UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended May 31, 2018

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-10658

Micron Technology, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**75-1618004**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
8000 S. Federal Way, Boise, Idaho	**83716-9632**
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code	**(208) 368-4000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒	Accelerated Filer ☐	Non-Accelerated Filer ☐ (Do not check if a smaller reporting company)	Smaller Reporting Company ☐	Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of outstanding shares of the registrant's common stock as of June 15, 2018 was 1,159,810,627.

Micron Technology, Inc., including its consolidated subsidiaries, is an industry leader in innovative memory and storage solutions. Through our global brands – Micron®, Crucial®, and Ballistix® – our broad portfolio of high-performance memory and storage technologies, including DRAM, NAND, NOR Flash, and 3D XPoint™ memory, is transforming how the world uses information to enrich life. Backed by nearly 40 years of technology leadership, our memory and storage solutions enable disruptive trends, including artificial intelligence, machine learning, and autonomous vehicles, in key market segments like cloud, data center, networking, and mobile.

Micron, Crucial, Ballistix, any associated logos, and all other Micron trademarks are the property of Micron. 3D XPoint is a trademark of Intel in the United States and/or other countries. Other product names or trademarks that are not owned by Micron are for identification purposes only and may be the registered or unregistered trademarks of their respective owners.

Forward-Looking Statements

This Form 10-Q contains trend information and other forward-looking statements that involve a number of risks and uncertainties. Forward-looking statements include, but are not limited to, statements such as those made regarding timing of product introductions; our expected NAND development activities with Intel; the effect of U.S. tax reform; our expectation to engage, from time to time, in additional financing transactions; the sufficiency of our cash and investments, cash flows from operations, and available financing to meet our requirements for at least the next 12 months; capital spending in 2018; and the timing of completing construction of additional clean-room space and initial wafer output from our Singapore NAND fabrication facility. We are under no obligation to update these forward-looking statements. Our actual results could differ materially from our historical results and those discussed in the forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, those identified in "Part II, Other Information – Item 1A. Risk Factors."

Definitions of Commonly Used Terms

As used herein, "we," "our," "us," and similar terms include Micron Technology, Inc. and our consolidated subsidiaries, unless the context indicates otherwise. Abbreviations, terms, or acronyms are commonly used or found in multiple locations throughout this report and include the following:

Term	Definition	Term	Definition
2021 MSAC Term Loan	Variable Rate MSAC Senior Secured Term Loan due 2021	Intel	Intel Corporation
2021 MSTW Term Loan	Variable Rate MSTW Senior Secured Term Loan due 2021	Japan Court	Tokyo District Court
2022 Term Loan B	Senior Secured Term Loan B due 2022	Micron	Micron Technology, Inc. (Parent Company)
2023 Notes	5.25% Senior Notes due 2023	MMJ	Micron Memory Japan, Inc.
2023 Secured Notes	7.50% Senior Secured Notes due 2023	MMJ Group	MMJ and its subsidiaries
2024 Notes	5.25% Senior Notes due 2024	MMT	Micron Memory Taiwan Co., Ltd.
2025 Notes	5.50% Senior Notes due 2025	MSTW	Micron Semiconductor Taiwan Co., Ltd.
2026 Notes	5.63% Senior Notes due 2026	MTTW	Micron Technology Taiwan, Inc.
2032C Notes	2.38% Convertible Senior Notes due 2032	Qimonda	Qimonda AG
2032D Notes	3.13% Convertible Senior Notes due 2032	R&D	Research and Development
2033E Notes	1.63% Convertible Senior Notes due 2033	SG&A	Selling, General, and Administrative
2033F Notes	2.13% Convertible Senior Notes due 2033	SSD	Solid-State Drive
2043G Notes	3.00% Convertible Senior Notes due 2043	TLC	Triple-Level Cell
IMFT	IM Flash Technologies, LLC	VIE	Variable Interest Entity
Inotera	Inotera Memories, Inc.		

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MICRON TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions except per share amounts)
(Unaudited)

	Quarter ended		Nine months ended	
	May 31, 2018	June 1, 2017	May 31, 2018	June 1, 2017
Net sales	$ 7,797	$ 5,566	$ 21,951	$ 14,184
Cost of goods sold	3,074	2,957	9,211	8,860
Gross margin	4,723	2,609	12,740	5,324
Selling, general, and administrative	211	204	598	550
Research and development	603	434	1,574	1,377
Other operating (income) expense, net	(44)	8	(49)	31
Operating income	3,953	1,963	10,617	3,366
Interest income	36	10	86	25
Interest expense	(80)	(153)	(292)	(453)
Other non-operating income (expense), net	(193)	(83)	(450)	(63)
	3,716	1,737	9,961	2,875
Income tax (provision) benefit	109	(92)	(148)	(161)
Equity in net income (loss) of equity method investees	(2)	2	(1)	7
Net income	3,823	1,647	9,812	2,721
Net (income) attributable to noncontrolling interests	—	—	(2)	—
Net income attributable to Micron	$ 3,823	$ 1,647	$ 9,810	$ 2,721
Earnings per share				
Basic	$ 3.30	$ 1.49	$ 8.53	$ 2.52
Diluted	3.10	1.40	7.96	2.38
Number of shares used in per share calculations				
Basic	1,159	1,106	1,150	1,082
Diluted	1,235	1,177	1,233	1,142

See accompanying notes to consolidated financial statements.

MICRON TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)
(Unaudited)

	Quarter ended		Nine months ended	
	May 31, 2018	June 1, 2017	May 31, 2018	June 1, 2017
Net income	$ 3,823	$ 1,647	$ 9,812	$ 2,721
Other comprehensive income (loss), net of tax				
Gains (losses) on derivative instruments	(21)	6	(6)	(1)
Pension liability adjustments	(1)	1	—	—
Unrealized gains (losses) on investments	—	1	(2)	—
Foreign currency translation adjustments	1	11	1	48
Other comprehensive income (loss)	(21)	19	(7)	47
Total comprehensive income	3,802	1,666	9,805	2,768
Comprehensive (income) attributable to noncontrolling interests	—	—	(2)	—
Comprehensive income attributable to Micron	$ 3,802	$ 1,666	$ 9,803	$ 2,768

See accompanying notes to consolidated financial statements.

MICRON TECHNOLOGY, INC.

CONSOLIDATED BALANCE SHEETS

(in millions except par value amounts)
(Unaudited)

As of	May 31, 2018	August 31, 2017
Assets		
Cash and equivalents	$ 6,808	$ 5,109
Short-term investments	263	319
Receivables	4,912	3,759
Inventories	3,369	3,123
Other current assets	147	147
Total current assets	15,499	12,457
Long-term marketable investments	487	617
Property, plant, and equipment, net	22,705	19,431
Intangible assets, net	334	387
Deferred tax assets	989	766
Goodwill	1,228	1,228
Other noncurrent assets	603	450
Total assets	$ 41,845	$ 35,336
Liabilities and equity		
Accounts payable and accrued expenses	$ 3,998	$ 3,664
Deferred income	431	408
Current debt	1,454	1,262
Total current liabilities	5,883	5,334
Long-term debt	5,890	9,872
Other noncurrent liabilities	549	639
Total liabilities	12,322	15,845
Commitments and contingencies		
Redeemable convertible notes	5	21
Micron shareholders' equity		
Common stock, $0.10 par value, 3,000 shares authorized, 1,169 shares issued and 1,160 outstanding (1,116 shares issued and 1,112 outstanding as of August 31, 2017)	117	112
Additional capital	8,869	8,287
Retained earnings	20,070	10,260
Treasury stock, 9 shares (4 shares as of August 31, 2017)	(429)	(67)
Accumulated other comprehensive income	22	29
Total Micron shareholders' equity	28,649	18,621
Noncontrolling interests in subsidiaries	869	849
Total equity	29,518	19,470
Total liabilities and equity	$ 41,845	$ 35,336

See accompanying notes to consolidated financial statements.

MICRON TECHNOLOGY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(Unaudited)

Nine months ended	May 31, 2018	June 1, 2017
Cash flows from operating activities		
Net income	$ 9,812	$ 2,721
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation expense and amortization of intangible assets	3,474	2,795
Amortization of debt discount and other costs	78	93
Loss on debt prepayments, repurchases, and conversions	386	62
Stock-based compensation	151	158
Gain on remeasurement of previously-held equity interest in Inotera	—	(71)
Change in operating assets and liabilities		
Receivables	(1,177)	(1,338)
Inventories	(246)	108
Accounts payable and accrued expenses	38	511
Payments attributed to intercompany balances with Inotera	—	(361)
Deferred income taxes, net	(216)	80
Other	(55)	192
Net cash provided by operating activities	12,245	4,950
Cash flows from investing activities		
Expenditures for property, plant, and equipment	(6,628)	(3,469)
Purchases of available-for-sale securities	(606)	(943)
Payments to settle hedging activities	(84)	(267)
Acquisition of Inotera	—	(2,634)
Proceeds from sales of available-for-sale securities	569	742
Proceeds from maturities of available-for-sale securities	219	115
Proceeds from settlement of hedging activities	151	146
Other	292	51
Net cash provided by (used for) investing activities	(6,087)	(6,259)
Cash flows from financing activities		
Repayments of debt	(6,767)	(1,774)
Payments on equipment purchase contracts	(170)	(261)
Proceeds from issuance of stock	1,636	108
Proceeds from issuance of debt	969	3,136
Other	(111)	(2)
Net cash provided by (used for) financing activities	(4,443)	1,207
Effect of changes in currency exchange rates on cash, cash equivalents, and restricted cash	(4)	(15)
Net increase (decrease) in cash, cash equivalents, and restricted cash	1,711	(117)
Cash, cash equivalents, and restricted cash at beginning of period	5,216	4,263
Cash, cash equivalents, and restricted cash at end of period	$ 6,927	$ 4,146

See accompanying notes to consolidated financial statements.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Micron and our consolidated subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America consistent in all material respects with those applied in our Annual Report on Form 10-K for the year ended August 31, 2017. In the opinion of our management, the accompanying unaudited consolidated financial statements contain all necessary adjustments, consisting of a normal recurring nature, to fairly state the financial information set forth herein. Certain reclassifications have been made to prior period amounts to conform to current period presentation.

Our fiscal year is the 52 or 53-week period ending on the Thursday closest to August 31. Fiscal years 2018 and 2017 each contain 52 weeks. All period references are to our fiscal periods unless otherwise indicated. These interim financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended August 31, 2017.

Significant Accounting Policies

Our significant accounting policies include those described in our Annual Report on Form 10-K for the year ended August 31, 2017 as well as the policy below.

Government Incentives: We receive incentives from governmental entities related to expenses, assets, and other activities. Our government incentives may require that we meet or maintain specified spending levels and other operational metrics and may be subject to reimbursement if such conditions are not met or maintained. Government incentives are recorded in the financial statements in accordance with their purpose: as a reduction of expenses, a reduction of asset costs, or other income. Incentives related to specific operating activities are offset against the related expense in the period the expense is incurred. Incentives related to the acquisition or construction of fixed assets are recognized as a reduction in the carrying amounts of the related assets and reduce depreciation expense over the useful lives of the assets. Other incentives are recognized as other operating income. Government incentives received prior to being earned are recognized in current or noncurrent deferred income, whereas government incentives earned prior to being received are recognized in current or noncurrent receivables. Cash received from government incentives related to operating expenses are included as an operating activity in the statement of cash flows, whereas incentives related to the acquisition of property, plant, and equipment are included as an investing activity.

Variable Interest Entities

We have interests in entities that are VIEs. If we are the primary beneficiary of a VIE, we are required to consolidate it. To determine if we are the primary beneficiary, we evaluate whether we have the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Our evaluation includes identification of significant activities and an assessment of our ability to direct those activities based on governance provisions and arrangements to provide or receive product and process technology, product supply, operations services, equity funding, financing, and other applicable agreements and circumstances. Our assessments of whether we are the primary beneficiary of our VIEs require significant assumptions and judgments.

<u>**Unconsolidated VIE**</u>

***PTI Xi'an*:** Powertech Technology Inc. Xi'an ("PTI Xi'an") is a wholly-owned subsidiary of Powertech Technology Inc. ("PTI") and was created to provide assembly services to us at our manufacturing site in Xi'an, China. We do not have an equity interest in PTI Xi'an. PTI Xi'an is a VIE because of the terms of its service agreement with us and its dependency on PTI to finance its operations. We have determined that we do not have the power to direct the activities of PTI Xi'an that most significantly impact its economic performance, primarily because we have no governance rights. Therefore, we do not consolidate PTI Xi'an. In connection with our assembly services with PTI, we had capital lease obligations and net property, plant, and equipment of $72 million and $69 million, respectively, as of May 31, 2018, and $80 million and $76 million, respectively, as of August 31, 2017.

<u>Consolidated VIE</u>

IMFT**:** IMFT is a VIE because all of its costs are passed to us and its other member, Intel, through product purchase agreements and because IMFT is dependent upon us or Intel for additional cash requirements. The primary activities of IMFT are driven by the constant introduction of product and process technology. Because we perform a significant majority of the technology development, we have the power to direct its key activities. We consolidate IMFT because we have the power to direct the activities of IMFT that most significantly impact its economic performance and because we have the obligation to absorb losses and the right to receive benefits from IMFT that could potentially be significant to it. (See "Equity – Noncontrolling Interests in Subsidiaries – IMFT" note.)

Recently Issued Accounting Standards

In October 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-16 – *Intra-Entity Transfers Other Than Inventory*, which requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. This ASU will be effective for us in the first quarter of 2019 and requires modified retrospective adoption. We are evaluating the effects of our adoption of this ASU on our financial statements.

In June 2016, the FASB issued ASU 2016-13 – *Measurement of Credit Losses on Financial Instruments*, which requires a financial asset (or a group of financial assets) measured on the basis of amortized cost to be presented at the net amount expected to be collected. This ASU requires that the income statement reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This ASU requires that credit losses of debt securities designated as available-for-sale be recorded through an allowance for credit losses and limits the credit loss to the amount by which fair value is below amortized cost. This ASU will be effective for us in the first quarter of 2021 with adoption permitted as early as the first quarter of 2020. This ASU requires modified retrospective adoption, with prospective adoption for debt securities for which an other-than-temporary impairment had been recognized before the effective date. We are evaluating the timing and effects of our adoption of this ASU on our financial statements.

In February 2016, the FASB issued ASU 2016-02 – *Leases*, which amends a number of aspects of lease accounting, including requiring lessees to recognize operating leases with a term greater than one year on their balance sheet as a right-of-use asset and corresponding liability, measured at the present value of the lease payments. This ASU will be effective for us in the first quarter of 2020 with early adoption permitted and requires modified retrospective adoption. The adoption of this ASU will result in an increase in right-of-use assets and corresponding liabilities. We are evaluating the timing and other effects of our adoption of this ASU on our financial statements.

In January 2016, the FASB issued ASU 2016-01 – *Recognition and Measurement of Financial Assets and Financial Liabilities*, which provides guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. This ASU will be effective for us in the first quarter of 2019 and requires modified retrospective adoption, with prospective adoption for amendments related to equity securities without readily determinable fair values. Our assets and liabilities subject to this standard are not material.

In May 2014, the FASB issued ASU 2014-09 – *Revenue from Contracts with Customers*, which supersedes nearly all existing revenue recognition guidance under generally accepted accounting principles in the United States. The core principal of this ASU, as amended, is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. This ASU will be effective for us in the first quarter of 2019 and we expect to elect the modified retrospective adoption method.

As a result of the adoption of this ASU, we expect to recognize revenue from sales of products to our distributors (which generally have agreements allowing rights of return or price protection) at the time control transfers to our distributors, which is generally earlier than recognizing revenue only upon resale by our distributors under existing revenue recognition guidance. Revenue recognized upon resale by our distributors under these arrangements was 19% of our consolidated revenue for the third quarter and first nine months of 2018, and 19% and 21% of our consolidated revenue for the third quarter and first nine months of 2017, respectively. On the date of initial application of this ASU, we will derecognize the deferred income on sales made to our distributors through a cumulative adjustment to retained earnings. We expect the revenue deferral, historically recognized in the following period, to be offset by the earlier recognition of revenue as described above as control of product transfers to our distributors. As a result of the adoption of this ASU, we expect to recognize interest expense from the financing component for contracts with advanced payments under which we transfer control of our products to our customers for periods extending beyond one year, although historically such arrangements would not have resulted in significant amounts of interest expense. As a result of the adoption of this ASU, we expect that revenue recognized under our current license agreements will not change materially.

Acquisition of Inotera

Through December 6, 2016, we held a 33% ownership interest in Inotera, now known as Micron Technology Taiwan, Inc. ("MTTW") and accounted for our ownership interest under the equity method. On December 6, 2016, we acquired the remaining 67% ownership interest in Inotera not owned by us (the "Inotera Acquisition") and began consolidating Inotera's operating results. Inotera manufactures DRAM products at its 300mm wafer fabrication facility in Taoyuan City, Taiwan, and previously sold such products exclusively to us through supply agreements, under which we purchased $504 million of DRAM products in the first quarter of 2017, based on a pricing formula that equally shared margin between Inotera and us.

Pro Forma Financial Information

The following pro forma financial information presents the combined results of operations as if the Inotera Acquisition had occurred on September 4, 2015. The pro forma financial information includes the accounting effects of the business combination, including adjustments for depreciation of property, plant, and equipment, interest expense, elimination of intercompany activities, and revaluation of inventories. The pro forma financial information below is not necessarily indicative of either future results of operations or results that might have been achieved had the Inotera Acquisition occurred on September 4, 2015.

	Quarter ended June 1, 2017	Nine months ended June 1, 2017
Net sales	$ 5,566	$ 14,179
Net income	1,696	2,776
Net income attributable to Micron	1,696	2,776
Earnings per share		
Basic	1.53	2.52
Diluted	1.44	2.39

The pro forma financial information includes our results for the quarter and nine months ended June 1, 2017 (which includes the results of Inotera since our acquisition of Inotera on December 6, 2016), the results of Inotera for the three months ended November 30, 2016, and the adjustments described above.

Cash and Investments

Cash and equivalents and the fair values of our available-for-sale investments, which approximated amortized costs, were as follows:

As of	May 31, 2018				August 31, 2017			
	Cash and Equivalents	Short-term Investments	Long-term Marketable Investments[1]	Total Fair Value	Cash and Equivalents	Short-term Investments	Long-term Marketable Investments[1]	Total Fair Value
Cash	$ 3,452	$ —	$ —	$ 3,452	$ 2,237	$ —	$ —	$ 2,237
Level 1[2]								
Money market funds	3,061	—	—	3,061	2,332	—	—	2,332
Level 2[3]								
Corporate bonds	2	151	269	422	—	193	315	508
Certificates of deposit	259	10	2	271	483	24	3	510
Government securities	—	62	99	161	1	90	126	217
Asset-backed securities	—	14	117	131	—	2	173	175
Commercial paper	34	26	—	60	56	10	—	66
	6,808	$ 263	$ 487	$ 7,558	5,109	$ 319	$ 617	$ 6,045
Restricted cash[4]	119				107			
Cash, cash equivalents, and restricted cash	$ 6,927				$ 5,216			

(1) *The maturities of long-term marketable securities range from one to four years.*
(2) *The fair value of Level 1 securities is measured based on quoted prices in active markets for identical assets.*
(3) *The fair value of Level 2 securities is measured using information obtained from pricing services, which obtain quoted market prices for similar instruments, non-binding market consensus prices that are corroborated by observable market data, or various other methodologies, to determine the appropriate value at the measurement date. We perform supplemental analyses to validate information obtained from these pricing services. No adjustments were made to the fair values indicated by such pricing information as of May 31, 2018 or August 31, 2017.*
(4) *Restricted cash is included in other noncurrent assets and primarily represents balances related to the MMJ Creditor Payments and interest reserve balances related to the 2021 MSTW Term Loan.*

Gross realized gains and losses from sales of available-for-sale securities were not material for any period presented. As of May 31, 2018, there were no available-for-sale securities that had been in a loss position for longer than 12 months.

