offering Period and any other Offering Period ending within the same calendar year equals \$21,250. Payroll deductions shall recommence at the rate provided in such participant's subscription agreement at the beginning of the first Offering Period which is scheduled to end in the following calendar year, unless terminated by the participant as provided in paragraph 11.

7. *Grant of Option.*

(a) On the Enrollment Date of each Offering Period, each eligible Employee participating in such Offering Period shall be granted an option to purchase on each Exercise Date during such

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Offering Period up to a number of shares of the Company's Common Stock determined by dividing such Employee's payroll deductions accumulated prior to such Exercise Date and retained in the participant's account as of the Exercise Date by the lower of (i) eighty-five percent (85%) of the Fair Market Value of a share of the Company's Common Stock on the Enrollment Date or (ii) eighty-five percent (85%) of the Fair Market Value of a share of the Company's Common Stock on the Exercise Date; provided that in no event shall an Employee be permitted to purchase during each Offering Period more than 2,000 shares, and provided further that such purchase shall be subject to the limitations set forth in Section 3(b) and 13 hereof. Exercise of the option shall occur as provided in Section 8, unless the participant has withdrawn pursuant to Section 11, and shall expire on the last day of the Offering Period. Fair Market Value or a share of the Company's Common Stock shall be determined as provided in Section 7(b) herein.

(b) The option price per share of the shares offered in a given Offering Period shall be the lower of: (i) 85% of the Fair Market Value of a share of the Common Stock of the Company on the Enrollment Date; or (ii) 85% of the Fair Market Value of a share of the Common Stock of the Company on the Exercise Date.

8. *Exercise of Option.* Unless a participant withdraws from the Plan as provided in paragraph 11, his or her option for the purchase of shares will be exercised automatically on the Exercise Date of the Offering Period, and the maximum number of full shares subject to option will be purchased for him or her at the applicable option price with the accumulated payroll deductions in his account. The shares purchased upon exercise of an option hereunder shall be deemed to be transferred to the participant on the Exercise Date. During his or her lifetime, a participant's option to purchase shares hereunder is exercisable only by such participant.

9. *Maximum Number of Shares per Offering Period.* The maximum number of shares of the Company's Common Stock which shall be made available for sale under the Plan in each Offering Period shall be 1,250,000, subject to adjustment upon changes in capitalization of the Company as provided in paragraph 19. If the total number of shares which would otherwise be subject to options granted pursuant to Section 7(a) hereof on the Enrollment Date of an Offering Period exceeds 1,250,000 shares, the Company shall make a pro rata allocation of the

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shares available for option grant in as uniform a manner as shall be practicable and as it shall determine to be equitable. In such event, the Company shall give written notice of such reduction of the number of shares subject to the option to each participant affected thereby and shall similarly reduce the rate of payroll deductions, if necessary.

10. *Delivery.* Following the Exercise Date of each Offering Period, unless a participant requests the issuance of a certificate representing the participant's shares, the Company shall as soon as practicable record the participant's full shares in book entry form. Upon request from a participant, the Company shall arrange for the delivery to the participant of a certificate representing the full shares purchased. Any cash remaining to the credit of a participant's account under the Plan after a purchase by the participant of shares at the termination of each Offering Period, which is insufficient to purchase a full share of Common Stock of the Company, shall be returned to said participant or retained in the participant's account for the subsequent Offering Period, as determined by the Company as to all participants for a given Offering Period.

11. *Withdrawal; Termination of Employment.*

(a) A participant may withdraw all but not less than all the payroll deductions credited to such participant's account under the Plan at any time prior to the Exercise Date of the Offering Period by giving written notice to the Company. All of the participant's payroll deductions credited to his or her account will be paid to him or her promptly after receipt of the notice of withdrawal and the participant's option for the current Offering Period will be automatically terminated, and no further payroll deductions for the purchase of shares will be made during the Offering Period. If a participant withdraws from an Offering Period, payroll deductions will not resume at the beginning of the

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succeeding Offering Period unless the participant delivers to the Company a new subscription agreement as described in Section 5(a).

(b) Upon termination of the participant's Continuous Status as an Employee prior to the Exercise Date of the Offering Period for any reason, including retirement or death, the payroll deductions credited to such participant's account will be returned to him or her or, in the case of his or her death, to the person or persons entitled thereto under paragraph 15, and such participant's option will be automatically terminated.

(c) In the event an Employee fails to remain in Continuous Status as an Employee of the Company for at least twenty (20) hours per week during the Offering Period in which the Employee is a participant, he or she will be deemed to have elected to withdraw from the Plan and the payroll deductions credited to his or her account will be returned to him or her and the option terminated.

(d) A participant's withdrawal from an Offering Period will not have any effect upon his or her eligibility to participate in a succeeding Offering Period or in any similar plan which may hereafter be adopted by the Company.

12. *Interest.* No interest shall accrue on the payroll deductions of a participant in the Plan.

