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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**  
**Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934**

September 28, 2006  
Date of report (Date of earliest event reported)

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**ADVANCED MICRO DEVICES, INC.**

(Exact name of Registrant as Specified in its Charter)

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**Delaware**  
(State or other jurisdiction  
of incorporation)

**001-07882**  
(Commission File Number)

**94-1692300**  
(I.R.S. Employer  
Identification No.)

**One AMD Place**  
**P.O. Box 3453 Sunnyvale, California 94088-3453**  
(Address of Principal Executive Offices)

**(408) 749-4000**  
(Registrant's telephone number, including area code)

**N/A**  
(Former Name or Former Address, if Changed Since Last Report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 1.01. Entry into a Material Definitive Agreement****Offer Letter Agreement with David Orton**

On September 28, 2006, the Compensation Committee of the Board of Directors of Advanced Micro Devices, Inc. (the "Company") approved the offer letter with David Orton to serve as an Executive Vice President of the Company, to be effective upon the closing ("Closing") of the Company's acquisition of all of the outstanding common shares of ATI Technologies Inc. ("ATI"), as contemplated by the Acquisition Agreement dated as of July 23, 2006, among the Company, a Delaware corporation, 1252986 Alberta ULC, an unlimited liability company formed under the laws of Alberta and an indirect wholly-owned subsidiary of the Company, and ATI, a corporation continued under the laws of Canada. The offer letter supersedes any other ATI agreement with respect to Mr. Orton's employment with ATI. The offer letter provides for base compensation of \$550,000 per year. In addition, the offer letter provides that Mr. Orton is eligible to participate in (i) the Company's Corporate Bonus Plan, in which Mr. Orton's initial target bonus will be 100% of base compensation ("Corporate Bonus") and (ii) the Company's Vice President Long Term Incentive Plan, in which Mr. Orton's target payout is 30% of his base salary, based on rolling three-year revenue growth, relative to external benchmarks and operating income margins. Mr. Orton will also receive two separate cash bonuses, each equal to \$412,500, as an incentive bonus for his anticipated contributions in ensuring the effective integration of ATI's operations into AMD ("Contribution Bonus"). The first such bonus payment will be paid to Mr. Orton in the first payroll cycle after one year of service with the Company and the second such bonus payment will be paid to Mr. Orton in the first payroll cycle after two years of service with the Company, provided, that Mr. Orton is actively employed full-time at the time of payment with satisfactory job performance.

Mr. Orton will continue to participate in the benefits plans, including any executive plans, that are made available by ATI, with the exception of ATI's 401(k) plan. Mr. Orton will be eligible to participate in the Company's 401(k) retirement savings plan with matching contributions. The Company anticipates that Mr. Orton will discontinue his participation in the ATI benefit plans and be eligible to participate in the Company's benefits, perquisites and profit sharing plan beginning in January 2007.

Mr. Orton will also be granted 50,000 restricted stock units to vest 40% one year from the grant date, with an additional 5% at the end of each subsequent three-month period, assuming continuous service.

In the event that Mr. Orton's employment is terminated by mutual agreement or in the event that Mr. Orton is terminated without cause during the first 12 months of employment following the Closing, Mr. Orton will be provided with 24 months of severance ("Severance Period"). In the event that Mr. Orton's employment is terminated by mutual agreement or without cause between the 13th and 24th month of employment following the Closing, the Severance Period will be reduced by one month for each month of service completed during this period. Mr. Orton's severance will include (i) base salary, (ii) Corporate Bonus at target and (iii) pro-rated payment of his Contribution Bonus at target for the applicable fiscal period between the Closing and the termination of employment. Mr. Orton will also be eligible for vesting of his prior granted ATI equity (converted into AMD equity at Closing) that would vest during the applicable Severance Period. Mr. Orton will also be eligible for medical and dental insurance continuance and outplacement assistance.

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**Item 9.01. Financial Statements and Exhibits**

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
10.1	Offer Letter Agreement by and between David Orton and Advanced Micro Devices, Inc.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: October 4, 2006

ADVANCED MICRO DEVICES, INC.

By: /s/ Hollis M. O'Brien

Name: Hollis M. O'Brien

Title: Corporate Vice President, Secretary  
and Chief Governance Officer

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**EXHIBIT INDEX**

<u>Exhibit No.</u>	<u>Description</u>
10.1	Offer Letter Agreement by and between David Orton and Advanced Micro Devices, Inc.

August 15, 2006

Dave Orton

Dear Dave,

As you are aware, ATI Technologies Inc. ("ATI") intends to enter into an Acquisition Agreement with Advanced Micro Devices, Inc. ("AMD") whereby AMD will acquire all of the outstanding common shares of ATI (also known as the "Transaction"). The AMD/ATI team is pleased to offer you continuing employment after the closing date of the Transaction in the position of Executive Vice President, reporting to Dirk Meyer, President and Chief Operating Officer. This offer letter outlines, among other things, the terms of your continuing employment with the AMD/ATI team following the closing of the Transaction. This Offer is contingent on approval by AMD's Board of Directors and effective only upon the closing of the Transaction, upon which this Offer will supersede any other ATI agreement with respect to your employment with ATI, including your Change in Control Agreement, and is contingent upon your execution of the Non-competition Agreement between you and AMD.

**Salary**

Your initial bi-weekly salary will be **\$21,153.85 (\$550,000 annualized)**. AMD has 26 biweekly pay periods per year.