Receivables

As of	May 31, 2018	August 31, 2017
Trade receivables	$ 4,513	$ 3,490
Income and other taxes	142	100
Other	257	169
	$ 4,912	$ 3,759

Inventories

As of	May 31, 2018	August 31, 2017
Finished goods	$ 828	$ 856
Work in process	2,168	1,968
Raw materials and supplies	373	299
	$ 3,369	$ 3,123

Property, Plant, and Equipment

As of	May 31, 2018	August 31, 2017
Land	$ 345	$ 345
Buildings	8,560	7,958
Equipment[(1)]	36,909	32,187
Construction in progress[(2)]	826	499
Software	624	544
	47,264	41,533
Accumulated depreciation	(24,559)	(22,102)
	$ 22,705	$ 19,431

[(1)] *Included costs related to equipment not placed into service of $1.41 billion and $994 million, as of May 31, 2018 and August 31, 2017, respectively.*
[(2)] *Includes building-related construction and tool installation costs for assets not placed into service.*

Intangible Assets and Goodwill

As of	May 31, 2018		August 31, 2017	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Amortizing assets				
Product and process technology	$ 573	$ (347)	$ 756	$ (477)
Non-amortizing assets				
In-process R&D	108	—	108	—
Total intangible assets	$ 681	$ (347)	$ 864	$ (477)
Goodwill	$ 1,228		$ 1,228	

During the first nine months of 2018 and 2017, we capitalized $27 million and $22 million, respectively, for product and process technology with weighted-average useful lives of 11 years and 10 years, respectively. Expected amortization expense is $20 million for the remainder of 2018, $52 million for 2019, $37 million for 2020, $30 million for 2021, and $20 million for 2022.

Accounts Payable and Accrued Expenses

As of	May 31, 2018	August 31, 2017
Accounts payable	$ 1,360	$ 1,333
Property, plant, and equipment payables	1,143	1,018
Salaries, wages, and benefits	692	603
Income and other taxes	311	163
Customer advances	181	197
Other	311	350
	$ 3,998	$ 3,664

Debt

As of			May 31, 2018			August 31, 2017		
Instrument	Stated Rate	Effective Rate	Current	Long-Term	Total	Current	Long-Term	Total
MMJ Creditor Payments	N/A	6.52%	$ 237	$ 259	$ 496	$ 157	$ 474	$ 631
Capital lease obligations	N/A	3.80%	346	605	951	357	833	1,190
2021 MSAC Term Loan	4.42%	4.65%	—	—	—	99	697	796
2021 MSTW Term Loan	2.85%	3.01%	—	1,993	1,993	—	2,640	2,640
2022 Term Loan B	3.74%	4.15%	5	721	726	5	725	730
2023 Notes	5.25%	5.43%	—	—	—	—	991	991
2023 Secured Notes	7.50%	7.69%	—	—	—	—	1,238	1,238
2024 Notes	5.25%	5.38%	—	—	—	—	546	546
2025 Notes	5.50%	5.56%	—	515	515	—	515	515
2026 Notes	5.63%	5.73%	—	—	—	—	128	128
2032C Notes(1)(2)	2.38%	5.95%	504	—	504	—	211	211
2032D Notes(1)	3.13%	6.33%	77	149	226	—	159	159
2033E Notes(1)	1.63%	1.63%	43	—	43	202	—	202
2033F Notes(1)	2.13%	4.93%	123	—	123	278	—	278
2043G Notes(1)	3.00%	6.76%	10	679	689	—	671	671
IMFT Member Debt	0.00%	0.00%	—	969	969	—	—	—
Other notes	1.84%	2.46%	109	—	109	164	44	208
			$ 1,454	$ 5,890	$ 7,344	$ 1,262	$ 9,872	$ 11,134

(1) *Since the closing price of our common stock exceeded 130% of the conversion price per share for at least 20 trading days in the 30 trading day period ended on March 31, 2018, these notes are convertible by the holders at any time through the calendar quarter ended June 30, 2018. Current debt as of May 31, 2018 included an aggregate of $553 million for the settlement obligation (including principal and amounts in excess of principal) for conversions of certain convertible notes that will settle in cash in the fourth quarter of 2018. Additionally, the closing price of our common stock also exceeded the thresholds for the calendar quarter ended June 30, 2018; therefore, these notes are convertible by the holders at any time through September 30, 2018.*

(2) *The 2032C Notes were classified as current as of May 31, 2018 because the holders can require us to repurchase for cash all or a portion of the 2032C Notes on May 1, 2019.*

The carrying values in the table above as of May 31, 2018 include $4 million of principal amount of our 2033E Notes for which we announced we would redeem on June 15, 2018 and $553 million for the aggregate settlement obligation of certain convertible notes that had been converted but not settled. Additionally, in June 2018, we made an irrevocable election under the terms of the 2021 MSTW Term Loan to prepay principal of 25 billion New Taiwan dollars (equivalent to $836 million as of May 31, 2018) on July 6, 2018. These items had an aggregate carrying value of $1.39 billion as of May 31, 2018 that will settle in the fourth quarter of 2018 and reduce the carrying value of our debt.

Debt Prepayments, Repurchases, and Conversions

During the first nine months of 2018, we prepaid, repurchased, and settled conversions of debt with an aggregate of $4.73 billion principal amount. When we receive a notice of conversion for any of our convertible notes and elect to settle in cash any amount of the conversion obligation in excess of the principal amount, the cash settlement obligations become derivative debt liabilities subject to mark-to-market accounting treatment based on the volume-weighted-average price of our common stock over a period of 20 consecutive trading days. Accordingly, at the date of our election to settle a conversion in cash, we reclassify the fair value of the equity component of the converted notes from additional capital to derivative debt liability within current debt in our consolidated balance sheet.

The following table presents the effects of prepayments, repurchases, and conversions of debt in the first nine months of 2018:

Nine months ended May 31, 2018	Decrease in Principal	Increase (Decrease) in Carrying Value	Decrease in Cash	Decrease in Equity	Gain (Loss)
Prepayments and repurchases					
2021 MSAC Term Loan	$ (730)	$ (727)	$ (730)	$ —	$ (3)
2021 MSTW Term Loan	(671)	(668)	(671)	—	(3)
2023 Notes	(1,000)	(991)	(1,046)	—	(55)
2023 Secured Notes	(1,250)	(1,238)	(1,373)	—	(135)
2024 Notes	(550)	(546)	(572)	—	(25)
2026 Notes	(129)	(129)	(139)	—	(11)
2033F Notes	(66)	(63)	(316)	(252)	(1)
Settled conversions					
2032C Notes	(52)	(49)	(240)	(195)	4
2033E Notes[(1)]	(161)	(191)	(491)	(251)	(49)
2033F Notes	(119)	(114)	(575)	(447)	(14)
Conversions not settled[(2)]					
2032C Notes	—	338	—	(264)	(74)
2032D Notes	—	64	—	(51)	(13)
2033E Notes	—	31	—	(29)	(3)
2033F Notes	—	17	—	(14)	(3)
2043G Notes	—	6	—	(5)	(1)
	$ (4,728)	$ (4,260)	$ (6,153)	$ (1,508)	$ (386)

[(1)] *Settlement included issuance of 4 million shares of our treasury stock in addition to payment of cash.*

[(2)] *As of May 31, 2018, an aggregate of $101 million in principal amount of our convertible notes (with a carrying value of $553 million) had converted but not settled. These notes will settle in cash in the fourth quarter of 2018.*

IMFT Member Debt

In the first nine months of 2018, Intel provided debt financing ("IMFT Member Debt") of $969 million to IMFT pursuant to the terms of the IMFT joint venture agreement. IMFT Member Debt bears no interest, matures upon the completion of an auction and sale of assets of IMFT prior to the dissolution, liquidation, or other wind-up of IMFT, and is convertible, at the election of Intel, in whole or in part, into a capital contribution to IMFT. Additionally, to the extent IMFT distributes cash to its members under the terms of the IMFT joint venture agreement, Intel may, at its option, designate any portion of the distribution to be a repayment of the IMFT Member Debt. In the event Intel exercises its right to put its interest in IMFT to us, or if we exercise our right to call from Intel its interest in IMFT, Intel will transfer to Micron any IMFT Member Debt outstanding at the time of the closing of the put or call transaction. (See "Equity – Noncontrolling Interest in Subsidiaries – IMFT" note.)

2022 Senior Secured Term Loan B Repricing Amendment

On October 26, 2017 and April 27, 2018, we amended our 2022 Term Loan B, substantially all of which was treated as a debt modification, to reduce the interest rate margins. As of May 31, 2018, the 2022 Term Loan B bears interest at LIBOR plus 1.75%.

Convertible Senior Notes

As of May 31, 2018, the trading price of our common stock was higher than the initial conversion prices of our convertible notes. As a result, the conversion values for these notes exceeded the principal amounts by $3.21 billion as of May 31, 2018.

Contingencies

We have accrued a liability and charged operations for the estimated costs of adjudication or settlement of various asserted and unasserted claims existing as of the balance sheet date, including those described below. We are currently a party to other legal actions arising from the normal course of business, none of which are expected to have a material adverse effect on our business, results of operations, or financial condition.

Patent Matters

As is typical in the semiconductor and other high-tech industries, from time to time, others have asserted, and may in the future assert, that our products or manufacturing processes infringe upon their intellectual property rights.

On November 21, 2014, Elm 3DS Innovations, LLC ("Elm") filed a patent infringement action against Micron, Micron Semiconductor Products, Inc., and Micron Consumer Products Group, Inc. in the U.S. District Court for the District of Delaware. On March 27, 2015, Elm filed an amended complaint against the same entities. The amended complaint alleges that unspecified semiconductor products of ours that incorporate multiple stacked die infringe 13 U.S. patents and seeks damages, attorneys' fees, and costs.

On December 15, 2014, Innovative Memory Solutions, Inc. filed a patent infringement action against Micron in the U.S. District Court for the District of Delaware. The complaint alleges that a variety of our NAND products infringe eight U.S. patents and seeks damages, attorneys' fees, and costs.

On June 24, 2016, the President and Fellows of Harvard University filed a patent infringement action against Micron in the U.S. District Court for the District of Massachusetts. The complaint alleged that a variety of our DRAM products infringed two U.S. patents and sought damages, injunctive relief, and other unspecified relief. On March 1, 2018, we executed a settlement agreement resolving this litigation. The settlement amount did not have a material effect on our business, results of operations, or financial condition.

On March 19, 2018, Micron Semiconductor (Xi’an) Co., Ltd. ("MXA") was served with a patent infringement complaint filed by Fujian Jinhua Integrated Circuit Co., Ltd. ("Jinhua") in the Fuzhou Intermediate People’s Court in Fujian Province, China. On April 3, 2018, Micron Semiconductor (Shanghai) Co. Ltd. ("MSS") was served with the same complaint. The complaint alleges that MXA and MSS infringe a Chinese patent by manufacturing and selling certain Crucial DDR4 DRAM modules. The complaint seeks an order requiring the defendants to destroy inventory of the accused products and equipment for manufacturing the accused products in China, to stop manufacturing, using, selling, and offering for sale the accused products in China, and to pay damages of 98 million Chinese yuan plus court fees incurred.

On March 21, 2018, MXA was served with a patent infringement complaint filed by United Microelectronics Corporation ("UMC") in the Fuzhou Intermediate People's Court in Fujian Province, China. On April 3, 2018, MSS was served with the same complaint. The complaint alleges that MXA and MSS infringe a Chinese patent by manufacturing and selling certain Crucial DDR4 DRAM modules. The complaint seeks an order requiring the defendants to destroy inventory of the accused products and equipment for manufacturing the accused products in China, to stop manufacturing, using, selling, and offering for sale the accused products in China, and to pay damages of 90 million Chinese yuan plus court fees incurred.

On April 3, 2018, MSS was served with another patent infringement complaint filed by Jinhua and two additional complaints filed by UMC in the Fuzhou Intermediate People's Court in Fujian Province, China. The three additional complaints allege that MSS infringes three Chinese patents by manufacturing and selling certain Crucial MX300 SSDs and certain GDDR5 memory chips. The two complaints filed by UMC each seek an order requiring the defendant to destroy inventory of the accused products and equipment for manufacturing the accused products in China, to stop manufacturing, using, selling, and offering for sale the accused products in China, and to pay damages of 90 million Chinese yuan plus court fees incurred. The complaint filed by Jinhua seeks an order requiring the defendants to destroy inventory of the accused products and equipment for manufacturing the accused products in China, to stop manufacturing, using, selling, and offering for sale the accused products in China, and to pay damages of 98 million Chinese yuan plus court fees incurred.

Among other things, the above lawsuits pertain to certain of our DDR DRAM, DDR2 DRAM, DDR3 DRAM, DDR4 DRAM, SDR SDRAM, PSRAM, RLDRAM, LPDRAM, NAND, and certain other memory products we manufacture, which account for a significant portion of our net sales.

We are unable to predict the outcome of assertions of infringement made against us and therefore cannot estimate the range of possible loss. A determination that our products or manufacturing processes infringe the intellectual property rights of others or entering into a license agreement covering such intellectual property could result in significant liability and/or require us to make material changes to our products and/or manufacturing processes. Any of the foregoing could have a material adverse effect on our business, results of operations, or financial condition.

Qimonda

On January 20, 2011, Dr. Michael Jaffé, administrator for Qimonda's insolvency proceedings, filed suit against Micron and Micron Semiconductor B.V., our Netherlands subsidiary ("Micron B.V."), in the District Court of Munich, Civil Chamber. The complaint seeks to void, under Section 133 of the German Insolvency Act, a share purchase agreement between Micron B.V. and Qimonda signed in fall 2008, pursuant to which Micron B.V. purchased substantially all of Qimonda's shares of Inotera (the "Inotera Shares"), representing approximately 18% of Inotera's outstanding shares as of May 31, 2018, and seeks an order requiring us to re-transfer those shares to the Qimonda estate. The complaint also seeks, among other things, to recover damages for the alleged value of the joint venture relationship with Inotera and to terminate, under Sections 103 or 133 of the German Insolvency Code, a patent cross-license between us and Qimonda entered into at the same time as the share purchase agreement.

Following a series of hearings with pleadings, arguments, and witnesses on behalf of the Qimonda estate, on March 13, 2014, the court issued judgments: (1) ordering Micron B.V. to pay approximately $1 million in respect of certain Inotera Shares sold in connection with the original share purchase; (2) ordering Micron B.V. to disclose certain information with respect to any Inotera Shares sold by it to third parties; (3) ordering Micron B.V. to disclose the benefits derived by it from ownership of the Inotera Shares, including in particular, any profits distributed on the Inotera Shares and all other benefits; (4) denying Qimonda's claims against Micron for any damages relating to the joint venture relationship with Inotera; and (5) determining that Qimonda's obligations under the patent cross-license agreement are canceled. In addition, the court issued interlocutory judgments ordering, among other things: (1) that Micron B.V. transfer to the Qimonda estate the Inotera Shares still owned by Micron B.V. and pay to the Qimonda estate compensation in an amount to be specified for any Inotera Shares sold to third parties; and (2) that Micron B.V. pay the Qimonda estate as compensation an amount to be specified for benefits derived by Micron B.V. from ownership of the Inotera Shares. The interlocutory judgments have no immediate, enforceable effect on us, and, accordingly, we expect to be able to continue to operate with full control of the Inotera Shares subject to further developments in the case. We have filed a notice of appeal, and the parties have submitted briefs to the appeals court.

We are unable to predict the outcome of the matter and therefore cannot estimate the range of possible loss. The final resolution of this lawsuit could result in the loss of the Inotera Shares or monetary damages, unspecified damages based on the benefits derived by Micron B.V. from the ownership of the Inotera Shares, and/or the termination of the patent cross-license, which could have a material adverse effect on our business, results of operation, or financial condition.

Other

On December 5, 2017, Micron filed a complaint against UMC and Jinhua in the U.S. District Court for the Northern District of California. The complaint alleges that UMC and Jinhua violated the Defend Trade Secrets Act, the civil provisions of the Racketeer Influenced and Corrupt Organizations Act, and California's Uniform Trade Secrets Act by misappropriating Micron's trade secrets and other misconduct. Micron's complaint seeks damages, restitution, disgorgement of profits, injunctive relief, and other appropriate relief.

On April 27, 2018, a purported class-action lawsuit was filed against Micron and other DRAM suppliers in the U.S. District Court for the Northern District of California asserting claims based on alleged price-fixing of DRAM products during the period from June 1, 2016 to February 1, 2018. Similar cases were subsequently filed in Canadian courts in Quebec, Montreal and Toronto, Ontario. The complaints seek treble monetary damages, costs, interest, attorneys' fees, and other injunctive and equitable relief. We are unable to predict the outcome of these matters and therefore cannot estimate the range of possible loss. The final resolution of these matters could result in significant liability and could have a material adverse effect on our business, results of operations, or financial condition.

In the normal course of business, we are a party to a variety of agreements pursuant to which we may be obligated to indemnify the other party. It is not possible to predict the maximum potential amount of future payments under these types of agreements due to the conditional nature of our obligations and the unique facts and circumstances involved in each particular agreement. Historically, our payments under these types of agreements have not had a material adverse effect on our business, results of operations, or financial condition.

Equity

Micron Shareholders' Equity

***Common Stock Issuance*:** In October 2017, we issued 34 million shares of our common stock for $41.00 per share in a public offering for proceeds of $1.36 billion, net of underwriting fees and other offering costs.

***Outstanding Capped Calls*:** In connection with certain of our convertible notes, we entered into capped call transactions, which are intended to reduce the effect of potential dilution. The capped calls provide for our receipt of cash or shares, at our election, from our counterparties if the trading price of our stock is above the strike prices on the expiration dates. As of May 31, 2018, the dollar value of cash or shares that we would receive from our outstanding capped calls upon their expiration dates range from $0, if the trading price of our stock is below the strike prices for all capped calls at expiration, to $98 million, if the trading price of our stock is at or above the cap prices for all capped calls. Settlement of the capped calls prior to the expiration dates may be for an amount less than the maximum value at expiration.

Settlement of Capped Calls: During the first nine months of 2018, we share-settled portions of our capped calls upon expiration, and received 9 million shares (equal to a value of $429 million) based on the volume-weighted trading stock prices at the expiration dates. Shares received were recorded as treasury stock.

***Common Stock Repurchase Authorization*:** In May 2018, we announced that our Board of Directors had authorized the discretionary repurchase of up to $10 billion of our outstanding common stock beginning in 2019. We may purchase shares on a discretionary basis through open-market purchases, block trades, privately-negotiated transactions, and/or derivative transactions, subject to market conditions and our ongoing determination of the best use of available cash. The repurchase authorization does not obligate us to acquire any common stock.

Noncontrolling Interests in Subsidiaries

As of	May 31, 2018		August 31, 2017	
	Balance	Percentage	Balance	Percentage
IMFT	$ 852	49%	$ 832	49%
Other	17	Various	17	Various
	$ 869		$ 849	

***IMFT*:** Since 2006, we have owned 51% of IMFT, a joint venture between us and Intel. IMFT is governed by a Board of Managers, for which the number of managers appointed by each member varies based on the members' respective ownership interests. IMFT manufactures semiconductor products exclusively for its members under a long-term supply agreement at prices approximating cost.

IMFT's capital requirements are generally determined based on an annual plan approved by the members, and capital contributions to IMFT are requested as needed. Capital requests are made to the members in proportion to their then-current ownership interest. Members may elect to not contribute their proportional share, and in such event, the contributing member may elect to contribute any amount of the remaining capital request, either in the form of an equity contribution or member debt financing. Under the supply agreement, the members have rights and obligations to the capacity of IMFT in proportion to their investment, including member debt financing. Any capital contribution or member debt financing results in a proportionate adjustment to the sharing of output on an eight-month lag. Members pay their proportionate share of fixed costs associated with IMFT's capacity.

IMFT sales to Intel were $114 million and $341 million for the third quarter and first nine months of 2018, respectively, and $123 million and $375 million for the third quarter and first nine months of 2017, respectively. In the first quarter of 2018, IMFT discontinued production of NAND and subsequent to that time is entirely focused on 3D XPoint memory production.

The IMFT joint venture agreement extends through 2024 and includes certain buy-sell rights. At any time through December 2018, Intel can put to us, and from January 2019 through December 2021, we can call from Intel, Intel's interest in IMFT, in either case, for a price that approximates Intel's interest in the net book value of IMFT plus member debt at the time of the closing. If Intel exercises its put right, we can elect to set the closing date of the transaction any time between six months and two years following such election by Intel and we can elect to receive financing of the purchase price from Intel for one to two years from the closing date. If we exercise our call right, Intel can elect to set the closing date of the transaction to be any time between six months and one year following such election. Following the closing date resulting from exercise of either the put or the call, we will continue to supply to Intel for a period of one year between 50% and 100%, at Intel's choice, of Intel's immediately preceding six-month period pre-closing volumes of IMFT products for the first six-month period following the closing and between 0% and 100%, at Intel's choice, of Intel's first six-month period following the closing volumes of IMFT products for the second six-month period following the closing, at a margin that varies depending on whether the put or call was exercised.