13. *Stock.*

(a) The maximum number of shares of the Company's Common Stock which shall be made available for sale under the Plan shall be 25,500,000, subject to adjustment upon changes in capitalization of the Company as provided in paragraph 19. If the total number of shares which would otherwise be subject to options granted pursuant to Section 7(a) hereof on the Enrollment Date of an Offering Period exceeds the number of shares then available under the Plan (after deduction of all shares for which options have been exercised or are then outstanding), the Company shall make a pro rata allocation of the shares remaining available for option grant in as uniform a manner as shall be practicable and as it shall determine to be equitable. In such event, the Company shall give written notice of such reduction of the number of shares subject to the option to each participant affected thereby and shall similarly reduce the rate of payroll deductions, if necessary.

(b) The participant will have no interest or voting right in shares covered by his or her option until such option has been exercised.

(c) Shares to be delivered to a participant under the Plan will be registered in the name of the participant.

14. *Administration.* The Plan shall be administered by the Board of the Company or a committee of members of the Board appointed by the Board. The administration, interpretation or application of the Plan by the Board or its committee shall be final, conclusive and binding upon all participants. Members of the Board who are eligible Employees are permitted to participate in the Plan, provided that:

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(a) Members of the Board who are eligible to participate in the Plan may not vote on any matter affecting the administration of the Plan or the grant of any option pursuant to the Plan.

(b) If a Committee is established to administer the Plan, no member of the Board who is eligible to participate in the Plan may be a member of the Committee.

(c) The Board or the Committee may adopt rules or procedures relating to the operation and administration of the Plan to accommodate the specific requirements of local laws and procedures. Without limiting the generality of the foregoing, the Board or the Committee is specifically authorized to adopt rules and procedures regarding handling of payroll deductions, payment of interest, conversion of local currency, payroll tax, withholding procedures and handling of stock certificates which vary with local requirements. With respect to any Designated Subsidiary that employs participants who reside outside of the United States and notwithstanding anything herein to the contrary, the

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Board or the Committee may, in its sole discretion, amend or vary the terms of the Plan in order to conform such terms with the requirements of local law or to meet the objectives and purpose of the Plan. The Board or the Committee may, where appropriate, establish one or more sub-plans applicable to particular Designated Subsidiaries or locations to reflect such amended or varied provisions and which sub-plans may be designed to be outside the scope of Code Section 423. The rules of such sub-plans may take precedence over other provisions of the Plan, with the exception of Section 13(a), but unless otherwise superseded by the terms of such sub-plan, the provisions of the Plan shall govern the operation of such sub-plan.

15. *Designation of Beneficiary.*

(a) A participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to the end of the Offering Period but prior to delivery to him of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to the Exercise Date of the Offering Period.

(b) Such designation of beneficiary may be changed by the participant at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

16. *Transferability of Rights.* Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in paragraph 15 hereof) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with paragraph 11.

17. *Use of Funds.* All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

18. *Reports.* Individual accounts will be maintained for each participant in the Plan. Statements of account will be given to participating Employees; on no less than an annual basis, promptly following the Exercise Date, which statements will set forth the amounts of payroll deductions, the per share purchase price, the number of shares purchased and the remaining cash balance, if any.

19. *Adjustments Upon Changes in Capitalization.* Subject to any required action by the shareholders of the Company, the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised and the number of shares of Common Stock which have been authorized for issuance under the Plan but have not yet been placed under option (collectively, the "Reserves"), as well as the price per share of Common Stock covered by each option under the Plan which has not yet been exercised, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of shares of Common Stock effected

without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be

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final, binding and conclusive. Except as expressly provided herein, no issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

In the event of the proposed dissolution or liquidation of the Company, the Offering Period will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board. In the event of a reorganization, merger, or consolidation of the Company with one or more corporations in which the Company is not the surviving corporation (or survives as a direct or indirect subsidiary of other such other constituent corporation or its parent), or upon a sale of all or substantially all of the property or stock of the Company to another corporation, then, in the discretion of the Board or the Committee, (i) each outstanding option shall be assumed, or an equivalent option substituted, by the successor corporation or its parent, or (ii) the Offering Period then in progress shall be shortened by setting a new Exercise Date, which shall be on or before the date of the proposed transaction. If the Committee sets a new Exercise Date, the Company shall notify each participant, at least ten (10) business days prior to the new Exercise Date, that the original Exercise Date has been changed to the new Exercise Date and that the participant's option shall be exercised automatically on the new Exercise Date, unless the participant has withdrawn from the Offering Period, as provided in Section 11(a) hereof, prior to the new Exercise Date.

The Board may, if it so determines in the exercise of its sole discretion, also make provision for adjusting the Reserves, as well as the price per share of Common Stock covered by each outstanding option, in the event that the Company effects one or more reorganizations, recapitalizations, rights offerings or other increases or reductions of shares of its outstanding Common Stock, and in the event of the Company being consolidated with or merged into any other corporation.