**Benefits-Executive**

You will continue to participate in the benefits plans, including any executive plans, currently made available to you and continued by ATI, with the exception of the ATI 401(k) plan. Instead, upon the closing of the Transaction, you will be eligible to participate in the AMD 401(k) retirement savings plan with matching contributions. In addition, we anticipate that you will be eligible to participate in the AMD benefits, perquisites and profit sharing plan beginning in January 2007.

**Corporate Bonus Plan**

You will be eligible to participate in AMD's Corporate Bonus Plan ("Bonus Plan"), in accordance with the terms and conditions of the Bonus Plan. Your initial target bonus opportunity will be **100%** of your Base Salary. Any amount which you may earn under the Bonus Plan between the Closing Date and December 31, 2006 will be pro-rated and paid as a percentage of the Base Salary which you actually earn during this period. Target bonus opportunities are subject to review and may be adjusted, generally each plan year. Your participation is subject to the terms and conditions of the attached Bonus Plan.

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### **VP Long Term Incentive Plan**

You will be eligible to participate in AMD's Vice President Long Term Incentive Plan ("LTIP"). The LTIP is based on rolling 3-year revenue growth, relative to external benchmarks, and operating income margins. The target payout under the long-term component is **30%** of your Base Salary. The LTIP is prorated for less than 3 years of service. The terms and conditions of the LTIP, including target bonus opportunities, are subject to review and may be adjusted by AMD.

### **Restricted Stock Units**

Further, subject to the approval by the Board of Directors, you will be granted **50,000** restricted stock units to vest 40% one year from the grant date, then an additional 5% at the end of each subsequent three month period until 100% vested four years from the grant date, assuming continuous service.

### **Contribution Bonus**

AMD/ATI believes that you are an important part of ensuring the future success of AMD/ATI and we would like to provide the following to you as a joining incentive for your anticipated contributions. We will provide you with two separate cash bonuses, each equal to **\$412,500**. The first bonus payment will be paid to you in the first payroll cycle after you complete one year of service with AMD/ATI and the second payment will be paid to you in the first payroll cycle after you complete two years of service with AMD/ATI. Each payment is contingent upon your (1) active, full-time employment at the time of payment; and (2) satisfactory job performance. Each payment is subject to applicable taxes and withholdings.

If applicable, your employment with AMD/ATI is contingent on AMD/ATI successfully obtaining an export license for you in accordance with BXA export license regulations.

In accordance with the requirements of the Immigration Reform and Control Act of 1986, you will be required to provide AMD/ATI with documents to verify your identity and your legal right to work in the United States. You must present this documentation on your first day of employment; to assist you, we will provide a list.

We look forward to a mutually productive working relationship and the opportunity to build the next great semiconductor company. As a new member of the AMD/ATI team, we understand that joining a combined organization does represent change, which could include leadership changes. Therefore, should your employment terminate by mutual agreement from the role offered as Executive Vice President responsible for the ATI Business Unit at AMD or should your employment be terminated without cause during your first 12 months of employment following the close of the Transaction, you will be provided with 24 months severance (the "Severance Period"). Should your employment terminate by mutual agreement or without cause between your 13<sup>th</sup> and 24<sup>th</sup> month of employment following the close of the Transaction, the Severance Period will be reduced by one month for each month of service completed during this period. For example, should your employment terminate during your 15<sup>th</sup> month of employment, you will be provided 21 months of severance.

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In all cases, this severance is subject to execution of a General Release in a form provided by AMD (and similar to the release contained in your ATI Change in Control Agreement). This General Release would include a provision that should your employment terminate for reasons other than cause within the first 24 months of employment following the close of the Transaction, your Non-Competition Agreement would expire the later of two years from the close of the Transaction or 12 months after your termination.

The severance provided will include payment of your base salary and your Corporate Bonus at target, as well as pro-rated payment of your Contribution Bonus at target for the applicable fiscal period between the close of the Transaction date and your termination. Additionally, you will be eligible for vesting of your prior granted ATI equity (converted into AMD equity) that would vest during the applicable Severance Period (as described above). This would not include newly granted, post-close-of-transaction AMD equity that has not yet vested. You will also continue to be eligible for medical and dental insurance as arranged by AMD, as well as other legally mandated benefits. Finally you will be provided outplacement assistance as arranged by AMD.

If this Offer is agreeable to you, please accept it by initialing each page, signing your name below and returning the original signed and dated document to me in the enclosed envelope.

We look forward to having you as a member of our team and feel our association will be mutually rewarding. The dedication, creative drive and loyalty of our employees have enabled us to impact the world through our technological advances in the microelectronics field. We are confident that you possess these qualities and that your contributions to AMD/ATI will be significant and important to our future.

Sincerely,

/s/ Dirk Meyer

**Dirk Meyer**  
**President and Chief Operating Officer**  
**AMD**

/s/ Kevin Lyman

**Kevin Lyman**  
**Senior Vice President, Corporate Human Resources**  
**AMD**



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I am pleased to accept AMD/ATI's Offer of employment as outlined above and in the enclosed attachment(s).

/s/ David Orton

\_\_\_\_\_  
Signature

September 21, 2006

\_\_\_\_\_  
Date Signed

\_\_\_\_\_  
Date of Birth (Month/Day/Year)\*

\* This information will be kept confidential and used only to generate your personnel number.