Creditors of IMFT have recourse only to IMFT's assets and do not have recourse to any other of our assets. The following table presents the assets and liabilities of IMFT included in our consolidated balance sheets:

As of	May 31, 2018	August 31, 2017
Assets		
Cash and equivalents	$ 109	$ 87
Receivables	86	81
Inventories	119	128
Other current assets	6	7
Total current assets	320	303
Property, plant, and equipment, net	2,706	1,852
Other noncurrent assets	46	49
Total assets	$ 3,072	$ 2,204
Liabilities		
Accounts payable and accrued expenses	$ 200	$ 299
Deferred income	9	6
Current debt	20	19
Total current liabilities	229	324
Long-term debt	1,029	75
Other noncurrent liabilities	77	88
Total liabilities	$ 1,335	$ 487

Amounts exclude intercompany balances that were eliminated in our consolidated balance sheets.

Restrictions on Net Assets

As a result of the corporate reorganization proceedings of MMJ, the 2021 MSTW Term Loan covenants, and the IMFT joint venture agreement, our total restricted net assets (excluding intercompany balances and noncontrolling interests) as of May 31, 2018 were $3.98 billion for the MMJ Group, $4.06 billion for MSTW and MTTW, and $885 million for IMFT.

Fair Value Measurements

All of our marketable debt and equity investments were classified as available-for-sale and carried at fair value. Amounts reported as cash and equivalents, receivables, and accounts payable and accrued expenses approximate fair value. The estimated fair value and carrying value of our outstanding debt instruments (excluding the carrying value of equity and mezzanine equity components of our convertible notes) were as follows:

As of	May 31, 2018		August 31, 2017	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Notes and MMJ Creditor Payments	$ 4,870	$ 4,808	$ 8,793	$ 8,423
Convertible notes	4,734	1,585	3,901	1,521

The fair values of our convertible notes were determined based on Level 2 inputs, including the trading price of our convertible notes when available, our stock price, and interest rates based on similar debt issued by parties with credit ratings similar to ours. The fair values of our other debt instruments were estimated based on Level 2 inputs, including discounted cash flows, including the trading price of our notes, when available, and interest rates based on similar debt issued by parties with credit ratings similar to ours.

Derivative Instruments

	Gross Notional Amount[1]	Fair Value of Current Assets[2]	Fair Value of Current Liabilities[3]	Fair Value of Noncurrent Assets[4]
As of May 31, 2018				
Derivative instruments with hedge accounting designation				
Cash flow currency hedges	$ 822	$ 2	$ (15)	$ —
Fair value currency hedges	239	—	(10)	—
		2	(25)	—
Derivative instruments without hedge accounting designation				
Non-designated currency hedges	4,989	8	(25)	—
Convertible notes settlement obligation[5]		—	(558)	—
		8	(583)	—
		$ 10	$ (608)	$ —
As of August 31, 2017				
Derivative instruments with hedge accounting designation				
Cash flow currency hedges	$ 456	$ 17	$ —	$ —
Derivative instruments without hedge accounting designation				
Non-designated currency hedges	4,847	34	(5)	1
Convertible notes settlement obligation[5]		—	(47)	—
		34	(52)	1
		$ 51	$ (52)	$ 1

(1) *Notional amounts of currency hedge contracts in U.S. dollars.*
(2) *Included in receivables – other.*
(3) *Included in accounts payable and accrued expenses – other for forward contracts and in current debt for convertible notes settlement obligations.*
(4) *Included in other noncurrent assets.*
(5) *Notional amounts of convertible notes settlement obligations as of May 31, 2018 and August 31, 2017 were 10 million and 2 million shares of our common stock, respectively.*

Derivative Instruments with Hedge Accounting Designation

We utilize currency forward contracts that generally mature within twelve months to hedge our exposure to changes in currency exchange rates. Currency forward contracts are measured at fair value based on market-based observable inputs including currency exchange spot and forward rates, interest rates, and credit-risk spreads (Level 2).

***Cash Flow Hedges*:** We utilize cash flow hedges for our exposure from changes in currency exchange rates for certain capital expenditures. For derivative instruments designated as cash flow hedges, the effective portion of the realized and unrealized gains or losses on derivatives is included as a component of accumulated other comprehensive income. Amounts in accumulated other comprehensive income are reclassified into earnings in the same line items and in the same periods in which the underlying transactions affect earnings. For the periods presented prior to the second quarter of 2018, the ineffective and excluded portion of the realized and unrealized gain or loss was included in other non-operating income (expense). As a result of adopting ASU 2017-12, beginning in the second quarter of 2018, such amounts are included in the same line item in which the underlying transactions affect earnings.

We recognized losses in accumulated other comprehensive income from the effective portion of cash flow hedges of $23 million and $6 million for the third quarter and first nine months of 2018, respectively, and gains of $6 million and losses of $3 million for the third quarter and first nine months of 2017, respectively. Neither the amount excluded from hedge effectiveness nor the reclassifications from accumulated other comprehensive income to earnings were material in the third quarters or first nine months of 2018 and 2017. The amounts from cash flow hedges included in accumulated other comprehensive income that are expected to be reclassified into earnings in the next 12 months were also not material.

Fair Value Hedges**:** We utilize fair value hedges for our exposure from changes in currency exchange rates for certain monetary assets and liabilities. For derivative forward contracts designated as fair value hedges, hedge effectiveness is determined by the change in the fair value of the undiscounted spot rate of the forward contract. The changes in fair values of hedge instruments attributed to changes in undiscounted spot rates are recognized in other non-operating income (expense). The time value associated with hedge instruments is excluded from the assessment of the effectiveness of hedges and is recognized on a straight-line basis over the life of hedges to other non-operating income (expense). Amounts recorded to other comprehensive income (loss) for the third quarter and first nine months of 2018 were not material. The effects of fair value hedges on our consolidated statements of operations were as follows:

	Quarter ended May 31, 2018	Nine months ended May 31, 2018
	Other Non-Operating Income (Expense)	
Gain (loss) on remeasurement of hedged assets and liabilities	$ 28	$ (28)
Gain (loss) on derivatives designated as hedging instruments	(28)	28
Amortization of amounts excluded from hedge effectiveness	(13)	(32)
	$ (13)	$ (32)

Derivative Instruments without Hedge Accounting Designation

Currency Derivatives**:** Except for certain assets and liabilities hedged using fair value hedges, we generally utilize a rolling hedge strategy with currency forward contracts that mature within nine months to hedge our exposures of monetary assets and liabilities from changes in currency exchange rates. At the end of each reporting period, monetary assets and liabilities denominated in currencies other than the U.S. dollar are remeasured into U.S. dollars and the associated outstanding forward contracts are marked to market. Currency forward contracts are valued at fair values based on the middle of bid and ask prices of dealers or exchange quotations (Level 2). Realized and unrealized gains and losses on derivative instruments without hedge accounting designation as well as the changes in the underlying monetary assets and liabilities from changes in currency exchange rates are included in other non-operating income (expense). For derivative instruments without hedge accounting designation, we recognized losses of $52 million for the third quarter, which offset $52 million of gains recognized during the first six months of 2018, and we recognized gains of $70 million and losses of $47 million for the third quarter and first nine months of 2017, respectively.

Convertible Note Settlement Obligations**:** For settlement obligations associated with our convertible notes subject to mark-to-market accounting treatment, the fair values of the underlying derivative settlement obligations were initially determined using the Black-Scholes option valuation model (Level 2), which requires inputs of stock price, expected stock-price volatility, estimated option life, risk-free interest rate, and dividend rate. The subsequent measurement amounts were based on the volume-weighted-average price of our common stock (Level 2). (See "Debt" note.) We recognized losses of $119 million and $143 million for the third quarter and first nine months of 2018, respectively, in other non-operating income (expense), net for the changes in fair value of the derivative settlement obligations.

Equity Plans

As of May 31, 2018, 127 million shares of our common stock were available for future awards under our equity plans, including 33 million shares approved for issuance under our employee stock purchase plan ("ESPP").

Employee Stock Purchase Plan

Our ESPP was approved by shareholders at our 2017 Annual Shareholder Meeting and will be offered to substantially all employees beginning in August 2018. The ESPP permits eligible employees to purchase shares of our common stock through payroll deductions of up to 10% of their eligible compensation, subject to certain limitations. The purchase price of the shares under the ESPP equals 85% of the lower of the fair market value of our common stock on either the first or last trading day of each six-month offering period.

Stock Options

	Quarter ended		Nine months ended	
	May 31, 2018	June 1, 2017	May 31, 2018	June 1, 2017
Stock options granted	—	1	2	7
Weighted-average grant-date fair value per share	$ 24.14	$ 11.64	$ 18.61	$ 8.59
Average expected life in years	5.4	5.5	5.5	5.5
Weighted-average expected volatility	45%	44%	44%	46%
Weighted-average risk-free interest rate	2.8%	2.0%	2.2%	1.8%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%

Restricted Stock and Restricted Stock Units ("Restricted Stock Awards")

	Quarter ended		Nine months ended	
	May 31, 2018	June 1, 2017	May 31, 2018	June 1, 2017
Restricted stock award shares granted	—	—	4	8
Weighted-average grant-date fair value per share	$ 53.77	$ 27.75	$ 42.14	$ 19.10

Stock-based Compensation Expense

	Quarter ended		Nine months ended	
	May 31, 2018	June 1, 2017	May 31, 2018	June 1, 2017
Stock-based compensation expense by caption				
Cost of goods sold	$ 20	$ 24	$ 62	$ 66
Selling, general, and administrative	14	20	48	53
Research and development	14	13	41	39
	$ 48	$ 57	$ 151	$ 158
Stock-based compensation expense by type of award				
Stock options	$ 13	$ 19	$ 44	$ 54
Restricted stock awards	35	38	107	104
	$ 48	$ 57	$ 151	$ 158

The income tax benefit related to share-based compensation was $26 million and $142 million for the third quarter and first nine months of 2018, respectively, and $17 million and $80 million for the third quarter and first nine months of 2017, respectively. The income tax benefits related to share-based compensation for the periods presented prior to the second quarter of 2018 were offset by an increase in the U.S. valuation allowance. As of May 31, 2018, $364 million of total unrecognized compensation costs for unvested awards was expected to be recognized through the third quarter of 2022, resulting in a weighted-average period of 1.3 years.

Research and Development

We share the cost of certain product and process development activities with development partners. Our R&D expenses were reduced by reimbursements under these arrangements of $53 million and $167 million for the third quarter and first nine months of 2018, respectively, and $47 million and $162 million for the third quarter and first nine months of 2017, respectively.

Other Non-Operating Income (Expense), Net

	Quarter ended		Nine months ended	
	May 31, 2018	June 1, 2017	May 31, 2018	June 1, 2017
Loss on debt prepayments, repurchases, and conversions	$ (168)	$ (61)	$ (386)	$ (63)
Loss from changes in currency exchange rates	(24)	(22)	(60)	(62)
Gain on remeasurement of previously-held equity interest in Inotera	—	—	—	71
Other	(1)	—	(4)	(9)
	$ (193)	$ (83)	$ (450)	$ (63)

In connection with the Inotera Acquisition, we revalued our previously-held 33% equity interest to its fair value. In determining the fair value, we used various valuation techniques, including the share price of Inotera prior to the announcement of the acquisition and discounted cash flow projections using inputs including discount rate and terminal growth rate (Level 3). As a result, we recognized a non-operating gain of $71 million in the second quarter of 2017.

Income Taxes

On December 22, 2017, the United States enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") that lowers the U.S. corporate income tax rate from 35% to 21% and significantly affects how income from foreign operations is taxed in the United States. As a result of our fiscal year-end, our U.S. statutory federal rate will be 25.7% for 2018 (based on the 35% corporate rate through December 31, 2017 and 21% from that date through the end of fiscal year 2018) and 21% for subsequent years. The Tax Act imposes a one-time transition tax in 2018 on the higher of our accumulated foreign income, as determined as of November 2, 2017 or December 31, 2017 (the "Repatriation Tax"); provides a U.S. federal tax exemption on foreign earnings distributed to the United States; and, beginning in 2019, creates a new minimum tax on certain foreign earnings in excess of a deemed return on tangible assets (the "Foreign Minimum Tax"). The Tax Act allows us to elect to pay any Repatriation Tax due in eight annual interest-free payments in increasing amounts beginning in December 2018. In connection with the provisions of the Tax Act, we are continuing to evaluate whether to account for the Foreign Minimum Tax provisions that begin for us in 2019 as a period cost or in our measurement of deferred taxes.

The Securities and Exchange Commission Staff Accounting Bulletin No. 118 ("SAB 118") allows the use of provisional amounts (reasonable estimates) if our analyses of the impacts of the Tax Act has not been completed when our financial statements are issued. Provisional amounts may be adjusted during a one-year measurement period as accounting for the income tax effects of the Tax Act are completed or as estimates are revised.

In accordance with SAB 118, we recorded certain provisional estimates included in the table below. Although the provisional estimates are based on the best available interpretations of the Tax Act, the final impacts may differ from the estimates due to, among other things, the issuance of additional regulatory and legislative guidance related to the Tax Act. Our income tax (provision) benefit consisted of the following:

	Quarter ended		Nine months ended	
	May 31, 2018	June 1, 2017	May 31, 2018	June 1, 2017
Provisional estimate for the Repatriation Tax, net of adjustments related to uncertain tax positions	$ 222	$ —	$ (1,113)	$ —
Remeasurement of deferred tax assets and liabilities reflecting the lower U.S. corporate tax rates	—	—	(133)	—
Provisional estimate for the release of the valuation allowance on the net deferred tax assets of our U.S. operations	—	—	1,337	—
Utilization of and other changes in net deferred tax assets of MMJ, MMT, and MTTW	(35)	(31)	(78)	(52)
Other income tax (provision) benefit	(78)	(61)	(161)	(109)
	$ 109	$ (92)	$ (148)	$ (161)

As noted above, provisional estimates were recorded for the Repatriation Tax and the release of the valuation allowance on the net deferred tax assets of our U.S. operations. To determine the amount of the Repatriation Tax, we must determine the accumulated foreign earnings of our foreign subsidiaries and the amount of foreign income tax paid on such earnings. The provisional estimate of the Repatriation Tax is also based, in part, on the amount of cash and other specified assets anticipated to be held by our foreign subsidiaries as of August 30, 2018, the end of our fiscal year 2018, which will determine the portion of the accumulated foreign earnings taxed at an effective rate of 15.5% or 8%. The provisional estimate for the Repatriation Tax was revised in the third quarter of 2018, and may continue to be revised as amounts are finalized. The U.S. Department of Treasury has issued interpretive guidance regarding the Repatriation Tax and we expect that it will issue additional guidance. Based on the information available, we can reasonably estimate the Repatriation Tax and therefore recorded a provisional amount; however, we are continuing to gather additional information and analyze authoritative guidance to finalize the computation of the Repatriation Tax as well as the impacts on the valuation allowance release of the Repatriation Tax and the Tax Act.

During the third quarter of 2018, we reassessed our capital structure, including our Board of Directors' authorization to repurchase up to $10 billion of our outstanding common stock beginning in 2019, the future cash needs of our global operations, and the effects of the Tax Act. As a result of this reassessment, we deemed a portion of our foreign earnings to be no longer indefinitely invested. As a result of the Repatriation Tax, substantially all of our accumulated foreign earnings prior to December 31, 2017 were subject to U.S. federal taxation. Although we have provided for U.S. federal income tax on these earnings, the repatriation to the United States of all or a portion of these earnings would be subject to foreign and state income tax. As a result, in the third quarter of 2018, we recognized income tax provision of $68 million for deferred tax liabilities associated with our reassessment of our indefinitely reinvested earnings, which was substantially offset by a reduction in valuation allowances.

As of May 31, 2018, we had gross unrecognized income tax benefits of $202 million, of which $196 million would affect our effective tax rate in the future, if recognized. In 2018, the Tax Act reduced unrecognized tax benefits by $126 million. The amount accrued for interest and penalties related to uncertain tax positions was not material for any period presented.

We operate in a number of tax jurisdictions outside the United States, including Singapore, where we have tax incentive arrangements that are conditional, in part, upon meeting certain business operations and employment thresholds. The effect of tax incentive arrangements, which expire in whole or in part at various dates through 2030, reduced our tax provision by $527 million (benefitting our diluted earnings per share by $0.43) and $1.35 billion ($1.10 per diluted share) for the third quarter and first nine months of 2018, respectively, and $250 million ($0.21 per diluted share) and $422 million ($0.37 per diluted share), for the third quarter and first nine months of 2017, respectively.

Earnings Per Share

	Quarter ended		Nine months ended	
	May 31, 2018	June 1, 2017	May 31, 2018	June 1, 2017
Net income attributable to Micron – Basic and Diluted	$ 3,823	$ 1,647	$ 9,810	$ 2,721
Weighted-average common shares outstanding – Basic	1,159	1,106	1,150	1,082
Dilutive effect of equity plans and convertible notes	76	71	83	60
Weighted-average common shares outstanding – Diluted	1,235	1,177	1,233	1,142
Earnings per share				
Basic	$ 3.30	$ 1.49	$ 8.53	$ 2.52
Diluted	3.10	1.40	7.96	2.38

Antidilutive potential common shares that could dilute basic earnings per share in the future were 2 million and 3 million for the third quarter and first nine months of 2018, respectively, and 52 million and 59 million for the third quarter and first nine months of 2017, respectively.

Segment Information

Segment information reported herein is consistent with how it is reviewed and evaluated by our chief operating decision maker. We have the following four business units, which are our reportable segments:

***Compute and Networking Business Unit ("CNBU")*:** Includes memory products sold into compute, networking, graphics, and cloud server markets.
***Mobile Business Unit ("MBU")*:** Includes memory products sold into smartphone, tablet, and other mobile-device markets.
***Storage Business Unit ("SBU")*:** Includes memory and storage products sold into enterprise, client, cloud, and removable storage markets.
***Embedded Business Unit ("EBU")*:** Includes memory products sold into automotive, industrial, connected home, and consumer electronics markets.

Certain operating expenses directly associated with the activities of a specific segment are charged to that segment. Other indirect operating income and expenses are generally allocated to segments based on their respective percentage of cost of goods sold or forecasted wafer production. We do not identify or report internally our assets (other than goodwill) or capital expenditures by segment, nor do we allocate gains and losses from equity method investments, interest, other non-operating income or expenses, or taxes to segments.

	Quarter ended		Nine months ended	
	May 31, 2018	June 1, 2017	May 31, 2018	June 1, 2017
Net sales				
CNBU	$ 3,988	$ 2,389	$ 10,891	$ 5,776
MBU	1,753	1,129	4,684	3,243
SBU	1,143	1,316	3,780	3,217
EBU	897	700	2,556	1,868
All Other	16	32	40	80
	$ 7,797	$ 5,566	$ 21,951	$ 14,184
Operating income (loss)				
CNBU	$ 2,615	$ 1,219	$ 6,858	$ 2,159
MBU	860	304	2,054	563
SBU	156	276	807	302
EBU	386	256	1,091	627
All Other	—	16	(6)	35
	4,017	2,071	10,804	3,686
Unallocated				
Stock-based compensation	(48)	(57)	(151)	(158)
Restructure and asset impairments	(8)	(12)	(21)	(45)
Flow-through of Inotera inventory step-up	—	(36)	—	(96)
Other	(8)	(3)	(15)	(21)
	(64)	(108)	(187)	(320)
Operating income	$ 3,953	$ 1,963	$ 10,617	$ 3,366

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion should be read in conjunction with the consolidated financial statements and accompanying notes for the year ended August 31, 2017. All period references are to our fiscal periods unless otherwise indicated. Our fiscal year is the 52 or 53-week period ending on the Thursday closest to August 31. Our fiscal 2018 and 2017 each contain 52 weeks. All production data includes the production of IMFT and Inotera. All tabular dollar amounts are in millions, except per share amounts.

Our Management's Discussion and Analysis is provided in addition to the accompanying consolidated financial statements and notes to assist readers in understanding our results of operations, financial condition, and cash flows. This discussion is organized as follows:

- ***Overview*:** Overview of our operations and business.
- ***Results of Operations*:** An analysis of our financial results consisting of the following:
    - Consolidated results;
    - Operating results by business segment;
    - Operating results by product type; and
    - Operating expenses and other.
- ***Liquidity and Capital Resources*:** An analysis of changes in our balance sheet and cash flows and discussion of our financial condition and liquidity.
- ***Critical Accounting Estimates***
- ***Recently Issued Accounting Standards***

Overview

Micron Technology, Inc., including its consolidated subsidiaries, is an industry leader in innovative memory and storage solutions. Through our global brands – Micron, Crucial, and Ballistix – our broad portfolio of high-performance memory and storage technologies, including DRAM, NAND, NOR Flash, and 3D XPoint memory, is transforming how the world uses information to enrich life. Backed by nearly 40 years of technology leadership, our memory and storage solutions enable disruptive trends, including artificial intelligence, machine learning, and autonomous vehicles in key market segments like cloud, data center, networking, and mobile.