20. *Amendment or Termination.* The Board of Directors of the Company may at any time terminate or amend the Plan. Except as provided in paragraph 19, no such termination can affect options previously granted, nor may an amendment make any change in any option theretofore granted which adversely affects the rights of any participant, nor may an amendment be made without prior approval of the shareholders of the Company (obtained in the manner described in paragraph 22) if such amendment would:

- (a) Increase the number of shares that may be issued under the Plan;
- (b) Change the designation of the employees (or class of employees) eligible for participation in the Plan; or
- (c) Materially increase the benefits which may accrue to participants under the Plan.
- (d) In the event that the Board determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Board may, in its discretion and, to the extent necessary or desirable, modify or amend the Plan by means of the following to reduce or eliminate such unfavorable accounting consequence including, but not limited to:
 - (i) altering the option price per share for any Offering Period, including an Offering Period underway at the time of the change in Purchase Price including an alteration of the option price under paragraph 7(b) to 85% of the Fair Market Value of a share of the Common Stock of the Company on the Exercise Date (without a lookback to the Fair Market Value on the Enrollment Date); and
 - (ii) shortening any Offering Period so that Offering Period ends on a new Exercise Date, including an Offering Period underway at the time of the Board action.

Such modifications or amendments shall not require stockholder approval or the consent of any Plan participants.

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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. *Shareholder Approval.* Continuance of the Plan shall be subject to approval by the shareholders of the Company within twelve months before or after the date the Plan is adopted. If such shareholder approval is obtained at a duly held shareholders' meeting, it may be obtained by the affirmative vote of the holders of a majority of the shares of the Company present or represented and entitled to vote thereon, which approval shall be:

(a) (1) solicited substantially in accordance with Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Act") and the rules and regulations promulgated thereunder, or (2) solicited after the Company has furnished in writing to the holders entitled to vote substantially the same information concerning the Plan as that which would be required by the rules and regulations in effect under Section 14(a) of the Act at the time such information is furnished; and

(b) obtained at or prior to the first annual meeting of shareholders held subsequent to the first registration of Common Stock under Section 12 of the Act.

In the case of approval by written consent, it must be obtained by the unanimous written consent of all shareholders of the Company, or by written consent of a smaller percentage of shareholders but only if the Board determines, on the basis of advice of the Company's legal counsel, that the written consent of such a smaller percentage of shareholders will comply with all applicable laws and will not adversely affect the qualifications of the Plan under Section 423 of the Code.

23. *Conditions Upon Issuance of Shares.* Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

24. *Term of Plan.* The Plan shall become effective upon the earlier to occur of its adoption by the Board of Directors or its approval by the shareholders of the Company as described in paragraph 22. It shall continue in effect for a term of twenty (20) years unless sooner terminated under paragraph 20.

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APPENDIX C

**MICRON TECHNOLOGY, INC.
2001 STOCK OPTION PLAN**

1. *Purposes of the Plan.* The purposes of this Stock Option Plan are:

to attract and retain the best available personnel for positions of substantial responsibility,

to provide additional incentive to Employees, Directors, and Consultants, and

to promote the success of the Company's business.

Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant.

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2. *Definitions.* As used herein, the following definitions shall apply:

(a) "*Administrator*" means the Board or any of its Committees as shall be administering the Plan, in accordance with Section 4 of the Plan.

(b) "*Applicable Laws*" means the legal requirements relating to the administration of stock option plans under Delaware corporate and securities laws and the Code.

(c) "*Board*" means the Board of Directors of the Company.

(d) "*Change in Control*" means the acquisition by any person or entity, directly, indirectly or beneficially, acting alone or in concert, of more than thirty-five percent (35%) of the Common Stock of the Company outstanding at any time.

(e) "*Code*" means the Internal Revenue Code of 1986, as amended.

(f) "*Committee*" means a Committee appointed by the Board in accordance with Section 4 of the Plan.

(g) "*Common Stock*" means the Common Stock of the Company.

(h) "*Company*" means Micron Technology, Inc., a Delaware corporation.

(i) "*Consultant*" means any person, including an advisor, engaged by the Company or a Parent or Subsidiary to render services and who is compensated for such services.

(j) "*Continuous Status as an Employee or Consultant*" means that the employment or consulting relationship with the Company, any Parent, or Subsidiary, is not interrupted or terminated. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of (i) military leave, sick leave, or any personal leave of absence approved by the Company, or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor, or (iii) in the discretion of the Administrator as specified at or prior to such occurrence, in the case of a spin-off, sale, or disposition of the Optionee's employer from the Company or any Parent or Subsidiary. For purposes of Incentive Stock Options, no such leave may exceed 90 days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, on the 91st day of such leave any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option.

(k) "*Director*" means a member of the Board.

(l) "*Disability*" means total and permanent disability as defined in Section 22(e)(3) of the Code.

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(m) "*Employee*" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(n) "*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

(o) "*Fair Market Value*" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange, including without limitation the New York Stock Exchange ("NYSE"), or a national market system, the Fair Market Value of a Share of Common Stock shall be the average closing price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system (or the exchange with the greatest volume of trading in Common Stock) for the last market trading day prior to the day of determination, as reported by *Bloomberg L.P.* or such other source as the Administrator deems reliable;

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(ii) If the Common Stock is quoted on the over-the-counter market or is regularly quoted by a recognized securities dealer, but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the last market trading day prior to the day of determination, as reported by *Bloomberg L.P.* or such other source as the Administrator deems reliable;

(iii) In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Administrator.

(p) "*Incentive Stock Option*" means an Option that qualifies as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(q) "*Nonstatutory Stock Option*" means an Option that does not qualify as an Incentive Stock Option.

(r) "*Notice of Grant*" means a written notice evidencing certain terms and conditions of an individual Option grant. The Notice of Grant is subject to the terms and conditions of the Option Agreement.

(s) "*Officer*" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(t) "*Option*" means a stock option granted pursuant to the Plan.

(u) "*Option Agreement*" means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

(v) "*Optioned Stock*" means the Common Stock subject to an Option.

(w) "*Optionee*" means an Employee or Consultant who holds an outstanding Option.

(x) "*Parent*" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(y) "*Plan*" means this 2001 Option Plan.

(z) "*Rule 16b-3*" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(aa) "*Share*" means a share of the Common Stock, as adjusted in accordance with Section 12 of the Plan.

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(bb) "*Subsidiary*" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code. In the case of an Option that is not intended to qualify as an Incentive Stock Option, the term "Subsidiary" shall also include any other entity in which the Company, or any Parent or Subsidiary of the Company has a significant ownership interest.

3. *Stock Subject to the Plan.* Subject to the provisions of Section 12 of the Plan, the maximum aggregate number of Shares which may be optioned and sold under the Plan is 47,000,000 Shares. The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option expires or becomes unexercisable without having been exercised in full, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated); *provided*, however, that Shares that have actually been issued under the Plan shall not be returned to the Plan and shall not become available for future distribution under the Plan.

4. *Administration of the Plan.*

(a) *Administrator.* The Plan shall be administered by a Committee appointed by the Board (which Committee shall consist of two or more directors) or, at the discretion of the Board from time to time, the Plan may be administered by the Board. It is intended

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that the directors appointed to serve on the Committee shall be "non-employee directors" (within the meaning of Rule 16b-3) and "outside directors" (within the meaning of Code Section 162(m)). However, the mere fact that a Committee member shall fail to qualify under either of the foregoing requirements shall not invalidate any Option granted by the Committee which Option is otherwise validly made under the Plan. The members of the Committee shall be appointed by, and may be changed at any time and from time to time in the discretion of, the Board. The Board, in its discretion, may delegate to a special Committee all or part of the Administrator's authority and duties with respect to grants and awards to individuals who at the time of grant are not, and are not anticipated to become, either (i) "covered employees," as defined in Code Section 162(m)(3), or (ii) persons subject to the reporting and other provisions of Section 16 of the Exchange Act. The Board may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the delegate or delegates that were consistent with the terms of the Plan.

(b) *Powers of the Administrator.* Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

(i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(o) of the Plan;

(ii) to select the Employees, Directors, and Consultants to whom Options may be granted hereunder;

(iii) to determine whether and to what extent Options are granted;

(iv) to determine the number of shares of Common Stock to be covered by each Option granted hereunder;

(v) to approve forms of agreement for use under the Plan;

(vi) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Options may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Option or the shares of Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

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(vii) to construe and interpret the terms of the Plan and awards granted pursuant to the Plan;

(viii) to prescribe, amend, and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of qualifying for preferred tax treatment under foreign tax laws;

(ix) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Option previously granted by the Administrator;

(x) to make all other determinations deemed necessary or advisable for administering the Plan; and

(xi) to allow Optionees to satisfy withholding tax obligations by electing to have the Company withhold from the Shares to be issued upon exercise of an Option that number of Shares having a Fair Market Value equal to the amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined. All elections by an Optionee to have Shares withheld for this purpose shall be made in such form and under such conditions as the Administrator may deem necessary or advisable.

(c) *Effect of Administrator's Decision.* The Administrator's decisions, determinations, and interpretations shall be final and binding on all Optionees and any other holders of Options.

5. *Eligibility.* Nonstatutory Stock Options may be granted to Employees, Directors, and Consultants. Incentive Stock Options may be granted only to Employees. If otherwise eligible, an Employee or Consultant who has been granted an Option may be granted additional Options.

6. *Limitations.*

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(a) Each Option shall be designated in the Notice of Grant as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designations, to the extent that the aggregate Fair Market Value of Shares subject to an Optionee's Incentive Stock Options granted by the Company or any Parent or Subsidiary, which become exercisable for the first time during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds \$100,000, such excess Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 6(a), Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares shall be determined as of the time of grant.

(b) Neither the Plan nor any Option shall confer upon an Optionee any right with respect to continuing the Optionee's employment or consulting relationship with the Company, nor shall they interfere in any way with the Optionee's right or the Company's right to terminate such employment or consulting relationship at any time, with or without cause.