We manufacture our products at our worldwide wholly-owned and joint venture facilities. In recent years, we have increased our manufacturing scale and product diversity through strategic acquisitions, expansion, and various partnering arrangements.

We make significant investments to develop proprietary product and process technology, which is implemented in our manufacturing facilities. We generally increase the density per wafer and reduce manufacturing costs of each generation of product through advancements in product and process technology, such as our leading-edge line-width process technology and 3D NAND architecture. We continue to introduce new generations of products that offer improved performance characteristics, including higher data transfer rates, reduced package size, lower power consumption, improved read/write reliability, and increased memory density. Storage products incorporating NAND, a controller, and firmware constitute a significant portion of our sales. We generally develop firmware and expect to introduce proprietary controllers into our SSDs in new products starting in 2018. Development of advanced technologies enables us to diversify our product portfolio toward a richer mix of differentiated, high-value solutions and target high-growth markets.

We market our products through our internal sales force, independent sales representatives, and distributors primarily to original equipment manufacturers and retailers around the world. We face intense competition in the semiconductor memory and storage markets and, in order to remain competitive, we must continuously develop and implement new products and technologies and decrease manufacturing costs. Our success is largely dependent on market acceptance of our diversified portfolio of semiconductor-based memory and storage solutions, efficient utilization of our manufacturing infrastructure, successful ongoing development and integration of advanced product and process technology, return-driven capital spending, and successful R&D investments.

To leverage our significant investments in R&D, we have formed, and may continue to form, strategic joint ventures that allow us to share the costs of developing memory and storage product and process technology with third parties. In addition, from time to time, we also sell and/or license technology to other parties. We continue to pursue additional opportunities to monetize our investment in intellectual property through partnering and other arrangements.

Results of Operations

Consolidated Results

	Third Quarter				Second Quarter		Nine Months			
	2018	% of Net Sales	2017	% of Net Sales	2018	% of Net Sales	2018	% of Net Sales	2017	% of Net Sales
Net sales	$7,797	100 %	$5,566	100 %	$ 7,351	100 %	$21,951	100 %	$14,184	100 %
Cost of goods sold	3,074	39 %	2,957	53 %	3,081	42 %	9,211	42 %	8,860	62 %
Gross margin	4,723	61 %	2,609	47 %	4,270	58 %	12,740	58 %	5,324	38 %
SG&A	211	3 %	204	4 %	196	3 %	598	3 %	550	4 %
R&D	603	8 %	434	8 %	523	7 %	1,574	7 %	1,377	10 %
Other operating (income) expense, net	(44)	(1)%	8	— %	(16)	— %	(49)	— %	31	— %
Operating income	3,953	51 %	1,963	35 %	3,567	49 %	10,617	48 %	3,366	24 %
Interest income (expense), net	(44)	(1)%	(143)	(3)%	(61)	(1)%	(206)	(1)%	(428)	(3)%
Other non-operating income (expense), net	(193)	(2)%	(83)	(1)%	(53)	(1)%	(450)	(2)%	(63)	— %
Income tax (provision) benefit	109	1 %	(92)	(2)%	(143)	(2)%	(148)	(1)%	(161)	(1)%
Equity in net income (loss) of equity method investees	(2)	— %	2	— %	1	— %	(1)	— %	7	— %
Net income attributable to noncontrolling interests	—	— %	—	— %	(2)	— %	(2)	— %	—	— %
Net income attributable to Micron	$3,823	49 %	$1,647	30 %	$ 3,309	45 %	$ 9,810	45 %	$ 2,721	19 %

Net Sales

	Third Quarter				Second Quarter		Nine Months			
	2018	% of Total	2017	% of Total	2018	% of Total	2018	% of Total	2017	% of Total
CNBU	$3,988	51%	$2,389	43%	$ 3,691	50%	$10,891	50%	$ 5,776	41%
MBU	1,753	22%	1,129	20%	1,566	21%	4,684	21%	3,243	23%
SBU	1,143	15%	1,316	24%	1,254	17%	3,780	17%	3,217	23%
EBU	897	12%	700	13%	829	11%	2,556	12%	1,868	13%
All Other	16	—%	32	1%	11	—%	40	—%	80	1%
	$7,797		$5,566		$ 7,351		$21,951		$14,184	

Percentages of total net sales reflect rounding and may not total 100%.

Total net sales for the third quarter of 2018 increased 6% as compared to the second quarter of 2018 due to continued execution in delivering high-value products and strong market conditions across our primary markets, particularly for cloud server, enterprise server, and mobile markets, that drove increases in sales for our CNBU, MBU, and EBU segments.

Total net sales for the third quarter and first nine months of 2018 increased 40% and 55%, respectively, as compared to the corresponding periods of 2017. Solid execution and strong demand for products across our primary markets, particularly in mobile, cloud server, client, and enterprise server, drove higher sales for all operating segments in the first nine months of 2018 as compared to the first nine months of 2017. CNBU, MBU, and EBU sales increased in the third quarter of 2018 as compared to the third quarter of 2017.

Gross Margin

Our overall gross margin percentage increased to 61% for the third quarter of 2018 from 58% for the second quarter of 2018 primarily due to strong market conditions for our CNBU, MBU, and EBU operating segments that drove favorable pricing conditions, combined with overall reductions in manufacturing costs. Cost reductions for the third quarter of 2018 were enabled by strong execution and the continued growth in product offerings and sales for server and mobile products featuring our 1X nm DRAM technology as well as SSD and managed NAND products featuring our TLC 3D NAND.

Our overall gross margin percentage increased to 61% for the third quarter of 2018 from 47% for the third quarter of 2017 and increased to 58% for the first nine months of 2018 from 38% for the first nine months of 2017, reflecting increases in the gross margin percentages for CNBU, MBU, and EBU, primarily due to favorable market conditions combined with strong execution in delivering high-value products featuring our 1X nm DRAM and TLC 3D NAND technologies that enabled manufacturing cost reductions. From January 2016 through December 6, 2016, the date we acquired the remaining interest in Inotera, we purchased all of Inotera's DRAM output under supply agreements at prices based on a formula that equally shared margin between Inotera and us. For the first quarter of 2017, we purchased $504 million of DRAM products from Inotera under these agreements, representing 37% of our aggregate DRAM bit production.

Operating Results by Business Segments

CNBU

	Third Quarter		Second Quarter	Nine Months	
	2018	2017	2018	2018	2017
Net sales	$ 3,988	$ 2,389	$ 3,691	$ 10,891	$ 5,776
Operating income	2,615	1,219	2,329	6,858	2,159

CNBU sales for the third quarter of 2018 increased 8% as compared to the second quarter of 2018 primarily due to higher sales into high value cloud server, enterprise server, and graphics markets. CNBU operating income improved for the third quarter of 2018 compared to the second quarter of 2018 primarily due to strong demand and manufacturing cost reductions. See "Operating Results by Product – DRAM" for further detail.

CNBU sales for the third quarter and first nine months of 2018 increased 67% and 89%, respectively, as compared to the corresponding periods of 2017 due to strong market conditions and demand in key markets including cloud server, client, and enterprise server markets, which drove increases in pricing and sales volumes. CNBU operating income for the third quarter and first nine months of 2018 improved from the corresponding periods of 2017 primarily due to improved pricing and manufacturing cost reductions.

MBU

	Third Quarter		Second Quarter	Nine Months	
	2018	2017	2018	2018	2017
Net sales	$ 1,753	$ 1,129	$ 1,566	$ 4,684	$ 3,243
Operating income	860	304	689	2,054	563

MBU sales are comprised primarily of mobile LPDRAM and managed NAND products. MBU sales for the third quarter of 2018 increased 12% as compared to the second quarter of 2018 primarily due to significant increases in high-value managed NAND products driven by strong acceptance of our TLC managed NAND product in smartphone markets. MBU operating income for the third quarter of 2018 improved from the second quarter of 2018 primarily due to improved pricing resulting from strong demand for our products, manufacturing cost reductions, and increases in sales of managed NAND products.

MBU sales for the third quarter and first nine months of 2018 increased 55% and 44%, respectively, as compared to the corresponding periods of 2017 primarily due to customer qualifications for LPDRAM and managed NAND products, which combined with higher memory content in smartphones to drive improvements in DRAM pricing and increases in sales volumes. MBU operating income for the third quarter and first nine months of 2018 improved from the corresponding periods of 2017 primarily due to increases in pricing for LPDRAM products, manufacturing cost reductions, and higher sales volumes.

SBU

	Third Quarter		Second Quarter	Nine Months	
	2018	2017	2018	2018	2017
Net sales	$ 1,143	$ 1,316	$ 1,254	$ 3,780	$ 3,217
Operating income	156	276	251	807	302

SBU sales of Trade NAND products for the third quarter of 2018 decreased 9% as compared to the second quarter of 2018 due to lower NAND component sales as a result of declines in selling prices and a reallocation of supply to mobile managed NAND products, partially offset by increases in SSD sales driven by strong demand in cloud and enterprise markets for products incorporating our TLC 3D NAND technology. SBU Non-Trade sales were $122 million for the third quarter of 2018 as compared to $136 million for the second quarter of 2018 and $138 million for the third quarter of 2017. SBU operating income for the third quarter of 2018 decreased from the second quarter of 2018 primarily due to declining prices, higher R&D costs, and higher costs associated with IMFT's production of 3D XPoint products at less than full capacity, partially offset by manufacturing cost reductions enabled by our execution in transitioning to TLC 3D NAND products. See "Operating Results by Product – Trade NAND" for further details.

SBU sales of Trade NAND products for the third quarter 2018 decreased 13% as compared to the third quarter of 2017 despite increases in sales volumes from strong demand, particularly for sales of SSD products into the cloud market, due to declines in component NAND sales. SBU sales of Trade NAND products for the first nine months of 2018 increased 19% as compared to the first nine months of 2017 primarily due to increases in sales volumes from strong demand, particularly for sales of SSD products into the cloud market. SBU sales of SSD storage products for the third quarter and first nine months of 2018 increased by 37% and 74%, respectively, as compared to the corresponding periods of 2017 driven by strong demand in cloud and client markets for products incorporating our TLC 3D NAND technology. SBU operating income for the third quarter of 2018 declined from the third quarter of 2017 primarily due to declining prices, higher costs associated with IMFT's production of 3D XPoint products at less than full capacity, and higher R&D costs, partially offset by manufacturing cost reductions. SBU operating income for the first nine months of 2018 improved from the first nine months of 2017 primarily due to manufacturing cost reductions and improvements in product mix.

EBU

	Third Quarter		Second Quarter	Nine Months	
	2018	2017	2018	2018	2017
Net sales	$ 897	$ 700	$ 829	$ 2,556	$ 1,868
Operating income	386	256	363	1,091	627

EBU sales are comprised of products incorporating DRAM, NAND, and NOR Flash in decreasing order of revenue. EBU sales for the third quarter of 2018 increased 8% from the second quarter of 2018 due to higher sales across all EBU markets including consumer, automotive, and industrial multimarkets. EBU operating income for the third quarter of 2018 increased from the second quarter of 2018 primarily due to strong demand.

EBU sales for the third quarter and first nine months of 2018 increased 28% and 37%, respectively, as compared to the corresponding periods of 2017 primarily due to strong demand across EBU's primary markets including consumer, industrial multimarkets, and automotive. EBU operating income for the third quarter and first nine months of 2018 increased as compared to the corresponding periods of 2017 as a result of increases in average selling prices, manufacturing cost reductions, and increases in sales volumes, partially offset by higher R&D costs.

Operating Results by Product

Net Sales by Product Type

	Third Quarter				Second Quarter		Nine Months			
	2018	% of Total	2017	% of Total	2018	% of Total	2018	% of Total	2017	% of Total
DRAM	$5,541	71%	$3,559	64%	$ 5,213	71%	$15,316	70%	$ 8,940	63%
Trade NAND	1,943	25%	1,706	31%	1,805	25%	5,614	26%	4,390	31%
Non-Trade	121	2%	138	2%	136	2%	379	2%	419	3%
Other	192	2%	163	3%	197	3%	642	3%	435	3%
	$7,797		$5,566		$ 7,351		$21,951		$14,184	

Percentages of total net sales reflect rounding and may not total 100%.

Non-Trade consists of NAND and 3D XPoint products manufactured and sold to Intel through IMFT under a long-term supply agreement at prices approximating cost. Information regarding products that combine both NAND and DRAM components is reported within Trade NAND. Other includes sales of NOR and trade 3D XPoint products.

DRAM

	Third Quarter 2018 Versus		First Nine Months 2018 Versus
	Second Quarter 2018	Third Quarter 2017	First Nine Months 2017
		(percentage change)	
Average selling prices per gigabit	increased mid-to-upper single digit	increased mid 30% range	increased low 40% range
Gigabits sold	relatively flat	increased mid-teens range	increased low 20% range

Increases in DRAM product revenue for the third quarter of 2018 as compared to the second quarter of 2018 resulted from strong market conditions, particularly for high-value cloud and enterprise server markets. Increases in DRAM product revenue for the third quarter and first nine months of 2018 as compared to the corresponding periods of 2017 resulted from strong conditions across key markets, particularly for cloud, enterprise, mobile, and graphics markets. Our gross margin percentage on sales of DRAM products for the third quarter and first nine months of 2018 improved from the second quarter of 2018 and corresponding periods of 2017 primarily due to strong demand as a result of favorable market conditions, shifts in mix to higher value markets, and manufacturing cost reductions resulting from strong execution on our implementation of new technology.

Trade NAND

	Third Quarter 2018 Versus		First Nine Months 2018 Versus
	Second Quarter 2018	Third Quarter 2017	First Nine Months 2017
		(percentage change)	
Average selling prices per gigabyte	increased mid-to-upper single digit	decreased mid single digit	decreased mid single digit
Gigabytes sold	relatively flat	increased low 20% range	increased mid 30% range

Increases in NAND product revenue for the third quarter of 2018 as compared to the second quarter of 2018 resulted from strong demand for mobile managed NAND products and cloud and client SSD products, partially offset by lower component sales. The increase in average selling prices for the third quarter of 2018 as compared to the second quarter of 2018 was due to an increase in sales of our managed NAND products, which generally have significantly higher selling prices than other NAND products, partially offset by modest declines in market pricing for our trade NAND products. Increases in NAND revenue for the third quarter and first nine months of 2018 as compared to the corresponding periods of 2017 primarily resulted from increases in sales of managed NAND and SSD products. Our gross margin percentage on sales of NAND products for the third quarter and first nine months of 2018 improved from the second quarter of 2018 and corresponding periods of 2017 primarily due to manufacturing cost reductions resulting from strong execution on our ramp of 3D NAND production.

Operating Expenses and Other

Selling, General, and Administrative

SG&A expenses for the third quarter of 2018 were 8% higher than the second quarter of 2018 primarily due to increases in legal costs. SG&A expenses for the third quarter of 2018 were relatively unchanged as compared to the third quarter of 2017. SG&A expenses for the first nine months of 2018 were 9% higher than the first nine months of 2017 primarily due to increases in performance-based compensation and legal costs.

Research and Development

R&D expenses for the third quarter of 2018 were 15% higher than the second quarter of 2018 primarily due to increased volumes of development and pre-qualification wafers and increases in performance-based compensation. R&D expenses for the third quarter of 2018 were 39% higher than the third quarter of 2017 primarily due to increased volumes of development and pre-qualification wafers and increases in performance-based compensation and payroll and related costs. R&D expenses for the first nine months of 2018 were 14% higher than the first nine months of 2017 primarily due to increases in payroll and related costs, performance-based compensation, and volumes of development and pre-qualification wafers.

We share the cost of certain product and process development activities with development partners, including Intel. We expect to continue to jointly develop NAND technologies with Intel through the third generation of 3D NAND, which is expected to be completed in 2019. In the second quarter of 2018, we and Intel mutually agreed to independently develop subsequent generations of 3D NAND in order to better optimize the technology and products for each individual business' needs. Our R&D expenses were reduced by reimbursements under our arrangements by $53 million for the third quarter of 2018, $58 million for the second quarter of 2018, and $47 million for the third quarter of 2017.

Income Taxes

Income tax (provision) benefit consisted of the following:

	Third Quarter		Second Quarter	Nine Months	
	2018	2017	2018	2018	2017
Provisional estimate for the Repatriation Tax, net of adjustments related to uncertain tax positions	$ 222	$ —	$ (1,335)	$ (1,113)	$ —
Remeasurement of deferred tax assets and liabilities reflecting lower U.S. corporate tax rates	—	—	(133)	(133)	—
Provisional estimate for the release of the valuation allowance on the net deferred tax assets of our U.S. operations	—	—	1,337	1,337	—
Utilization of and other changes in net deferred tax assets of MMJ, MMT, and MTTW	(35)	(31)	(17)	(78)	(52)
Other income tax (provision) benefit	(78)	(61)	5	(161)	(109)
	$ 109	$ (92)	$ (143)	$ (148)	$ (161)
Effective tax rate	(2.9)%	5.3%	4.1%	1.5%	5.6%

Our income taxes reflect the following:

- various provisional estimates for the impacts of the Tax Act, including the Repatriation Tax, the remeasurement of deferred tax assets and liabilities at the lower U.S. corporate rate of 25.7% for 2018 and 21% for subsequent years, and the release of a substantial portion of the valuation allowance on the net deferred tax assets of our U.S. operations; and
- operations outside the United States, including Singapore, where we have tax incentive arrangements that further decrease our effective tax rates.

On December 22, 2017, the United States enacted the Tax Act which lowers the U.S. corporate income tax rate from 35% to 21% and significantly affects how income from foreign operations is taxed in the United States. As a result of our fiscal year-end, our U.S. statutory federal rate will be 25.7% for 2018 (based on the 35% corporate rate through December 31, 2017 and 21% from that date through the end of fiscal year 2018) and 21% for subsequent years. The Tax Act imposes a Repatriation Tax in 2018; provides a U.S. federal tax exemption on foreign earnings distributed to the United States; and, beginning in 2019, creates a Foreign Minimum Tax. The Tax Act allows us to elect to pay any Repatriation Tax due in eight annual interest-free payments in increasing amounts beginning in December 2018. In connection with the provisions of the Tax Act, we are continuing to evaluate whether to account for the Foreign Minimum Tax provisions that begin for us in 2019 as a period cost or in our measurement of deferred taxes.

SAB 118 allows the use of provisional amounts (reasonable estimates) if our analyses of the impacts of the Tax Act has not been completed when our financial statements are issued. Provisional amounts may be adjusted during a one-year measurement period as accounting for the income tax effects of the Tax Act are completed or as estimates are revised.

In accordance with SAB 118, we recorded certain provisional estimates included in the table above. Although the provisional estimates are based on the best available interpretations of the Tax Act, the final impacts may differ from the estimates due to, among other things, the issuance of additional regulatory and legislative guidance related to the Tax Act.

As noted above, provisional estimates were recorded for the Repatriation Tax and the release of the valuation allowance on the net deferred tax assets of our U.S. operations. To determine the amount of the Repatriation Tax, we must determine the accumulated foreign earnings of our foreign subsidiaries and the amount of foreign income tax paid on such earnings. The provisional estimate of the Repatriation Tax is also based, in part, on the amount of cash and other specified assets anticipated to be held by our foreign subsidiaries as of August 30, 2018, the end of our fiscal year 2018, which will determine the portion of the accumulated foreign earnings taxed at an effective rate of 15.5% or 8%. The provisional estimate for the Repatriation Tax was revised in the third quarter of 2018, and may continue to be revised as amounts are finalized. The U.S. Department of Treasury has issued interpretive guidance regarding the Repatriation Tax and we expect that it will issue additional guidance. Based on the information available, we can reasonably estimate the Repatriation Tax and therefore recorded a provisional amount; however, we are continuing to gather additional information and analyze authoritative guidance to finalize the computation of the Repatriation Tax as well as the impacts on the valuation allowance release of the Repatriation Tax and the Tax Act.