(c) The following limitations shall apply to grants of Options to Employees:

(i) No Employee shall be granted, in any fiscal year of the Company, Options to purchase more than 2,000,000 Shares.

(ii) The foregoing limitations shall be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 12.

7. *Term of Plan.* Subject to Section 18 of the Plan, the Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the shareholders of the Company as described in Section 18 of the Plan. It shall continue in effect for a term of ten (10) years unless terminated earlier under Section 14 of the Plan.

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8. *Term of Option.* The term of each Option shall be stated in the Notice of Grant, but shall not exceed ten (10) years; provided, however, that in the case of an Incentive Stock Option granted to an Optionee who, at the time Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option shall not be longer than five (5) years from the date of grant.

9. *Option Exercise Price and Consideration.*

(a) *Exercise Price.* The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be determined by the Administrator, but shall not be less than the Fair Market Value per share on the date of grant of the Option. In the case of an Incentive Stock Option granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or Parent or Subsidiary, the per share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

(b) *Waiting Period and Exercise Dates.* At the time an Option is granted, the Administrator shall fix the period within which the Option may be exercised and shall determine any conditions which must be satisfied before the Option may be exercised. In doing so, the Administrator may specify that an Option may not be exercised until the completion of a service period.

(c) *Form of Consideration.* The Administrator shall determine the acceptable form of consideration for exercising an Option, including the method of payment. The Administrator shall determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of:

(i) cash;

(ii) check;

(iii) promissory note;

(iv) other Shares which have been owned by the Optionee for more than six months on the date of surrender and have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised;

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(v) to the extent permitted under Regulation T of the Federal Reserve Board, and subject to applicable securities laws and the Company's adoption of such program in connection with the Plan, the delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect a so-called "cashless exercise" whereby the broker sells the Option Shares and delivers cash sales proceeds to the Company in payment of the exercise price and any applicable taxes (in which case the date of exercise shall be deemed to be the date on which notice of exercise is received by the Company, and the exercise price shall be delivered to the Company on the settlement date);

(vi) a reduction in the amount of any Company liability to the Optionee, including any liability attributable to the Optionee's participation in any Company sponsored deferred compensation program or arrangement;

(vii) any combination of the foregoing methods of payment; or

(viii) such other consideration and method of payment for the issuance of Shares to the extent approved by the Administrator and permitted by Applicable Laws.

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10. *Exercise of Option.*

(a) *Procedure for Exercise; Rights as a Shareholder.* Any Option granted thereunder shall be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Option Agreement.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed exercised when the Company receives: (i) notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and the Plan. Until the stock certificate evidencing such Shares is issued (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 dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate, either in book entry form or in certificate form, promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 12 of the Plan.

Exercising an Option in any manner shall decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) *Termination of Employment or Consulting Relationship.* Upon termination of an Optionee's Continuous Status as an Employee or Consultant, other than upon the Optionee's death or Disability, the Optionee may exercise his or her Option, but only within such period of time as is specified in the Notice of Grant, and only to the extent that the Optionee was entitled to exercise it as the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant). In the absence of a specified time in the Notice of Grant, the Option shall remain exercisable for thirty 30 days following the Optionee's termination of Continuous Status as an Employee or Consultant. In the case of an Incentive Stock Option, such period of time shall not exceed thirty (30) days from the date of termination. If, at the date of termination, the Optionee is not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(c) *Disability of Optionee.* In the event that an Optionee's Continuous Status as an Employee or Consultant terminates as a result of the Optionee's Disability, the Optionee may exercise his or her Option at any time within twelve (12) months from the date of such termination, but only to the extent that the Optionee was entitled to exercise it at the date of such termination (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant). If, at the date of termination, the Optionee does not exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her option within the time specified herein, the Option shall terminate, and the

Shares covered by such Option shall revert to the Plan.

(d) *Death of Optionee.* In the event of the death of an Optionee, the Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent that the Optionee was entitled to exercise the Option at the date of death. If, at any time of death, the Optionee was not entitled to exercise his or her entire Option, the Shares covered by the

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unexercisable portion of the Option shall immediately revert to the Plan. If, after death, the Optionee's estate or a person who acquired the right to exercise the Option by bequest or inheritance does not exercise the Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(e) *Suspension.* Any Optionee who is also a participant in the Retirement at Micron ("RAM") Section 401(k) Plan and who requests and receives a hardship distribution from the RAM Plan, is prohibited from making, and must suspend, his or her employee elective contributions and employee contributions including, without limitation on the foregoing, the exercise of any Option granted from the date of receipt by that employee of the RAM hardship distribution.

11. *Non-Transferability of Options.* Unless determined otherwise by the Administrator, an Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee. If the Administrator makes an Option transferable, such Option shall contain such additional terms and conditions as the Administrator deems appropriate.

12. *Adjustments Upon Changes in Capitalization, Dissolution, Corporate Transaction, or Change in Control.*

(a) *Changes in Capitalization.* In the event of a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the authorization limits under Sections 3 and 6(c)(i) of the Plan shall be adjusted proportionately, and the Administrator may adjust Options to preserve the benefits or potential benefits of the Options. Action by the Administrator may include: (i) adjustment of the number and kind of shares which may be delivered under the Plan; (ii) adjustment of the number and kind of shares subject to outstanding Options; (iii) adjustment of the exercise price of outstanding Options; and (iv) any other adjustments that the Administrator determines to be equitable. In addition, the Administrator may, in its sole discretion, provide (i) that Options will be settled in cash rather than Stock, (ii) that Options will be assumed by another party to a transaction or otherwise be equitably converted in connection with such transaction, or (iii) any combination of the foregoing. The Administrator's determination need not be uniform and may be different for different Optionees whether or not such Optionees are similarly situated. Without limiting the foregoing, in the event a stock dividend or stock split is declared upon the Shares, the authorization limits under Sections 3 and 6(c)(i) shall be increased proportionately, and the shares of Stock then subject to each Option shall be increased proportionately without any change in the aggregate purchase price therefor.

(b) *Dissolution or Liquidation.* To the extent not previously exercised, Options will terminate immediately prior to the consummation of any proposed dissolution or liquidation of the Company. The Board may, in the exercise of its sole discretion in such instances, declare that any Option shall terminate as of a date fixed by the Board and give each Optionee the right to exercise his or her Option as to all or any part of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable. To the extent that this provision causes Incentive Stock Options to exceed the dollar limitation set forth in Section 6(a), the excess Options shall be deemed to be Nonstatutory Stock Options.

(c) *Corporate Transaction.* In the event of a reorganization, merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company that requires the approval of the Company's shareholders, whether for such transaction or the issuance of securities in the transaction, or the sale or other disposition of all or substantially all of the assets of the Company to an entity that is not an affiliate of the Company, each outstanding Option shall be assumed or an equivalent option or right substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for

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the Option, the Optionee shall fully vest in and have the right to exercise the Option as to all of the Optioned Stock, including Shares as to which it would not otherwise be vested or exercisable. If an Option becomes fully vested and exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Administrator shall notify the Optionee in writing or electronically that the Option shall be fully vested and exercisable for a period of thirty (30) days from the date of such notice, and the Option shall terminate upon the expiration of such period or, in the discretion of the Administrator, the Option shall be settled in cash rather than stock upon the consummation of such corporate transaction. To the extent that this provision causes Incentive Stock Options to exceed the dollar limitation set forth in Section 6(a), the excess Options shall be deemed to be Nonstatutory Stock Options.

(d) *Change in Control.* In the event of a Change in Control, the unexercised portion of each Option then outstanding shall become wholly vested and immediately exercisable. To the extent that this provision causes Incentive Stock Options to exceed the dollar limitation set forth in Section 6(a), the excess Options shall be deemed to be Nonstatutory Stock Options.

13. *Date of Grant.* The date of grant of an Option shall be, for all purposes, the date on which the Administrator makes the determination granting such Option, or such other later date as is determined by the Administrator. Notice of the determination shall be provided to each Optionee within a reasonable time after the date of such grant.

14. *Amendment and Termination of the Plan.*

(a) *Amendment and Termination.* Except as provided herein, the Board may at any time amend, alter, suspend, or terminate the Plan without shareholder approval; provided, however, that the Board may condition any amendment or modification on the approval of shareholders of the Company if such approval is necessary or deemed advisable with respect to tax, securities or other applicable laws, policies or regulations. No termination can affect options previously granted, nor may an amendment make any change in any option theretofore granted which adversely affects the rights of any Optionee, nor may an amendment be made without prior approval of the shareholders of the Company if such amendment would:

- (i) increase the number of shares that may be issued under the Plan;
- (ii) change the designation of the employees (or class of employees) eligible for participation in the Plan; or
- (iii) materially increase the benefits which may accrue to participants under the Plan.

(b) *Effect of Amendment or Termination.* No amendment, alteration, suspension, or termination of the Plan shall impair the rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company.

15. *Conditions Upon Issuance of Shares.*

(a) *Legal Compliance.* Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, Applicable Laws, and the requirements of any stock exchange or quotation system upon which the Shares may then be listed or quoted, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) *Investment Representations.* As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise

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that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

16. *Liability of Company.*

(a) *Inability to Obtain Authority.* The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's 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.

(b) *Grants Exceeding Allotted Shares.* If the Optioned Stock covered by an Option exceeds, as of the date of grant, the number of Shares which may be issued under the Plan without additional shareholder approval, such Option shall be void with respect to such excess Optioned Stock, unless shareholder approval of an amendment sufficiently increasing the number of shares subject to the Plan is timely obtained in accordance with Section 14(b) of the Plan.

17. *Reservation of Shares.* The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

18. *Shareholder Approval.* Continuance of the Plan shall be subject to approval by the shareholders of the Company within twelve (12) months before or after the date the Plan is adopted. Such shareholder approval shall be obtained in the manner and to the degree required under applicable federal and Delaware law.