During the third quarter of 2018, we reassessed our capital structure, including our Board of Directors' authorization to repurchase up to $10 billion of our outstanding common stock beginning in 2019, the future cash needs of our global operations, and the effects of the Tax Act. As a result of this reassessment, we deemed a portion of our foreign earnings to be no longer indefinitely invested. As a result of the Repatriation Tax, substantially all of our accumulated foreign earnings prior to December 31, 2017 were subject to U.S. federal taxation. Although we have provided for U.S. federal income tax on these earnings, the repatriation to the United States of all or a portion of these earnings would be subject to foreign and state income tax. As a result, in the third quarter of 2018, we recognized income tax provision of $68 million for deferred tax liabilities associated with our reassessment of our indefinitely reinvested earnings, which was substantially offset by a reduction in valuation allowances.

We operate in a number of locations outside the Unites States, including Singapore, where we have tax incentive arrangements that are conditional, in part, upon meeting certain business operations and employment thresholds. The effect of tax incentive arrangements, which expire in whole or in part at various dates through 2030, reduced our tax provision by $527 million (benefiting our diluted earnings per share by $0.43) for the third quarter of 2018, by $436 million ($0.35 per diluted share) in the second quarter of 2018, and by $250 million ($0.21 per diluted share) for the third quarter of 2017. The Tax Act establishes a new provision designed to impose the Foreign Minimum Tax beginning in 2019. Consequently, we may incur additional U.S. tax expense on income of our foreign subsidiaries that could offset a significant portion of the benefits realized from our tax incentive arrangements. Beginning in 2019, our effective tax rate may increase to the low teens percentage depending on profitability.

Other

Net interest expense decreased 28% for the third quarter of 2018 as compared to the second quarter of 2018 primarily due to decreases in debt obligations in the first nine months of 2018. Net interest expense decreased 69% for the third quarter of 2018 as compared to the third quarter of 2017 primarily due to decreases in debt obligations, as well as an increase in capitalized interest from higher levels of capital spending. Interest income also increased in the third quarter of 2018 as compared to the third quarter of 2017 primarily due to increases in our aggregate cash and investments. Net interest expense decreased 52% for the first nine months of 2018 as compared to the first nine months of 2017 primarily due to decreases in debt obligations, increases in interest income as a result of increases in our aggregate cash and investments, and increases in capitalized interest.

Further discussion of other operating and non-operating income and expenses can be found in "Item 1. Financial Statements – Notes to Consolidated Financial Statements – Equity Plans and Other Non-Operating Income (Expense), Net" notes.

Liquidity and Capital Resources

Our primary sources of liquidity are cash generated from operations and financing obtained from capital markets and financial institutions. Cash generated from operations is highly dependent on selling prices for our products, which can vary significantly from period to period. We are continuously evaluating alternatives for efficiently funding our capital expenditures and ongoing operations. We expect, from time to time in the future, to engage in a variety of financing transactions for such purposes, including the issuance of securities. We have an undrawn revolving credit facility that expires in February 2020 and provides for additional borrowings of up to $750 million based on eligible receivables. We expect that our cash and investments, cash flows from operations, and available financing will be sufficient to meet our requirements at least through the next 12 months.

To develop new product and process technology, support future growth, achieve operating efficiencies, and maintain product quality, we must continue to invest in manufacturing technologies, facilities and equipment, and R&D. We estimate that expenditures in 2018 for property, plant, and equipment, net of partner contributions, to be approximately $8 billion, focused on technology transitions and product enablement. The actual amounts for 2018 will vary depending on market conditions. As of May 31, 2018, we had commitments of approximately $1.6 billion for the acquisition of property, plant, and equipment, substantially all of which is expected to be paid within one year.

As the cost and complexity of DRAM and NAND scaling increases with each subsequent technology node, additional space and equipment is required to manufacture the increasingly complex architectures of these leading technologies to maintain wafer capacity and meet market demand. In March 2018, we announced plans to add clean-room space in our NAND and DRAM fabrication network and commenced activities to build additional clean-room space in Singapore, adjacent to our existing NAND facility, which enables the transition of our existing wafer capacity to future 3D NAND nodes. We expect to build out this facility in phases aligned with our manufacturing requirements and market demands, with the first phase of the clean room expected to be completed by the summer of 2019 and initial wafer output from the facility expected in the fourth quarter of calendar 2019.

In May 2018, we announced that our Board of Directors had authorized the discretionary repurchase of up to $10 billion of our outstanding common stock beginning in 2019. We may purchase shares on a discretionary basis through open-market purchases, block trades, privately-negotiated transactions, and/or derivative transactions, subject to market conditions and our ongoing determination of the best use of available cash. The repurchase authorization does not obligate us to acquire any common stock.

Cash and marketable investments totaled $7.56 billion and $6.05 billion as of May 31, 2018 and August 31, 2017, respectively. Our investments consist primarily of money market funds and liquid investment-grade fixed-income securities, diversified among industries and individual issuers. To mitigate credit risk, we invest through high-credit-quality financial institutions and by policy generally limit the concentration of credit exposure by restricting the amount of investments with any single obligor. As of May 31, 2018, $4.60 billion of our cash and marketable investments was held by our foreign subsidiaries.

In October 2017, we issued 34 million shares of our common stock for $41.00 per share in a public offering for proceeds of $1.36 billion, net of underwriting fees and other offering costs. In the first nine months of 2018, we paid $6.15 billion in cash to prepay, repurchase, and settle conversions of debt with an aggregate principal amount of $4.73 billion. See "Item 1. Financial

Statements – Notes to Consolidated Financial Statements – Debt." We may redeem, repurchase, or otherwise retire additional debt in the future.

Limitations on the Use of Cash and Investments

***MMJ Group*:** Cash and marketable investments as of May 31, 2018 included $443 million held by the MMJ Group. As a result of the corporate reorganization proceedings of MMJ initiated in March 2012, and for so long as such proceedings are continuing, the MMJ Group is prohibited from paying dividends to us. In addition, pursuant to an order of the Japan Court, the MMJ Group cannot make loans or advances, other than certain ordinary course advances, to us without the consent of the Japan Court and may, under certain circumstances, be subject to the approval of the legal trustee. As a result, the assets of the MMJ Group are not available for use by us in our other operations. Furthermore, certain uses of the assets of the MMJ Group, including investments in certain capital expenditures and in MMT, may require consent of MMJ's trustees and/or the Japan Court.

***MSTW and MTTW*:** Cash and marketable investments as of May 31, 2018 included $876 million held by MSTW and MTTW. The 2021 MSTW Term Loan contains covenants that limit or restrict the ability of MSTW and MTTW to pay dividends. As a result, the assets of MSTW and MTTW are not available for use by us in our other operations. In June 2018, we made an irrevocable election under the terms of the 2021 MSTW Term Loan to prepay principal of 25 billion New Taiwan dollars (equivalent to $836 million as of May 31, 2018) on July 6, 2018.

***IMFT*:** Cash and marketable investments as of May 31, 2018 included $109 million held by IMFT. Our ability to access funds held by IMFT to finance our other operations is subject to agreement by Intel and contractual limitations. Amounts held by IMFT are not anticipated to be available to finance our other operations.

***Indefinitely Reinvested*:** As of May 31, 2018, $1.28 billion of cash and marketable investments, including substantially all of the amounts held by MMJ, MSTW, and MTTW, was held by certain foreign subsidiaries whose earnings were considered to be indefinitely reinvested. Determination of the amount of unrecognized deferred tax liabilities related to investments in these foreign subsidiaries is not practicable.

During the third quarter of 2018, we reassessed our capital structure, including our Board of Directors' authorization to repurchase up to $10 billion of our outstanding common stock beginning in 2019, the future cash needs of our global operations, and the effects of the Tax Act. As a result of this reassessment, we deemed a portion of our foreign earnings to be no longer indefinitely invested. As a result of the Repatriation Tax, substantially all of our accumulated foreign earnings prior to December 31, 2017 were subject to U.S. federal taxation. Although we have provided for U.S. federal income tax on these earnings, the repatriation to the United States of all or a portion of these earnings would be subject to foreign and state income tax. As a result, in the third quarter of 2018, we recognized income tax provision of $68 million for deferred tax liabilities associated with our reassessment of our indefinitely reinvested earnings, which was substantially offset by a reduction in valuation allowances. In addition, beginning in 2019, our effective tax rate may increase to the low teens percentage depending on profitability.

Cash Flows

	First Nine Months	
	2018	2017
Net cash provided by operating activities	$ 12,245	$ 4,950
Net cash provided by (used for) investing activities	(6,087)	(6,259)
Net cash provided by (used for) financing activities	(4,443)	1,207
Effect of changes in currency exchange rates on cash, cash equivalents, and restricted cash	(4)	(15)
Net increase (decrease) in cash, cash equivalents, and restricted cash	$ 1,711	$ (117)

***Operating Activities*:** For the first nine months of 2018, cash provided by operating activities was due primarily to cash generated by our operations and the effect of working capital adjustments, which included $1.18 billion of cash used for increases in receivables. For the first nine months of 2017, cash provided by operating activities was due primarily to cash generated by our operations and the effect of working capital adjustments, which included $1.34 billion of cash used for increases in receivables, $361 million of payments attributed to intercompany balances in connection with the Inotera Acquisition, partially offset by $511 million of cash provided from increases in accounts payable and accrued expenses.

***Investing Activities*:** For the first nine months of 2018, net cash used for investing activities consisted primarily of $6.63 billion of expenditures for property, plant, and equipment, partially offset by $182 million of net inflows from sales, maturities, and purchases of available-for-sale securities. For the first nine months of 2017, net cash used for investing activities consisted primarily of $3.47 billion of expenditures for property, plant, and equipment and $2.63 billion of net cash paid for the Inotera Acquisition (net of $361 million of payments attributed to intercompany balances with Inotera included in operating activities).

***Financing Activities*:** For the first nine months of 2018, net cash used for financing activities consisted primarily of cash payments of $6.15 billion to reduce our debt, including $4.85 billion to prepay or repurchase our debt and $1.31 billion to settle conversions of notes, and $614 million for repayments of other notes and capital leases. Cash paid for financing activities was partially offset by net proceeds of $1.36 billion from the issuance of 34 million shares of our common stock for $41.00 per share in a public offering and $969 million of proceeds from IMFT Member Debt. For the first nine months of 2017, net cash provided by financing activities consisted primarily of $2.48 billion of proceeds from the 2021 MSTW Term Loan, $620 million of proceeds from the 2021 MSAC Term Loan, partially offset by repurchases of $952 million in aggregate principal of our 2025 Notes and 2026 Notes for an aggregate of $1.00 billion in cash and repayments of $774 million of other debt. See "Item 1. Financial Statements – Notes to Consolidated Financial Statements – Debt." Additionally, in June 2018, we made an irrevocable election under the terms of the 2021 MSTW Term Loan to prepay 25 billion New Taiwan dollars (equivalent to $836 million as of May 31, 2018) of principal amount on July 6, 2018.

Potential Settlement Obligations of Convertible Notes

Since the closing price of our common stock exceeded 130% of the conversion price per share of all our convertible notes for at least 20 trading days in the 30 trading day period ended on June 30, 2018, holders may convert their notes at any time through the calendar quarter ended September 30, 2018. The following table summarizes the potential settlements that we could be required to make related to the calendar quarter ending September 30, 2018 if all holders converted their notes. The amounts in the table below are based on our closing share price of $57.59 as of May 31, 2018.

	Settlement Option			If Settled With Minimum Cash Required		
Convertible Notes	**Principal Amount**	**Amount in Excess of Principal**	**Underlying Shares**	**Cash**	**Remainder in Shares**	**If Settled Entirely With Cash**
2032C Notes	Cash and/or shares	Cash and/or shares	18	$ 408	11	$ 1,016
2032D Notes	Cash and/or shares	Cash and/or shares	18	78	16	1,019
2033E Notes	Cash	Cash and/or shares	1	43	—	61
2033F Notes	Cash	Cash and/or shares	10	128	8	586
2043G Notes	Cash and/or shares	Cash and/or shares	35	12	35	2,025
			82	$ 669	70	$ 4,707

As of May 31, 2018, convertible notes in the table above included an aggregate of $553 million for the settlement obligation (including principal and amounts in excess of principal) for conversions of certain convertible notes that will settle in cash in the fourth quarter of 2018.

Contractual Obligations

	Payments Due by Period				
As of May 31, 2018	**Total**	**Remainder of 2018**	**2019 - 2020**	**2021 - 2022**	**2023 and thereafter**
Notes payable(1)(2)	$ 7,481	$ 664	$ 2,420	$ 1,728	$ 2,669
Capital lease obligations(2)	1,083	106	577	167	233
Operating leases(3)	628	9	80	101	438
Total	$ 9,192	$ 779	$ 3,077	$ 1,996	$ 3,340

(1) *Amounts include MMJ Creditor Payments, convertible notes, and other notes.*

(2) *Amounts include principal and interest.*

(3) *Amounts include contractually obligated minimum lease payments for operating leases having an initial noncancelable term in excess of one year.*

Critical Accounting Estimates

For a discussion of our critical accounting estimates, see "Part I – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended August 31, 2017. Except for the critical accounting estimates associated with our income taxes as discussed below, there have been no material changes to our critical accounting estimates since our Annual Report on Form 10-K for the year ended August 31, 2017.

***Income taxes*: ** We are required to estimate our provision for income taxes and amounts ultimately payable or recoverable in numerous tax jurisdictions around the world. These estimates involve significant judgment and interpretations of regulations and are inherently complex. Resolution of income tax treatments in individual jurisdictions may not be known for many years after completion of any fiscal year. We are also required to evaluate the realizability of our deferred tax assets on an ongoing basis in accordance with U.S. GAAP, which requires the assessment of our performance and other relevant factors. Realization of deferred tax assets is dependent on our ability to generate future taxable income. In recent periods, our results of operations have benefitted from increases in the amount of deferred taxes we expect to realize, primarily from the levels of capital spending and increases in the amount of taxable income we expect to realize in Japan and Taiwan. Our income tax provision or benefit is dependent, in part, on our ability to forecast future taxable income in these and other jurisdictions. Such forecasts are inherently difficult and involve significant judgments including, among others, projecting future average selling prices and sales volumes, manufacturing and overhead costs, levels of capital spending, and other factors that significantly impact our analyses of the amount of net deferred tax assets that are more likely than not to be realized.

In the first nine months of 2018, we recognized a benefit for income taxes of $91 million as a result of the Tax Act, which included a $224 million provisional estimate for income tax benefits, offset by $133 million of income tax provision related to the impact of remeasuring our deferred tax assets and liabilities to reflect the lower tax rate pursuant to the Tax Act. The provisional estimate included $1.11 billion of expense associated with the Repatriation Tax and a benefit of $1.34 billion for the release of the valuation allowance on the net deferred tax assets of our U.S. operations. Based on the information available, we can reasonably estimate the Repatriation Tax and therefore recorded a provisional amount; however, we are continuing to gather additional information and analyze authoritative guidance to finalize the computation of the Repatriation Tax as well as the impacts on the valuation allowance release of the Repatriation Tax and the Tax Act. The provisional estimate for the Repatriation Tax was revised in the third quarter of 2018, and may continue to be revised as amounts are finalized.

Recently Issued Accounting Standards

See "Item 1. Financial Statements – Notes to Consolidated Financial Statements – Recently Issued Accounting Standards."

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are affected by changes in currency exchange and interest rates. See discussion regarding certain interest rate risks below. For further discussion about market risk and sensitivity analysis related to changes in currency exchange rates, see "Part II – Item 7A. Quantitative and Qualitative Disclosures About Market Risk" of our Annual Report on Form 10-K for the year ended August 31, 2017.

Interest Rate Risk

We are exposed to interest rate risk related to our indebtedness and our investment portfolio. As of May 31, 2018 and August 31, 2017, the carrying value of our debt with fixed interest rates was $3.7 billion and $5.7 billion, respectively, and as a result, the fair value of our debt fluctuates with changes in market interest rates. We estimate that, as of May 31, 2018 and August 31, 2017, a decrease in market interest rates of 1% would increase the fair value of our fixed-rate debt by approximately $83 million and $273 million, respectively.

ITEM 4. CONTROLS AND PROCEDURES

An evaluation was carried out under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the principal executive officer and principal financial officer concluded that those disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act are recorded, processed, summarized, and reported within the time periods specified in the Commission's rules and forms and that such information is accumulated and communicated to our management, including the principal executive officer and principal financial officer, to allow timely decision regarding disclosure.

During the third quarter of 2018, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings, see "Part I – Item 3. Legal Proceedings" of our Annual Report on Form 10-K for the year ended August 31, 2017 and "Part I. Financial Information – Item 1. Financial Statements – Notes to Consolidated Financial Statements – Contingencies" and "Item 1A. Risk Factors" herein.

ITEM 1A. RISK FACTORS

In addition to the factors discussed elsewhere in this Form 10-Q, the following are important factors, the order of which is not necessarily indicative of the level of risk that each poses to us, which could cause actual results or events to differ materially from those contained in any forward-looking statements made by us. Our operations could also be affected by other factors that are presently unknown to us or not considered significant. Any of the factors below could have a material adverse effect on our business, results of operations, financial condition, or stock price.

We have experienced volatility in average selling prices for our semiconductor memory and storage products which may adversely affect our business.

We have experienced significant volatility in our average selling prices, including dramatic declines, as noted in the table below, and may continue to experience such volatility in the future. In some prior periods, average selling prices for our products have been below our manufacturing costs and we may experience such circumstances in the future. Decreases in average selling prices for our products that decline faster than our costs could have a material adverse effect on our business, results of operations, or financial condition.

	DRAM	Trade NAND
	(percentage change in average selling prices)	
2017 from 2016	19 %	(9)%
2016 from 2015	(35)%	(20)%
2015 from 2014	(11)%	(17)%
2014 from 2013	6 %	(23)%
2013 from 2012	(11)%	(18)%

We may be unable to maintain or improve gross margins.

Our gross margins are dependent in part upon continuing decreases in per gigabit manufacturing costs achieved through improvements in our manufacturing processes and product designs, including, but not limited to, process line-width, additional 3D memory layers, additional bits per cell (i.e., cell levels), architecture, number of mask layers, number of fabrication steps, and yield. In future periods, we may be unable to reduce our per gigabit manufacturing costs at sufficient levels to maintain or improve gross margins. Factors that may limit our ability to reduce costs include, but are not limited to, strategic product diversification decisions affecting product mix, the increasing complexity of manufacturing processes, difficulties in transitioning to smaller line-width process technologies, 3D memory layers, NAND cell levels, process complexity including number of mask layers and fabrication steps, manufacturing yield, technological barriers, changes in process technologies, and new products that may require relatively larger die sizes. Per gigabit manufacturing costs may also be affected by a broader product portfolio, which may have smaller production quantities and shorter product lifecycles. Our inability to maintain or improve gross margins could have a material adverse effect on our business, results of operations, or financial condition.

The semiconductor memory and storage markets are highly competitive.

We face intense competition in the semiconductor memory and storage markets from a number of companies, including Intel; Samsung Electronics Co., Ltd.; SK Hynix Inc.; Toshiba Memory Corporation; and Western Digital Corporation. Some of our competitors are large corporations or conglomerates that may have greater resources to invest in technology, capitalize on growth opportunities, and withstand downturns in the semiconductor markets in which we compete. Consolidation of industry competitors could put us at a competitive disadvantage. In addition, some governments have provided, and may continue to provide, significant assistance, financial or otherwise, to some of our competitors or to new entrants and may intervene in support of national industries and/or competitors. In particular, we face the threat of increasing competition as a result of significant investment in the semiconductor industry by the Chinese government and various state-owned or affiliated entities that is intended to advance China's stated national policy objectives. The activities by the Chinese government may restrict us from participating in the China market or may prevent us from competing effectively with Chinese companies.

Our competitors generally seek to increase silicon capacity, improve yields, and reduce die size in their product designs which may result in significant increases in worldwide supply and downward pressure on prices. Increases in worldwide supply of semiconductor memory and storage also result from fabrication capacity expansions, either by way of new facilities, increased capacity utilization, or reallocation of other semiconductor production to semiconductor memory and storage production. Our competitors may increase capital expenditures resulting in future increases in worldwide supply. We and some of our competitors have plans to ramp, or are constructing or ramping, production at new fabrication facilities. Increases in worldwide supply of semiconductor memory and storage, if not accompanied by commensurate increases in demand, would lead to further declines in average selling prices for our products and would materially adversely affect our business, results of operations, or financial condition. If competitors are more successful at developing or implementing new product or process technology, their products could have cost or performance advantages.

The competitive nature of our industry could have a material adverse effect on our business, results of operations, or financial condition.

Debt obligations could adversely affect our financial condition.