19. *Restriction on Repricing.* Without the prior approval of the shareholders of the Company, the Administrator shall not reprice any Options issued under the Plan through cancellation and regrant, by lowering the exercise price, or by any other means.

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Directions to the 2003 Annual Meeting of Shareholders

**To be held at
Micron's Headquarters
8000 South Federal Way, Boise, ID
Friday, November 21, 2003, 9:00 a.m.**

This Proxy is solicited on behalf of the Board of Directors

**2003 ANNUAL MEETING OF SHAREHOLDERS
NOVEMBER 21, 2003**

The undersigned shareholder(s) of Micron Technology, Inc., a Delaware corporation, hereby acknowledge(s) receipt of the Notice of 2003 Annual Meeting of Shareholders and Proxy Statement, each dated October 20, 2003, and hereby appoints Steven R. Appleton and W. G. Stover, Jr., and each of them, proxies and attorneys-in-fact, with full power to each of substitution, on behalf and in the name of the undersigned, to represent the undersigned at the 2003 Annual Meeting of

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Shareholders of Micron Technology, Inc., to be held November 21, 2003, at 9:00 a.m., Mountain Standard Time, at the **Company's headquarters located at 8000 South Federal Way, Boise, Idaho 83716-9632**, and at any adjournment or adjournments thereof, and to vote (including cumulatively, if required) all shares of Common Stock which the undersigned would be entitled to vote if then and there personally present, on the matters set forth below:

- 1. ELECTION OF DIRECTORS // FOR nominees listed below // WITHHOLD authority to vote for all nominees listed below (except as indicated)

If you wish to withhold authority to vote for any individual nominee, strike a line through that nominee's name in the list below:

Steven R. Appleton; James W. Bagley; Robert A. Lothrop; Thomas T. Nicholson; Gordon C. Smith; William P. Weber

- 2. PROPOSAL BY THE COMPANY TO APPROVE AN AMENDMENT TO THE COMPANY'S 1989 EMPLOYEE STOCK PURCHASE PLAN INCREASING THE NUMBER OF SHARES OF COMMON STOCK RESERVED FOR ISSUANCE THEREUNDER BY 5,000,000, AND MAKING CERTAIN OTHER CHANGES AS DESCRIBED IN THE PROXY STATEMENT

// FOR // AGAINST // ABSTAIN

(to be signed on reverse side)

(continued from other side)

- 3. PROPOSAL BY THE COMPANY TO APPROVE AN AMENDMENT TO THE COMPANY'S 2001 STOCK OPTION PLAN INCREASING THE NUMBER OF SHARES OF COMMON STOCK RESERVED FOR ISSUANCE THEREUNDER BY 17,000,000

// FOR // AGAINST // ABSTAIN

- 4. PROPOSAL BY THE COMPANY TO RATIFY THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT ACCOUNTANTS FOR FISCAL 2004

// FOR // AGAINST // ABSTAIN

and in their discretion, upon such other matter or matters which may properly come before the meeting or any adjournment or adjournments thereof.

The shares represented by this proxy when properly executed will be voted in the manner directed herein by the undersigned shareholder(s). **If no direction is made, this proxy will be voted FOR items 1, 2, 3 and 4.** If any other matters properly come before the meeting, or if cumulative voting is required, the persons named in this proxy will vote, in their discretion, provided that they will not vote in the election of directors for persons for whom authority to vote has been withheld.

Dated _____

Signature

Signature

(This proxy should be voted, signed, and dated by the shareholder(s) exactly as his or her name appears hereon, and returned promptly in the enclosed envelope. Persons signing in a fiduciary capacity should so indicate. If shares are held by joint tenants or as community property, both should sign.)

2003 ANNUAL MEETING OF SHAREHOLDERS

NOVEMBER 21, 2003

**Company's Headquarters
8000 S. Federal Way,
Boise, Idaho 83716-9632**

**Micron Technology, Inc.
Boise, Idaho 83716-9632**

proxy

This Proxy is solicited on behalf of the Board of Directors.

The undersigned shareholder(s) of Micron Technology, Inc., a Delaware corporation, hereby acknowledge(s) receipt of the Notice of 2003 Annual Meeting of Shareholders and Proxy Statement, each dated October 20, 2003, and hereby appoints Steven R. Appleton and W. G. Stover, Jr., and each of them, proxies and attorneys-in-fact, with full power to each of substitution, on behalf and in the name of the undersigned, to represent the undersigned at the 2003 Annual Meeting of Shareholders of Micron Technology, Inc., to be held November 21, 2003, at 9:00 a.m., Mountain Standard Time, at the **Company's headquarters located at 8000 South Federal Way, Boise, Idaho 83716-9632**, and at any adjournment or adjournments thereof, and to vote (including cumulatively, if required) all shares of Common Stock which the undersigned would be entitled to vote if then and there personally present, on the matters set forth on the reverse:

The shares represented by this proxy when properly executed will be voted in the manner directed herein by the undersigned shareholder(s). **If no direction is made, this proxy will be voted FOR items 1, 2, 3 and 4.** If any other matters properly come before the meeting, or if cumulative voting is required, the persons named in this proxy will vote, in their discretion, provided that they will not vote in the election of directors for persons for whom authority to vote has been withheld.

See reverse for voting instructions.

**COMPANY #
CONTROL #**

There are three ways to vote your Proxy

Your telephone or Internet vote authorizes the Named Proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

VOTE BY PHONE TOLL FREE 1-800-240-6326 QUICK*EASY***IMMEDIATE**

Use any touch-tone telephone to vote your proxy 24 hours a day, 7 days a week, until 12:00 p.m. (ET) on November 20, 2003.

You will be prompted to enter your 3-digit Company Number, your 7-digit Control Number (these numbers are located on the proxy card) and the last 4-digits of the U.S. Social Security Number or Tax Identification Number for this account. If you do not have a U.S. SSN or TIN please enter 4 zeros.

Follow the simple instructions the Voice provides you.

VOTE BY INTERNET <http://www.eproxy.com/mu/> QUICK*EASY***IMMEDIATE**

Use the Internet to vote your proxy 24 hours a day, 7 days a week, until 12:00 p.m. (CT) on November 20, 2003.

You will be prompted to enter your 3-digit Company Number, your 7-digit Control Number (these numbers are located on the proxy card) and the last 4-digits of the U.S. Social Security Number or Tax Identification Number for this account to obtain your records and create an electronic ballot. If you do not have a U.S. SSN or TIN please leave blank.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we've provided or return it to **Micron Technology, Inc.**, c/o Shareowner ServicesSM, P.O. Box 64873, St. Paul, MN 55164-0873. **If you vote by Phone or Internet, please do not mail your Proxy Card**

V Please detach here V

The Board of Directors Recommends a Vote FOR Items 1, 2, 3 and 4.

- | | | | | |
|--------------------------|---|---|---|--|
| 1. ELECTION OF DIRECTORS | 01 Steven R. Appleton
03 Robert A. Lothrop
05 Gordon C. Smith | 02 James W. Bagley
04 Thomas T. Nicholson
06 William P. Weber | o FOR nominees listed (except as indicated) | o WITHHOLD authority to vote for all nominees listed |
|--------------------------|---|---|---|--|

Instructions: To withhold authority to vote for any individual nominee, write the number(s) of the nominee(s) in the box provided to the right.) _____

2. PROPOSAL BY THE COMPANY TO APPROVE AN AMENDMENT TO THE COMPANY'S 1989 EMPLOYEE STOCK PURCHASE PLAN INCREASING THE NUMBER OF SHARES OF COMMON STOCK RESERVED FOR ISSUANCE THEREUNDER BY 5,000,000, AND MAKING CERTAIN OTHER CHANGES AS DESCRIBED IN THE PROXY STATEMENT

o FOR o AGAINST o ABSTAIN

3. PROPOSAL BY THE COMPANY TO APPROVE AN AMENDMENT TO THE COMPANY'S 2001 STOCK OPTION PLAN INCREASING THE NUMBER OF SHARES OF COMMON STOCK RESERVED FOR ISSUANCE THEREUNDER BY 17,000,000

o FOR o AGAINST o ABSTAIN

4. PROPOSAL BY THE COMPANY TO RATIFY THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT ACCOUNTANTS FOR FISCAL 2004

o FOR o AGAINST o ABSTAIN

and in their discretion, upon such other matter or matters which may properly come before the meeting or any adjournment or adjournments thereof.

Address Change? Mark Box
Indicate changes below: _____ Date _____

Signature(s) in Box
 (This proxy should be voted, signed, and dated by the shareholder(s) exactly as his or her name appears hereon, and returned promptly in the enclosed envelope. Persons signing in a fiduciary capacity should so indicate. If shares are held by joint tenants or as community property, both should sign.)

QuickLinks

- [Notice of 2003 Annual Meeting of Shareholders November 21, 2003](#)
- [PROXY STATEMENT 2003 ANNUAL MEETING OF SHAREHOLDERS November 21, 2003](#)
- [INFORMATION CONCERNING SOLICITATION AND VOTING](#)
- [VOTING SECURITIES AND PRINCIPAL HOLDERS](#)
- [BUSINESS TO BE TRANSACTED](#)
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- [SUMMARY COMPENSATION TABLE](#)

OPTION GRANTS IN LAST FISCAL YEAR

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

EQUITY COMPENSATION PLAN INFORMATION

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS REGARDING EXECUTIVE COMPENSATION PERFORMANCE GRAPH

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN* AMONG MICRON TECHNOLOGY, INC., THE S&P 500 COMPOSITE INDEX AND THE PHILADELPHIA SEMICONDUCTOR INDEX (SOX)

APPENDIX A

CHARTER AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF MICRON TECHNOLOGY, INC.

APPENDIX B

MICRON TECHNOLOGY, INC. 1989 EMPLOYEE STOCK PURCHASE PLAN

APPENDIX C

MICRON TECHNOLOGY, INC. 2001 STOCK OPTION PLAN