As of May 31, 2018, we had debt with a carrying value of $7.34 billion. In addition, the conversion value in excess of principal of our convertible notes as of May 31, 2018 was $3.21 billion. In the first nine months of 2018, and full years of 2017 and 2016, we paid $6.15 billion and issued 4 million shares of our treasury stock, $1.63 billion, and $94 million, respectively, to prepay, repurchase, and settle conversions of debt with principal amounts of $4.73 billion, $1.55 billion, and $57 million, respectively. As of May 31, 2018, we had an undrawn revolving credit facility that provided for additional borrowings of up to $750 million based on eligible receivables. Events and circumstances may occur which could cause us to not be able to satisfy applicable draw-down conditions and utilize this revolving credit facility. We have incurred in the past, and expect to incur in the future, debt to finance our capital investments, business acquisitions, and restructuring of our capital structure.

Our debt obligations could adversely impact us. For example, these obligations could:

- require us to use a large portion of our cash flow to pay principal and interest on debt, which will reduce the amount of cash flow available to fund working capital, capital expenditures, acquisitions, R&D expenditures, and other business activities;
- require us to use cash and/or issue shares of our common stock to settle any conversion obligations of our convertible notes;

- result in certain of our debt instruments being accelerated to be immediately due and payable or being deemed to be in default if certain terms of default are triggered, such as applicable cross payment default and/or cross-acceleration provisions;
- result in all obligations owing under the 2021 MSTW Term Loan being accelerated to be immediately due and payable if MSTW fails to comply with certain covenants, including financial covenants;
- increase the interest rate under the 2021 MSTW Term Loan if we or MSTW fails to maintain certain financial covenants;
- adversely impact our credit rating, which could increase future borrowing costs;
- limit our future ability to raise funds for capital expenditures, strategic acquisitions or business opportunities, R&D, and other general corporate requirements;
- restrict our ability to incur specified indebtedness, create or incur certain liens, and enter into sale-leaseback financing transactions;
- increase our vulnerability to adverse economic and semiconductor memory and storage industry conditions;
- increase our exposure to interest rate risk from variable rate indebtedness;
- continue to dilute our earnings per share as a result of the conversion provisions in our convertible notes; and
- require us to continue to pay cash amounts substantially in excess of the principal amounts upon settlement of our convertible notes to minimize dilution of our earnings per share.

Our ability to meet our payment obligations under our debt instruments depends on our ability to generate significant cash flows in the future. This, to some extent, is subject to market, economic, financial, competitive, legislative, and regulatory factors as well as other factors that are beyond our control. There can be no assurance that our business will generate cash flow from operations, or that additional capital will be available to us, in amounts sufficient to enable us to meet our debt payment obligations and to fund other liquidity needs. If we are unable to generate sufficient cash flows to service our debt payment obligations, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may be unable to meet our debt payment obligations, which could have a material adverse effect on our business, results of operations, or financial condition.

We may be unable to generate sufficient cash flows or obtain access to external financing necessary to fund our operations, make scheduled debt payments, and make adequate capital investments.

Our cash flows from operations depend primarily on the volume of semiconductor memory and storage products sold, average selling prices, and manufacturing costs. To develop new product and process technology, support future growth, achieve operating efficiencies, and maintain product quality, we must make significant capital investments in manufacturing technology, capital equipment, facilities, R&D, and product and process technology. We estimate that net cash expenditures in 2018 for property, plant, and equipment will be approximately $8 billion, which reflects the offset of amounts we expect to be funded by our partners. Investments in capital expenditures, offset by amounts funded by our partners, were $2.10 billion in the third quarter of 2018. As of May 31, 2018, we had cash and marketable investments of $7.56 billion. As of May 31, 2018, $1.28 billion of cash and marketable investments, including substantially all of the cash held by the MMJ Group, MSTW, and MTTW, was held by foreign subsidiaries whose earnings were considered to be indefinitely reinvested. As a result of the Tax Act, substantially all of our accumulated foreign earnings prior to December 31, 2017 were treated as taxable; however, the repatriation of all or a portion of these earnings would continue to be subject to foreign and state tax upon repatriation to the United States. In addition, cash of $109 million held by IMFT was generally not available to finance our other operations.

The 2021 MSTW Term Loan contains covenants that limit or restrict MSTW's ability to create liens in or dispose of collateral securing obligations under the 2021 MSTW Term Loan, mergers involving MSTW and/or MTTW, loans or guarantees to third parties by MTTW and/or MSTW, and MSTW's and/or MTTW's distribution of cash dividends. As a result, the assets of MSTW and/or MTTW are not available for use by us in our other operations.

As a result of the corporate reorganization proceedings of MMJ initiated in 2012, and for so long as such proceedings are continuing, MMJ is prohibited from paying dividends, including any cash dividends, to us and such proceedings require that excess earnings be used in MMJ's business or to fund the MMJ creditor payments. In addition, pursuant to an order of the Japan Court, MMJ cannot make loans or advances, other than certain ordinary course advances, to us without the consent of the Japan Court and may, under certain circumstances, be subject to approval of the legal trustee. As a result, the assets of MMJ are not available for use by us in our other operations. Furthermore, certain uses of the assets of MMJ, including certain capital expenditures of MMJ and MMT or further investments in MMT, may require consent of MMJ's trustees and/or the Japan Court.

In the past we have utilized external sources of financing when needed. As a result of our debt levels, expected debt amortization, and general economic conditions, it may be difficult for us to obtain financing on terms acceptable to us. There can be no assurance that we will be able to generate sufficient cash flows, use cash held by MMJ to fund its capital expenditures, access capital markets or find other sources of financing to fund our operations, make debt payments, and make adequate capital investments to remain competitive in terms of technology development and cost efficiency. Our inability to do any of the foregoing could have a material adverse effect on our business, results of operations, or financial condition.

Our future success depends on our ability to develop and produce competitive new memory and storage technologies.

Our key semiconductor memory and storage products and technologies face technological barriers to continue to meet long-term customer needs. These barriers include potential limitations on stacking additional 3D memory layers, increasing bits per cell (i.e., cell levels), shrinking products in order to reduce costs, meeting higher density requirements, and improving power consumption and reliability. To meet these requirements, we expect that new memory technologies will be developed by the semiconductor memory and storage industry. Our competitors are working to develop new memory and storage technologies that may offer performance and/or cost advantages to existing technologies and render existing technologies obsolete. Accordingly, our future success may depend on our ability to develop and produce viable and competitive new memory and storage technologies. There can be no assurance of the following:

- that we will be successful in developing competitive new semiconductor memory and storage technologies;
- that we will be able to cost-effectively manufacture new products;
- that we will be able to successfully market these technologies; and
- that margins generated from sales of these products will allow us to recover costs of development efforts.

We develop and produce advanced memory technologies, including 3D XPoint memory, a new class of non-volatile technology. There is no assurance that our efforts to develop and market new product technologies will be successful. Unsuccessful efforts to develop new semiconductor memory and storage technologies could have a material adverse effect on our business, results of operations, or financial condition.

New product development may be unsuccessful.

We are developing new products, including system-level memory and storage products and solutions, which complement our traditional products or leverage their underlying design or process technology. We have made significant investments in product and process technology and anticipate expending significant resources for new semiconductor product and system-level solution development over the next several years. The process to develop new products requires us to demonstrate advanced functionality and performance, often well in advance of a planned ramp of production, in order to secure design wins with our customers. There can be no assurance of the following:

- that our product development efforts will be successful;
- that we will be able to cost-effectively manufacture new products;
- that we will be able to successfully market these products;
- that we will be able to establish or maintain key relationships with customers with specific chip set or design requirements;
- that we will be able to introduce new products into the market and qualify them with our customers on a timely basis; or
- that margins generated from sales of these products will allow us to recover costs of development efforts.

Our unsuccessful efforts to develop new products and solutions could have a material adverse effect on our business, results of operations, or financial condition.

Our joint ventures and strategic relationships involve numerous risks.

We have entered into strategic relationships, including our joint development partnership and our IMFT joint venture with Intel, to develop new manufacturing process technologies and products and to manufacture certain products. These joint ventures and strategic relationships are subject to various risks that could adversely affect the value of our investments and our results of operations. These risks include the following:

- our interests could diverge from our partners' interests or we may not be able to agree with our partners on:
    - ongoing or future development, manufacturing, or operational activities;
    - the amount, timing, or nature of further investments; or
    - commercial terms in our joint ventures or strategic relationships;
- our joint venture partners' products may compete with our products;
- we may experience difficulties in transferring technology to joint ventures;

- we may experience difficulties and delays in ramping production at joint ventures;
- our control over the operations of our joint ventures is limited;
- due to financial constraints, our joint venture partners may be unable to meet their commitments to us or our joint ventures and may pose credit risks for our transactions with them;
- due to differing business models or long-term business goals, we and our partners may not participate to the same extent on funding capital investments in our joint ventures;
- cash flows may be inadequate to fund increased capital requirements of our joint ventures;
- we may experience difficulties or delays in collecting amounts due to us from our joint ventures and partners;
- the terms of our partnering arrangements may turn out to be unfavorable; and
- changes in tax, legal, or regulatory requirements may necessitate changes in the agreements with our partners.

Our joint ventures and strategic relationships, if unsuccessful, could have a material adverse effect on our business, results of operations, or financial condition.

A significant concentration of our net sales is to a select number of customers.

In each of the last three years, approximately one-half of our total net sales were to our top ten customers. A disruption in our relationship with any of these customers could adversely affect our business. We could experience fluctuations in our customer base or the mix of revenue by customer as markets and strategies evolve. In addition, any consolidation of our customers could reduce the number of customers to whom our products could be sold. Our inability to meet our customers' requirements or to qualify our products with them could adversely impact our sales. The loss of one or more of our major customers or any significant reduction in orders from, or a shift in product mix by, these customers could have a material adverse effect on our business, results of operations, or financial condition.

Increases in sales of system solutions may increase our dependency upon specific customers and our costs to develop and qualify our system solutions.

Our development of system-level memory and storage products is dependent, in part, upon successfully identifying and meeting our customers' specifications of those products. Developing and manufacturing system-level products with specifications unique to a customer increases our reliance upon that customer for purchasing our products in sufficient volume, quantity, and in a timely manner. If we fail to identify or develop products on a timely basis, or at all, that comply with our customers' specifications or achieve design wins with our customers, we may experience a significant adverse impact on our sales and margins. Even if our products meet customer specifications, our sales of system-level solutions are dependent upon our customers choosing our products over those of our competitors and purchasing our products at sufficient volumes and prices. Our competitors' products may be less costly, provide better performance, or include additional features when compared to our products. Our long-term ability to sell system-level memory and storage products is reliant upon our customer's ability to create, market, and sell their products containing our system-level solutions at sufficient volumes and prices in a timely manner. If we fail to successfully develop and market system-level products, our business, results of operations, or financial condition may be materially adversely affected.

Even if we are successful in selling system-level solutions to our customers in sufficient volume, we may be unable to generate sufficient profit if our per-unit manufacturing costs exceed our per-unit selling prices. Manufacturing system-level solutions to customer specifications requires a longer development cycle, as compared to discrete products, to design, test, and qualify, which may increase our costs. Additionally, some of our system solutions are increasingly dependent on sophisticated firmware that may require significant customization to meet customer specifications, which increases our costs and time to market. Additionally, we may update our firmware or develop new firmware as a result of new product introductions or changes in customer specifications and/or industry standards, which increases our costs. System complexities and extended warranties for system-level products could also increase our warranty costs. Our failure to cost-effectively manufacture system-level solutions and/or firmware in a timely manner, may result in reduced demand for our system-level products, and could have a material adverse effect on our business, results of operations, or financial condition.

Products that fail to meet specifications, are defective, or that are otherwise incompatible with end uses could impose significant costs on us.

Products that do not meet specifications or that contain, or are perceived by our customers to contain, defects or that are otherwise incompatible with end uses could impose significant costs on us or otherwise materially adversely affect our business, results of operations, or financial condition. From time to time, we experience problems with nonconforming, defective, or incompatible products after we have shipped such products. In recent periods, we have further diversified and expanded our product offerings, which could potentially increase the chance that one or more of our products could fail to meet specifications in a particular application. As a result, we could be adversely affected in several ways, including the following:

- we may be required or agree to compensate customers for costs incurred or damages caused by defective or incompatible products and to replace products;
- we could incur a decrease in revenue or adjustment to pricing commensurate with the reimbursement of such costs or alleged damages; and
- we may encounter adverse publicity, which could cause a decrease in sales of our products or harm our relationships with existing or potential customers.

Any of the foregoing items could have a material adverse effect on our business, results of operations, or financial condition.

We may be unable to protect our intellectual property or retain key employees who are knowledgeable of and develop our intellectual property.

We maintain a system of controls over our intellectual property, including U.S. and foreign patents, trademarks, copyrights, trade secret laws, licensing arrangements, confidentiality procedures, non-disclosure agreements with employees, consultants, and vendors, and a general system of internal controls. Despite our system of controls over our intellectual property, it may be possible for our current or future competitors to obtain, copy, use, or disclose, illegally or otherwise, our product and process technology. The laws of some foreign countries may not protect our intellectual property to the same degree as do U.S. laws and our confidentiality, non-disclosure, and non-compete agreements may be unenforceable or difficult and costly to enforce.

Additionally, our ability to maintain and develop intellectual property is dependent upon our ability to attract, develop, and retain highly skilled employees. Global competition for such skilled employees in our industry is intense. Due to the volatile nature of our industry and our operating results, a decline in our operating results and/or stock price may adversely affect our ability to retain key employees whose compensation is dependent, in part, upon the market price of our common stock, achieving certain performance metrics, levels of company profitability, or other financial or company-wide performance. If our competitors or future entrants into our industry are successful in hiring our employees, they may directly benefit from the knowledge these employees gained while they were under our employment.

Our inability to protect our intellectual property or retain key employees who are knowledgeable of and develop our intellectual property could have a material adverse effect on our business, results of operations, or financial condition.

Claims that our products or manufacturing processes infringe or otherwise violate the intellectual property rights of others, or failure to obtain or renew license agreements covering such intellectual property, could materially adversely affect our business, results of operations, or financial condition.

As is typical in the semiconductor and other high technology industries, from time to time others have asserted, and may in the future assert, that our products or manufacturing processes infringe upon, misappropriate, misuse, or otherwise violate their intellectual property rights. We are unable to predict the outcome of these assertions made against us. Any of these types of claims, regardless of the merits, could subject us to significant costs to defend or resolve such claims and may consume a substantial portion of management's time and attention. As a result of these claims, we may be required to:

- pay significant monetary damages, fines, royalties, or penalties;
- enter into license or settlement agreements covering such intellectual property rights;
- make material changes to or redesign our products and/or manufacturing processes; and/or
- cease manufacturing, having made, selling, offering for sale, importing, marketing, or using products and/or manufacturing processes in certain jurisdictions.

We may not be able to take any of the actions described above on commercially reasonable terms and any of the foregoing results could have a material adverse effect on our business, results of operations, or financial condition. (See "Part I. Financial Information – Item 1. Financial Statements – Notes to Consolidated Financial Statements – Contingencies.")

We have a number of intellectual property license agreements. Some of these license agreements require us to make one-time or periodic payments. We may need to obtain additional licenses or renew existing license agreements in the future. We are unable to predict whether these license agreements can be obtained or renewed on terms acceptable to us. The failure to obtain or renew licenses as necessary could have a material adverse effect on our business, results of operations, or financial condition.

We have been served with several complaints in a Chinese court alleging patent infringement.

We have been served with several complaints in a Chinese court alleging we infringe certain Chinese patents by manufacturing and selling certain products in China. The complaints seek orders requiring us to destroy inventory of the accused products and equipment for manufacturing the accused products in China, to stop manufacturing, using, selling, and offering for sale the accused products in China, and to pay damages plus court fees.

We are unable to predict the outcome of these assertions of infringement made against us and therefore cannot estimate the range of possible loss. A determination that our products or manufacturing processes infringe the intellectual property rights of others or entering into a license agreement covering such intellectual property could result in significant liability and/or require us to make material changes to our operations in China, products, and/or manufacturing processes. Any of the foregoing could have a material adverse effect on our business, results of operations, or financial condition. (See also "Part I. Financial Information – Item 1. Financial Statements – Notes to Consolidated Financial Statements – Contingencies.")

Litigation could have a material adverse effect on our business, results of operations, or financial condition.

From time to time we are subject to various legal proceedings and claims that arise out of the ordinary conduct of our business or otherwise, both domestically and internationally. Any claim, with or without merit, could result in significant legal fees that could negatively impact our financial results, disrupt our operations, and require significant attention from our management. We could be subject to litigation or arbitration disputes arising from our relationships with vendors or customers, supply agreements, or contractual obligations with our subcontractors or business partners. We may also be associated with and subject to litigation arising from the actions of our subcontractors or business partners. We may also be subject to litigation as a result of indemnities we issue, primarily with our customers, the terms of our product warranties, and from product liability claims. There can be no assurance that we are adequately insured to protect against all claims and potential liabilities, and we may elect to self-insure with respect to certain matters. Exposures to various litigation could lead to significant costs and expenses as we defend claims, be required to pay damage awards, or enter into settlement agreements, any of which could have a material adverse effect on our business, results of operations, or financial condition.

If our manufacturing process is disrupted, our business, results of operations, or financial condition could be materially adversely affected.

We and our subcontractors manufacture products using highly complex processes that require technologically advanced equipment and continuous modification to improve yields and performance. Difficulties in the manufacturing process or the effects from a shift in product mix can reduce yields or disrupt production and may increase our per gigabit manufacturing costs. We and our subcontractors maintain operations and continuously implement new product and process technology at manufacturing facilities, which are widely dispersed in multiple locations in several countries including the United States, Singapore, Taiwan, Japan, Malaysia, and China. Additionally, our control over operations at IMFT is limited by our agreements with Intel. From time to time, there have been disruptions in the manufacturing process as a result of power outages, improperly functioning equipment, equipment failures, earthquakes, or other environmental events. If production is disrupted for any reason, manufacturing yields may be adversely affected or we may be unable to meet our customers' requirements and they may purchase products from other suppliers. This could result in a significant increase in manufacturing costs, loss of revenues, or damage to customer relationships, any of which could have a material adverse effect on our business, results of operations, or financial condition.

The acquisition of our ownership interest in Inotera from Qimonda has been challenged by the administrator of the insolvency proceedings for Qimonda.

On January 20, 2011, Dr. Michael Jaffé, administrator for Qimonda's insolvency proceedings, filed suit against Micron and Micron Semiconductor B.V., our Netherlands subsidiary ("Micron B.V."), in the District Court of Munich, Civil Chamber. The complaint seeks to void, under Section 133 of the German Insolvency Act, a share purchase agreement between Micron B.V. and Qimonda signed in fall 2008, pursuant to which Micron B.V. purchased substantially all of Qimonda's shares of Inotera (the "Inotera Shares"), representing approximately 18% of Inotera's outstanding shares as of May 31, 2018, and seeks an order requiring us to re-transfer those shares to the Qimonda estate. The complaint also seeks, among other things, to recover damages for the alleged value of the joint venture relationship with Inotera and to terminate, under Sections 103 or 133 of the German Insolvency Code, a patent cross-license between us and Qimonda entered into at the same time as the share purchase agreement.

Following a series of hearings with pleadings, arguments, and witnesses on behalf of the Qimonda estate, on March 13, 2014, the court issued judgments: (1) ordering Micron B.V. to pay approximately $1 million in respect of certain Inotera Shares sold in connection with the original share purchase; (2) ordering Micron B.V. to disclose certain information with respect to any Inotera Shares sold by it to third parties; (3) ordering Micron B.V. to disclose the benefits derived by it from ownership of the Inotera Shares, including in particular, any profits distributed on the Inotera Shares and all other benefits; (4) denying Qimonda’s claims against Micron for any damages relating to the joint venture relationship with Inotera; and (5) determining that Qimonda's obligations under the patent cross-license agreement are canceled. In addition, the Court issued interlocutory judgments ordering, among other things: (1) that Micron B.V. transfer to the Qimonda estate the Inotera Shares still owned by Micron B.V. and pay to the Qimonda estate compensation in an amount to be specified for any Inotera Shares sold to third parties; and (2) that Micron B.V. pay the Qimonda estate as compensation an amount to be specified for benefits derived by Micron B.V. from ownership of the Inotera Shares. The interlocutory judgments have no immediate, enforceable effect on us, and, accordingly, we expect to be able to continue to operate with full control of the Inotera Shares subject to further developments in the case. We have filed a notice of appeal, and the parties have submitted briefs to the appeals court.

We are unable to predict the outcome of the matter and, therefore, cannot estimate the range of possible loss. The final resolution of this lawsuit could result in the loss of the Inotera Shares or monetary damages, unspecified damages based on the benefits derived by Micron B.V. from the ownership of the Inotera Shares, and/or the termination of the patent cross-license, which could have a material adverse effect on our business, results of operations, or financial condition.

We may incur additional restructuring charges in future periods.

In separate transactions in 2017, we sold our assembly and test facility located in Akita, Japan and our 40% ownership interest in Tera Probe, Inc.; assets associated with our 200mm fabrication facility in Singapore; and assets related to our Lexar brand. In 2016, we initiated a restructure plan in response to business conditions and the need to accelerate focus on our key priorities. The plan included the elimination of certain projects and programs, the permanent closure of a number of open headcount requisitions, workforce reductions in certain areas of our business, and other non-headcount related spending reductions. As a result of these and other actions, we incurred charges of $18 million, $67 million, and $3 million for 2017, 2016, and 2015, respectively.

We may not realize expected savings or other benefits from our restructure activities and may incur additional restructure charges or other losses in future periods associated with other initiatives. In connection with any restructure initiatives, we could incur restructure charges, loss of production output, loss of key personnel, disruptions in our operations, and difficulties in the timely delivery of products, which could have a material adverse effect on our business, results of operations, or financial condition.

Breaches of our security systems could expose us to losses.

We maintain a system of controls over the physical security of our facilities. We also manage and store various proprietary information and sensitive or confidential data relating to our operations. In addition, we process, store, and transmit large amounts of data relating to our customers and employees, including sensitive personal information. Unauthorized persons or employees may gain access to our facilities or network systems to steal trade secrets or other proprietary information, compromise confidential information, create system disruptions, or cause shutdowns. These parties may also be able to develop and deploy viruses, worms, and other malicious software programs that disrupt our operations and create security vulnerabilities. Breaches of our physical security and attacks on our network systems could result in significant losses and damage our reputation with customers and suppliers and may expose us to litigation if the confidential information of our customers, suppliers, or employees is compromised, which could have a material adverse effect on our business, results of operations, or financial condition.

Changes in foreign currency exchange rates could materially adversely affect our business, results of operations, or financial condition.

Across our global operations, significant transactions and balances are denominated in currencies other than the U.S. dollar (our reporting currency), primarily the euro, Singapore dollar, New Taiwan dollar, and yen. We recorded net losses from changes in currency exchange rates of $60 million for the first nine months of 2018, $74 million for 2017, and $24 million for 2016. Based on our foreign currency balances of monetary assets and liabilities, as of May 31, 2018, we estimate that a 10% adverse change in exchange rates versus the U.S. dollar would result in losses of approximately $303 million. Although we hedge our primary exposures to changes in currency exchange rates from our monetary assets and liabilities, the effectiveness of these hedges is dependent upon our ability to accurately forecast our monetary assets and liabilities. In addition, a significant portion of our manufacturing costs are denominated in foreign currencies. Exchange rates for some of these currencies against the U.S. dollar, particularly the yen, have been volatile in recent periods. If these currencies strengthen against the U.S. dollar, our manufacturing costs could significantly increase. Exchange rates for the U.S. dollar that adversely change against our foreign currency exposures could have a material adverse effect on our business, results of operations, or financial condition.

We may make future acquisitions and/or alliances, which involve numerous risks.

Acquisitions and the formation or operation of alliances, such as joint ventures and other partnering arrangements, involve numerous risks, including the following:

- integrating the operations, technologies, and products of acquired or newly formed entities into our operations;
- increasing capital expenditures to upgrade and maintain facilities;
- increased debt levels;
- the assumption of unknown or underestimated liabilities;
- the use of cash to finance a transaction, which may reduce the availability of cash to fund working capital, capital expenditures, R&D expenditures, and other business activities;
- diverting management's attention from daily operations;
- managing larger or more complex operations and facilities and employees in separate and diverse geographic areas;
- hiring and retaining key employees;
- requirements imposed by governmental authorities in connection with the regulatory review of a transaction, which may include, among other things, divestitures or restrictions on the conduct of our business or the acquired business;
- inability to realize synergies or other expected benefits;
- failure to maintain customer, vendor, and other relationships;
- inadequacy or ineffectiveness of an acquired company's internal financial controls, disclosure controls and procedures, and/or environmental, health and safety, anti-corruption, human resource, or other policies or practices; and
- impairment of acquired intangible assets, goodwill, or other assets as a result of changing business conditions, technological advancements, or worse-than-expected performance of the acquired business.

In previous years, supply of memory and storage products has significantly exceeded customer demand resulting in significant declines in average selling prices. The global memory and storage industry has experienced consolidation and may continue to consolidate. We engage, from time to time, in discussions regarding potential acquisitions and similar opportunities. To the extent we are successful in completing any such transactions, we could be subject to some or all of the risks described above, including the risks pertaining to funding, assumption of liabilities, integration challenges, and increases in debt that may accompany such transactions. Acquisitions of, or alliances with, technology companies are inherently risky and may not be successful and could have a material adverse effect on our business, results of operations, or financial condition.

The limited availability and quality of raw materials, supplies, or capital equipment could materially adversely affect our business, results of operations, or financial condition.

Our operations require raw materials, and in certain cases, third party services, that meet exacting standards. We generally have multiple sources of supply for our raw materials and services. However, only a limited number of suppliers are capable of delivering certain raw materials and services that meet our standards. In some cases, materials, components, or services are provided by a single supplier. Various factors could reduce the availability and/or quality of raw materials or components such as chemicals, silicon wafers, gases, photoresist, controllers, substrates, lead frames, printed circuit boards, sub-assemblies, targets, and reticle glass blanks. Shortages and/or quality issues may occur, from time to time, in the future. We and/or our suppliers could be affected by laws and regulations enacted in response to concerns regarding climate change, which could increase the cost and limit the supply of our raw materials. In addition, disruptions in transportation lines could delay our receipt of raw materials. Lead times for the supply of raw materials have been extended in the past. The disruption of our supply or quality of raw materials or services or the extension of our lead times could have a material adverse effect on our business, results of operations, or financial condition.

Our operations are dependent on our ability to procure advanced semiconductor manufacturing equipment that enables the transition to lower cost manufacturing processes. For certain key types of equipment, including photolithography tools, we are sometimes dependent on a single supplier. From time to time, we have experienced difficulties in obtaining some equipment on a timely basis due to suppliers' limited capacity. Our inability to obtain equipment on a timely basis could adversely affect our ability to transition to next generation manufacturing processes and reduce our costs. Delays in obtaining equipment could also impede our ability to ramp production at new facilities and could increase our overall costs of a ramp. Our inability to obtain advanced semiconductor manufacturing equipment in a timely manner could have a material adverse effect on our business, results of operations, or financial condition.

Increases in tariffs or other taxes on our products or equipment and supplies could have an adverse impact on our operations.

We sell a significant majority of our products into countries outside the United States and we purchase a significant portion of equipment and supplies from suppliers outside the United States. The United States and other countries have levied tariffs and taxes on certain goods. Further tariffs, additional taxes, or trade barriers may increase our selling and/or manufacturing costs, decrease margins, reduce the competitiveness of our products, or inhibit our ability to sell products or purchase necessary equipment and supplies, which could have a material adverse effect on our business, results of operations, or financial conditions.

A downturn in the worldwide economy may harm our business.

Downturns in the worldwide economy have harmed our business in the past and future downturns could also adversely affect our business. Adverse economic conditions affect demand for devices that incorporate our products, such as personal computers, mobile devices, SSDs, and servers. Reduced demand for these products could result in significant decreases in our average selling prices and product sales. A deterioration of current conditions in worldwide credit markets could limit our ability to obtain external financing to fund our operations and capital expenditures. In addition, we may experience losses on our holdings of cash and investments due to failures of financial institutions and other parties. Difficult economic conditions may also result in a higher rate of losses on our accounts receivables due to credit defaults. As a result, a downturn in the worldwide economy could have a material adverse effect on our business, results of operations, or financial condition.

Our results of operations could be affected by natural disasters and other events in the locations in which we or our customers or suppliers operate.

We have manufacturing and other operations in locations subject to natural occurrences such as severe weather and geological events, such as earthquakes or tsunamis, that could disrupt operations. In addition, our suppliers and customers also have operations in such locations. A natural disaster, fire, explosion, or other event that results in a prolonged disruption to our operations, or the operations of our customers or suppliers, could have a material adverse effect on our business, results of operations, or financial condition.

Our incentives from various governments are conditional upon achieving or maintaining certain performance obligations and are subject to reduction, termination, or clawback.

We have received, and may in the future continue to receive, benefits and incentives from national, state, and local governments in various regions of the world designed to encourage us to establish, maintain, or increase investment, workforce, or production in those regions. These incentives may take various forms, including grants, loan subsidies, and tax arrangements, and typically require us to perform or maintain certain levels of investment, capital spending, employment, technology deployment, or research and development activities to qualify for such incentives. We cannot guarantee that we will successfully achieve performance obligations required to qualify for these incentives or that the granting agencies will provide such funding. These incentive arrangements typically provide the granting agencies with rights to audit our performance with the terms and obligations. Such audits could result in modifications to, or termination of, the applicable incentive program. The incentives we receive could be subject to reduction, termination, or clawback, and any decrease or clawback of government incentives could have a material adverse effect on our business, results of operations, or financial condition.

The operations of MMJ are subject to continued oversight by the Japan Court during the pendency of the corporate reorganization proceedings.

Because MMJ's plan of reorganization provides for ongoing payments to creditors following the closing of our acquisition of MMJ, the reorganization proceedings in Japan (the "Japan Proceedings") are continuing and MMJ remains subject to the oversight of the Japan Court and of the trustees (including a trustee designated by us, who we refer to as the business trustee, and a trustee designated by the Japan Court, who we refer to as the legal trustee), pending completion of the reorganization proceedings. The business trustee is responsible for overseeing the operation of the business of MMJ, other than oversight in relation to acts that need to be carried out in connection with the Japan Proceedings, which are the responsibility of the legal trustee. MMJ's reorganization proceedings in Japan, and oversight of the Japan Court, will continue until the final creditor payment is made under MMJ's plan of reorganization, which is scheduled to occur in December 2019, but may occur on a later date to the extent any claims of creditors remain unfixed on the final scheduled installment payment date. MMJ may petition the Japan Court for an early termination of the reorganization proceedings once two-thirds of all payments under the plan of reorganization are made. Although such early terminations are customarily granted, there can be no assurance that the Japan Court will grant any such petition in this particular case.

During the pendency of the reorganization proceedings in Japan, MMJ is obligated to provide periodic financial reports to the Japan Court and may be required to obtain the consent of the Japan Court prior to taking a number of significant actions relating to its businesses, including transferring or disposing of, or acquiring, certain material assets, incurring or guaranteeing material indebtedness, settling material disputes, or entering into certain material agreements. The consent of the legal trustee may also be required for matters that would likely have a material impact on the operations or assets of MMJ or for transfers of material assets, to the extent the matters or transfers would reasonably be expected to materially and adversely affect execution of MMJ's plan of reorganization. Accordingly, during the pendency of the reorganization proceedings in Japan, our ability to operate MMJ as part of our global business or to cause MMJ to take certain actions that we deem advisable for its business could be adversely affected if the Japan Court or the legal trustee is unwilling to consent to various actions that we may wish to take with respect to MMJ.

The operations of MMJ being subject to the continued oversight by the Japan Court during the pendency of the corporate reorganization proceedings could have a material adverse effect on our business, results of operations, or financial condition.

We may incur additional tax expense or become subject to additional tax exposure.

We operate in a number of locations outside the United States, including Singapore, where we have tax incentive arrangements that are conditional, in part, upon meeting certain business operations and employment thresholds. Our domestic and international taxes are dependent upon the geographic mix of our earnings among these jurisdictions. Our provision for income taxes and cash tax liabilities in the future could be adversely affected by numerous factors, including challenges by tax authorities to our tax positions and intercompany transfer pricing agreements, income before taxes being lower than anticipated in countries with lower statutory tax rates and higher than anticipated in countries with higher statutory tax rates, changes in the valuation of deferred tax assets and liabilities, failure to meet performance obligations with respect to tax incentive agreements, and changes in tax laws and regulations. We file income tax returns with the U.S. federal government, various U.S. states, and various other jurisdictions throughout the world. Our U.S. federal and state tax returns remain open to examination for 2013 through 2017. In addition, tax returns that remain open to examination in Japan range from the years 2012 to 2017, and in Singapore and Taiwan from 2013 to 2017. The results of audits and examinations of previously filed tax returns and continuing assessments of our tax exposures may have an adverse effect on our provision for income taxes and cash tax liability. The foregoing items could have a material adverse effect on our business, results of operations, or financial condition.

A change in tax laws in key jurisdictions could materially increase our tax expense.

On December 22, 2017, the United States enacted the Tax Act which lowers the U.S. corporate income tax rate from 35% to 21% and significantly affects how income from our foreign operations are taxed in the United States. As a result of our fiscal year-end, our U.S. statutory federal rate will be 25.7% for 2018, and 21% for subsequent years. Based on the information available, we recorded provisional amounts under SAB 118; however, we are continuing to gather additional information and analyze authoritative guidance to finalize the computation of the Repatriation Tax as well as the impacts on the valuation allowance release of the Repatriation Tax and the Tax Act. The final tax impacts may differ from estimates due to, among other things, the issuance of additional regulatory and legislative guidance. As a result of the Tax Act, our effective tax rate may increase to the low teens percentage depending on profitability.

We may not utilize all of our net deferred tax assets.

We have substantial deferred tax assets, which include, among others, net operating loss and credit carryforwards. As of August 31, 2017, our U.S. federal and state net operating loss carryforwards, including uncertain tax benefits, were $3.88 billion and $1.95 billion, respectively, which, if not utilized, will expire at various dates from 2028 through 2037 and 2018 through 2037, respectively. As of August 31, 2017, our foreign net operating loss carryforwards were $6.30 billion, which will, if not utilized, substantially all expire at various dates from 2019 through 2026. As of August 31, 2017, we had gross deferred tax assets of $3.78 billion and valuation allowances of $2.32 billion against our deferred tax assets. As of May 31, 2018, after recording the provisional estimated impact of the Tax Act, which includes the utilization of a substantial portion of our U.S. deferred tax assets, we had net deferred tax assets of $1.84 billion and valuation allowances of $855 million against our deferred tax assets. Utilization of all of our net operating loss and credit carryforwards would increase the amount of our annual cash taxes reducing the overall amount of cash available to be used in other areas of the business and could have a material adverse effect on our business, results of operations, or financial condition.

A change in ownership may limit our ability to utilize our net operating loss and credit carryforwards.

On January 18, 2017, our shareholders approved a Section 382 Rights Agreement (the "Rights Agreement"), under which our shareholders of record as of the close of business on August 1, 2016 received one right for each share of common stock outstanding, which entitles certain shareholders to purchase additional shares of our common stock at a significant discount in the event of certain transactions that may result in an ownership change, as defined by Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). In general, an ownership change will occur when the percentage of our ownership by one or more 5% shareholders has increased by more than 50% at any time during the prior three years. Rights will attach to all shares of the Company’s common stock issued prior to the earlier of the rights' distribution date or expiration date as set forth in the Rights Agreement. Pursuant to the Rights Agreement, if a shareholder (or group) acquires beneficial ownership of 4.99% or more of the outstanding shares of our common stock without prior approval of our Board or without meeting certain customary exceptions, the rights (other than rights held by the acquiring shareholder (or group) and certain related persons) would become exercisable. The Rights Agreement is intended to avoid an adverse ownership change, thereby preserving our current ability to utilize certain net operating loss and credit carryforwards; however, there is no assurance that the Rights Agreement will prevent all transfers that could result in such an ownership change.

If we experience a 50% or greater change in ownership involving shareholders owning 5% or more of our common stock, it could adversely impact our ability to utilize our existing net operating loss and credit carryforwards. The inability to utilize existing net operating loss and credit carryforwards would significantly increase the amount of our annual cash taxes and reduce the overall amount of cash available to be used in other areas of the business which could have a material adverse effect on our business, results of operations, or financial condition.

Compliance with regulations regarding the use of conflict minerals could limit the supply and increase the cost of certain metals used in manufacturing our products.

Increased focus on environmental protection and social responsibility initiatives led to the passage of Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") and its implementing SEC regulations. The Dodd-Frank Act imposes supply chain diligence and disclosure requirements for certain manufacturers of products containing specific minerals that may originate in or near the Democratic Republic of the Congo (the "DRC") and finance or benefit local armed groups. These "conflict minerals" are commonly found in materials used in the manufacture of semiconductors. The implementation of these new regulations may limit the sourcing and availability of some of these materials. This in turn may affect our ability to obtain materials necessary for the manufacture of our products in sufficient quantities and may affect related material pricing. Some of our customers may elect to disqualify us as a supplier or reduce purchases from us if we are unable to verify that our products are DRC conflict free. Our inability to comply with the regulations regarding the use of conflict minerals could have a material adverse effect on our business, results of operations, or financial condition.

We are subject to a variety of laws and regulations that may result in additional costs and liabilities.

The manufacturing of our products requires the use of facilities, equipment, and materials that are subject to a broad array of laws and regulations in numerous jurisdictions in which we operate. Additionally, we are subject to a variety of other laws and regulations relative to the construction, maintenance, and operations of our facilities. Any of these laws or regulations could cause us to incur additional direct costs, as well as increased indirect costs related to our relationships with our customers and suppliers, and otherwise harm our operations and financial condition. Any failure to comply with these laws or regulations could adversely impact our reputation and our financial results. Additionally, we partner with other companies in our joint ventures, which are also subject to a broad array of laws and regulations. Our ownership in these joint ventures may also expose us to risks associated with their respective compliance with these laws and regulations. As a result of these items, we could experience the following:

- suspension of production;
- remediation costs;
- alteration of our manufacturing processes;
- regulatory penalties, fines, and legal liabilities; and
- reputational challenges.

Our failure, or the failure of our joint ventures, to comply with these laws and regulations could have a material adverse effect on our business, results of operations, or financial condition.

We face risks associated with our international sales and operations that could materially adversely affect our business, results of operations, or financial condition.

Sales to customers outside the United States approximated 86% of our consolidated net sales for 2017. In addition, a substantial portion of our manufacturing operations are located outside the United States. In particular, a significant portion of our manufacturing operations are concentrated in Singapore, Taiwan, Japan, and China. Our international sales and operations are subject to a variety of risks, including:

- export and import duties, changes to import and export regulations, customs regulations and processes, and restrictions on the transfer of funds;
- compliance with U.S. and international laws involving international operations, including the Foreign Corrupt Practices Act of 1977, as amended, export and import laws, and similar rules and regulations;
- theft of intellectual property;
- political and economic instability;
- problems with the transportation or delivery of products;
- issues arising from cultural or language differences and labor unrest;
- longer payment cycles and greater difficulty in collecting accounts receivable;
- compliance with trade, technical standards, and other laws in a variety of jurisdictions;
- contractual and regulatory limitations on the ability to maintain flexibility with staffing levels;
- disruptions to manufacturing operations as a result of actions imposed by foreign governments;
- changes in economic policies of foreign governments; and
- difficulties in staffing and managing international operations.

Many of our customers, suppliers, and vendors operate internationally and are also subject to the foregoing risks. If we or our customers, suppliers, or vendors are impacted by these risks, it could have a material adverse effect on our business, results of operations, or financial condition.

We are subject to counterparty default risks.

We have numerous arrangements with financial institutions that subject us to counterparty default risks, including cash deposits, investments, capped call contracts on our common stock, and derivative instruments. As a result, we are subject to the risk that the counterparty to one or more of these arrangements will default on its performance obligations. A counterparty may not comply with their contractual commitments which could then lead to their defaulting on their obligations with little or no notice to us, which could limit our ability to take action to mitigate our exposure. Additionally, our ability to mitigate our exposures may be constrained by the terms of our contractual arrangements or because market conditions prevent us from taking effective action. If one of our counterparties becomes insolvent or files for bankruptcy, our ability to recover any losses suffered as a result of that counterparty's default may be limited by the liquidity of the counterparty or the applicable laws governing the bankruptcy proceedings. In the event of such default, we could incur significant losses, which could have a material adverse effect on our business, results of operations, or financial condition.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In May 2018, we announced that our Board of Directors had authorized the discretionary repurchase of up to $10 billion of our outstanding common stock beginning in 2019. We may purchase shares on a discretionary basis through open-market purchases, block trades, privately-negotiated transactions, and/or derivative transactions, subject to market conditions and our ongoing determination of the best use of available cash. The repurchase authorization does not obligate us to acquire any common stock.

During the third quarter of 2018, we share-settled all of our remaining 2033F Capped Calls and received 2,185,755 shares of our common stock.

Period		(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under publicly announced plans or programs
March 2, 2018	– April 5, 2018	—	$ —		
April 6, 2018	– May 3, 2018	—	—		
May 4, 2018	– May 31, 2018	2,185,755	52.95		
		2,185,755	52.95		$ 10,000,000,000

Shares of common stock withheld as payment of withholding taxes and exercise prices in connection with the vesting or exercise of equity awards are also treated as common stock repurchases. Those withheld shares of common stock are not considered common stock repurchases under an authorized common stock repurchase plan and accordingly are excluded from the amounts in the table above.

ITEM 6. Exhibits

Exhibit Number	Description of Exhibit	Filed Herewith	Form	Period Ending	Exhibit/ Appendix	Filing Date
3.1	Restated Certificate of Incorporation of the Registrant		8-K		99.2	1/26/15
3.2	Bylaws of the Registrant, Amended and Restated		8-K		99.1	4/15/14
10.64	Deferred Compensation Plan, as amended	✓				
10.77	Fourth Amendment to the Credit Agreement, dated April 26, 2016, by and among Micron Technology, Inc., as borrower, Morgan Stanley Senior Funding, Inc., as administrative agent and collateral agent, and the other agents party thereto and each financial institution party from time to time thereto	✓				
31.1	Rule 13a-14(a) Certification of Chief Executive Officer	✓				
31.2	Rule 13a-14(a) Certification of Chief Financial Officer	✓				
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350	✓				
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350	✓				
101.INS	XBRL Instance Document	✓				
101.SCH	XBRL Taxonomy Extension Schema Document	✓				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	✓				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	✓				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	✓				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	✓				

SIGNATURE

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 thereunto duly authorized.

Micron Technology, Inc.
(Registrant)

Date: June 22, 2018

/s/ David A. Zinsner
David A. Zinsner
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 10.64

MICRON TECHNOLOGY, INC.
DEFERRED COMPENSATION PLAN

Effective March 1, 2017

As Amended on April 1, 2018

PREAMBLE

The Plan is intended to be a "plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended, or an "excess benefit plan" within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended, or a combination of both. The Plan is further intended to conform with the requirements of Internal Revenue Code Section 409A and the final regulations issued thereunder and shall be interpreted, implemented and administered in a manner consistent therewith.

ARTICLE 1 - GENERAL

1.1 **Purpose**. The purpose of the Plan is to provide Eligible Employees an opportunity to defer to a future date the receipt of base and bonus compensation for services performed for the Employer.

1.2 **Effective Date.** The Effective Date of the Plan is March 1, 2017.

ARTICLE 2 - DEFINITIONS

Pronouns used in the Plan are in the masculine gender but include the feminine gender unless the context clearly indicates otherwise. Wherever used herein, the following terms have the meanings set forth below, unless a different meaning is clearly required by the context:

2.1 **"Account"** means an account established for the purpose of recording amounts credited on behalf of a Participant and any income, expenses, gains, losses or distributions included thereon. The Account shall be a bookkeeping entry only and shall be utilized solely as a device for the measurement and determination of the amounts to be paid to a Participant or to the Participant's Beneficiary pursuant to the Plan.

2.2 **"Administrator"** means, unless otherwise determined by the Plan Sponsor, the Micron Technology, Inc. Retirement at Micron (RAM) Committee.

2.3 "**Base Compensation**" means the Participant's base rate of compensation (including regular compensation, holiday, vacation, personal and sick pay) payable for services performed for the Employer for the Plan Year, as adjusted to reflect increases and decreases to the base rate during the Plan Year.

2.4 **"Beneficiary"** means the persons, trusts, estates or other entities entitled under Section 8.2 to receive benefits under the Plan upon the death of a Participant.

2.5 **"Board" or "Board of Directors"** means the Board of Directors of the Plan Sponsor.

2.6 **"Bonus Compensation"** means the Participant's bonus or incentive compensation payable for services performed for the Employer for the Plan Year pursuant to, among others designated by the Employer, the Micron Technology, Inc. Executive Incentive Plan, the Micron Technology, Inc. Annual Incentive Plan, the Micron Technology, Inc. Incentive Pay Plan and/or the Micron Technology, Inc. Sales and Field Application Engineer FAE Variable Incentive Plan.

2.7 **"Change in Control"** means the occurrence of an event involving the Plan Sponsor that is described in Section 9.6.

2.8 **"Code"** means the Internal Revenue Code of 1986, as amended.

2.9 **"Compensation**" means Base Compensation, Bonus Compensation and/or Performance-Based Compensation.

2.10 **"Disability"** means a determination by the Administrator that the Participant is either (a) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (b) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or last for a continuous period of not less than twelve months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Employer. A Participant will be considered to have incurred a Disability if he is determined to be totally disabled by the Social Security Administration or the Railroad Retirement Board.

2.11 **"Discretionary Credits"** has the meaning set forth in Section 5.1 hereof.

2.12 **"Distribution Date"** means the earliest to occur of: (1) a Specified Payment Date elected by the Participant or (2) the Participant's Separation from Service for any reason (including death or Disability). Notwithstanding the foregoing, in the case of a distribution to a Specified Employee on account of Separation from Service, the Distribution Date shall be the Specified Employee Delayed Payment Date.

2.13 "**Election Period**" means the period established by the Administrator during which Participant deferral and distribution elections must be made in accordance with the requirements of Code Section 409A. The Election Period for Base Compensation and for Bonus Compensation that does not qualify as Performance-Based Compensation shall end no later than the last day of the Plan Year immediately preceding the Plan Year in which such Base Compensation or Bonus Compensation is earned, and the Election Period for Bonus Compensation qualifying as Performance-Based Compensation shall end no later than six (6) months before the end of the fiscal year or other period in which the Performance-Based Compensation is earned; provided, that the Eligible Employee is employed continuously from the later of the beginning of the performance period or the date the performance criteria are established through the date an election is made to defer such Performance-Based Compensation and the amount of such Performance-Based Compensation has not become readily ascertainable as of the date the election is made; and further provided, however, that the Election Period with respect to the first Plan Year in which an Eligible Employee is eligible to participate in the Plan may, to the extent permitted under Code Section 409A, end no later than thirty (30) days after the Eligible Employee first becomes eligible under the Plan and shall apply only to compensation earned after such election is made. A former Eligible Employee who again becomes an Eligible Employee shall be treated as newly eligible to make deferrals under the Plan within thirty (30) days upon return to eligible status if: (i) the former Eligible Employee has received distribution of the full amount of his or her Account balance attributable to deferral contributions and on or before the last such distribution was not eligible to make deferral contributions for periods after the last distribution payment; or (ii) the former Eligible Employee has not been eligible to make deferral contributions at any time during the twenty-four (24)-month period ending on the date he or she again becomes an Eligible Employee. In addition, if an Eligible Employee is or was eligible to participate in another plan that is aggregated with the elective deferral portion of the Plan under Code Section 409A, participation in such plan shall be treated as participation in the Plan for purposes of determining whether the Eligible Employee is treated as newly eligible under the Plan. Except in the case of the first Plan Year in which an Eligible Employee is eligible to participate in the Plan, including a former Eligible Employee who is treated as newly eligible to make deferrals, the effective date of elections to defer Base or Bonus Compensation shall be the first day of the calendar year following such election and in the case of an election to defer Performance-Based Compensation, such election shall be effective with respect to Performance-Based Compensation payable after the end of the applicable performance period.

2.14 **"Eligible Employee"** means an employee of the Employer selected by the Employer for participation in the Plan.

2.15 **"Employer"** means the Plan Sponsor and any other entity which is authorized by the Plan Sponsor to participate in and, in fact, does adopt the Plan.

2.16 **"ERISA"** means the Employee Retirement Income Security Act of 1974, as amended.

2.17 **"Participant"** means an Eligible Employee who commences participation in the Plan in accordance with Article 3.

2.18 **"Performance-Based Compensation"** means any bonus, award or other compensation designated by the Employer, the amount of which, or the entitlement to which, is contingent on the satisfaction of pre-established organizational or individual performance criteria relating to a performance period of at least twelve (12) consecutive months. For such bonus or award to be performance-based with respect to a Participant's deferral election with respect to such bonus or award, the following requirements must be met: (i) the performance criteria must be established in writing no later than ninety (90) days after the beginning of the applicable "performance period"; (ii) the outcome of the performance criteria must be substantially uncertain when the criteria are established; (iii) no bonus or award, or portion of any bonus or award, that will be paid either regardless of performance, or based upon a level of performance that is substantially certain to be met at the time the criteria are established, shall be considered Performance-Based Compensation; (iv) Performance-Based Compensation shall not include payments based upon subjective performance criteria unless: (a) the subjective performance criteria are bona fide and relate to the Participant's performance, the performance of a group of employees that includes the Participant, or the performance of a business unit for which the Participant provides services (which may include the entire organization); and (b) the determination that any subjective performance criteria have been met is not made by the Participant or a family member of the Participant (as defined in Code Section 267(c)(4), applied as if the family of an individual includes the spouse of any member of the family), or a person under the effective control of the Participant or such a family member, and no amount of the compensation of the person making such determination is effectively controlled in whole or in part by the Participant or such a family member. A performance-based bonus that otherwise meets the above criteria may provide for payment regardless of satisfaction of the performance criteria upon the Participant's death, disability (defined as a medically determinable physical or mental impairment resulting in the Participant's inability to perform the duties of his or her position or any substantially similar position, where such impairment can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months), or a change in control event (as defined in Treasury Regulations Section 1.409A-3(i)(5)(i)). Any amount that actually becomes payable upon such events without regard to the satisfaction of the performance criteria will not be considered Performance-Based Compensation.

2.19 **"Plan"** means the unfunded plan of deferred compensation set forth herein, as adopted by the Plan Sponsor and as amended from time to time.

2.20 **"Plan Sponsor"** means Micron Technology, Inc. or any successor by merger, consolidation or otherwise.

2.21 **"Plan Year"** means the period commencing January 1 and ending on December 31.

2.22 **"Related Employer"** means the Employer and (a) any corporation that is a member of a controlled group of corporations as defined in Code Section 414(b) that includes the Employer and (b) any trade or business that is under common control as defined in Code Section 414(c) that includes the Employer.

2.23 **"Separation from Service"** means the date that the Participant dies, retires or otherwise has a termination of employment with respect to all entities comprising the Related Employer. A Separation from Service does not occur if the Participant is on military leave, sick leave or other bona fide leave of absence if the period of leave does not exceed six months or such longer period during which the Participant's right to reemployment is provided by statute or contract. If the period of leave exceeds six months and the Participant's right to re-employment is not provided either by statute or contract, a Separation from Service will be deemed to have occurred on the first day following the six-month period. If the period of leave is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where the impairment causes the Participant to be unable to perform the duties of his or her position of employment or any substantially similar position of employment, a 29 month period of absence may be substituted for the six month period.

Whether a termination of employment has occurred is based on whether the facts and circumstances indicate that the Related Employer and the Participant reasonably anticipated that no further services would be performed after a certain date or that the level of bona fide services the Participant would perform after such date (whether as an employee or as an independent contractor) would permanently decrease to no more than 20 percent of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36 month period (or the full period of services to the Related Employer if the employee has been providing services to the Related Employer for less than 36 months).

An independent contractor is considered to have experienced a Separation from Service with the Related Employer upon the expiration of the contract (or, in the case of more than one contract, all contracts) under which services are performed for the Related Employer if the expiration constitutes a good-faith and complete termination of the contractual relationship.

If a Participant provides services as both an employee and an independent contractor of the Related Employer, the Participant must separate from service both as an employee and as an independent contractor to be treated as having incurred a Separation from Service. If a Participant ceases providing services as an independent contractor and begins providing services as an employee, or ceases providing services as an employee and begins providing services as an independent contractor, the Participant will not be considered to have experienced a Separation from Service until the Participant has ceased providing services in both capacities.

If a Participant provides services both as an employee and as a member of the board of directors of a corporate Related Employer (or an analogous position with respect to a noncorporate Related Employer), the services provided as a director are not taken into account in determining whether the Participant has incurred a Separation from Service as an employee for purposes of a nonqualified deferred compensation plan in which the Participant participates as an employee that is not aggregated under Code Section 409A with any plan in which the Participant participates as a director.

If a Participant provides services both as an employee and as a member of the board of directors of a corporate related Employer (or an analogous position with respect to a noncorporate Related Employer), the services provided as an employee are not taken into account in determining whether the Participant has experienced a Separation from Service as a director for purposes of a nonqualified deferred compensation plan in which the Participant participates as a director that is not aggregated under Code Section 409A with any plan in which the Participant participates as an employee.

All determinations of whether a Separation from Service has occurred will be made in a manner consistent with Code Section 409A and the final regulations thereunder.

2.24 **"Specified Employee"** is an employee who on the date of his Separation from Service is a "specified employee" within the meaning given such term under Code Section 409A and the regulations thereunder applying the default criteria.

2.25 **"Specified Employee Delayed Payment Date"** means the first business day of the seventh month following the date of a Specified Employee's Separation from Service.

2.26 **"Specified Payment Date"** means a calendar year elected by the Participant to receive his her deferrals that is after the Plan Year for which the deferrals are made.

2.27 **"Valuation Date"** means each business day of the Plan Year that the Nasdaq Global Stock Market is open.

2.28 **"Years of Service"** shall be determined in accordance with the Participant's Years of Service credited under the Micron Technology, Inc. Retirement at Micron (RAM) Plan.

ARTICLE 3 - PARTICIPATION

3.1 **Participation.** An Eligible Employee shall commence participation in the Plan upon the effectiveness of his first deferral election in accordance with Section 4.1.

3.2 **Termination of Participation.** The Administrator may terminate a Participant's participation in the Plan in a manner consistent with Code Section 409A. If the Employer terminates a Participant's participation before the Participant experiences a Separation from Service the Participant's vested Accounts shall be paid in accordance with the provisions of Article 9.

ARTICLE 4 - PARTICIPANT ELECTIONS

4.1 **Deferral Agreement**. An Eligible Employee may elect during the applicable Election Period, by executing in writing or electronically a deferral agreement on form(s) approved by the Administrator, to defer the receipt of a designated percentage of Base Compensation per payroll period that is earned and payable after the effective date of such election, a designated percentage of Bonus Compensation per payroll period that is earned and payable after the effective date of such election and a designated percentage of Performance-Based Compensation that is payable after the effective date of such election and have such amount credited to the Participant's Account pursuant to the terms of the Plan. The Participant shall make a separate deferral election for Base, Bonus and Performance-Based Compensation deferrals for each Plan Year.

A new deferral election must be timely executed for each Plan Year during which the Eligible Employee desires to defer Compensation. An Eligible Employee who does not timely execute a deferral election shall be deemed to have elected zero deferrals of Compensation for such Plan Year.

4.2 **Revocation/Modification of Deferral Elections**. Except as otherwise provided in Section 9.2, a Participant may not revoke or modify his deferral agreement after the Election Period. The Administrator in its discretion may cancel a deferral election if permitted under Code Section 409A (such as upon disability), provided that the Participant shall not be provided an election with respect to such cancellation. Notwithstanding anything in this Plan to the contrary, if a Participant receives a hardship distribution of elective deferrals from a qualified cash or deferred arrangement maintained by the Employer, then such Participant's deferral election shall be cancelled for the remainder of the calendar year in which he received such hardship distribution, to the extent necessary to satisfy the requirements of Treas. Reg. Section 1.401(k)-1(d)(3).

4.3 **Amount of Deferrals**. An Eligible Employee is not required to make a deferral election for any Plan Year. However, if an Eligible Employee makes a deferral election, the following minimums and maximums apply. These minimums and/or maximums may be modified by the Administrator for a given Plan Year on the election forms for such Plan Year without the need of a formal plan amendment.

(a) **Minimum Base Compensation Deferral Election**. The minimum deferral election percentage an Eligible Employee may make for a Plan Year with respect to Base Compensation is 1% of Base Compensation.

(b) **Minimum Bonus Compensation Deferral Election**. The minimum deferral election percentage an Eligible Employee may make for a Plan Year with respect to Bonus Compensation is 1% of such Eligible Employee's Bonus for a Plan Year.

(c) **Maximum Base Compensation Deferral Election**. The maximum deferral election percentage an Eligible Employee may make for a Plan Year with respect to Base Compensation is 75% of Base Compensation.

(d) **Maximum Bonus Compensation Deferral Election**. The maximum deferral election percentage an Eligible Employee may make for a Plan Year with respect to Bonus Compensation is 100% of such Eligible Employee's Bonus for a Plan Year.

4.4 Timing of Election to Defer. Each Eligible Employee who desires to defer Compensation otherwise payable during a Plan Year must execute a deferral agreement within the Election Period.

4.5 Election of Payment Schedule and Form of Payment. All elections of a payment schedule and a form of payment will be made in accordance with rules and procedures established by the Administrator. At the time an Eligible Employee completes a deferral agreement during the Election Period, the Eligible Employee must elect a form of payment in which to receive such deferrals in a payment schedule permitted under Section 9.3 and may elect a Specified Payment Date that occurs during the Participant's employment. If an Eligible Employee fails to elect a form of payment permitted under Section 9.3, then he shall be deemed to have elected a lump sum form of payment.

4.6 No Deferrals from Severance. Deferral elections shall not apply to severance or other amounts payable after a Participant's Separation from Service.

ARTICLE 5 - EMPLOYER CONTRIBUTIONS

5.1 Employer Contributions. The Employer may, in its sole discretion, make discretionary Employer credits ("Discretionary Credits") on behalf of any Eligible Participant. In its sole discretion, the Employer shall determine the Eligible Participants to be credited with any Discretionary Credit, the amount of any such Discretionary Credit and the vesting schedule applicable thereto (including any accelerated vesting thereof and the events of such acceleration). In addition, the Employer may permit the Participant to elect the timing and form of distribution of such Discretionary Credits, provided that any such election shall be made no later than the latest time permitted by Code Section 409A.

ARTICLE 6 - ACCOUNTS AND CREDITS

6.1 Establishment of Account. For accounting and computational purposes only, the Administrator will establish and maintain an Account on behalf of each Participant which will reflect the credits made pursuant to Section 6.2, distributions or withdrawals, along with the earnings, expenses, gains and losses allocated thereto, attributable to the hypothetical investments made with the amounts in the Account as provided in Article 7. The Administrator will establish and maintain such other records and accounts, as it decides in its discretion to be reasonably required or appropriate to discharge its duties under the Plan.

6.2 Credits to Account. A Participant's Account will be credited for each Plan Year with the amount of his elective deferrals under Section 4.1 at the time the amount subject to the deferral election would otherwise have been payable to the Participant and the amount of Employer contributions treated as allocated on his behalf under Article 5.

ARTICLE 7 - INVESTMENT OF CONTRIBUTIONS

7.1 Investment Options. The amount credited to each Account shall be treated as invested in the investment options selected in advance by the Administrator. The Administrator, in its sole discretion, shall be permitted to add or remove investment options from the Plan menu from time to time, provided that any such additions or removals of investment options shall not be effective with respect to any period prior to the effective date of such change.

7.2 Investment Allocations. A Participant's investment allocation constitutes a deemed, not actual, investment among the investment options comprising the investment menu. At no time shall a Participant have any real or beneficial ownership in any investment option included in the investment menu, nor shall the Employer or any trustee acting on its behalf have any obligation to purchase actual securities as a result of a Participant's investment allocation. A Participant's investment allocation shall be used solely for purposes of adjusting the value of a Participant's Account.

(a) A Participant shall specify an investment allocation for each of his Accounts in accordance with procedures established by the Administrator. Except as otherwise provided by the Administrator, the following provisions of this Section 7.2 shall apply to allocations under the Plan.

(i) Allocation among the investment options must be designated in increments of 1%. The Participant's investment allocation will become effective on the same business day or, in the case of investment allocations received after a time specified by the Administrator, the next business day.

(ii) A Participant may change an investment allocation on any business day, both with respect to future credits to the Plan and with respect to existing Accounts, in accordance with procedures adopted by the Administrator. Changes shall become effective on the same business day or, in the case of investment allocations received after a time specified by the Administrator, the next business day, and shall be applied prospectively.

7.3 Adjustment of Accounts. The amount credited to each Account shall be adjusted for hypothetical investment earnings, expenses, gains or losses in an amount equal to the earnings, expenses, gains or losses attributable to the investment options selected by the Participant from among the investment options provided in Section 7.1. A Participant (or the Participant's Beneficiary after the death of the Participant) may, in accordance with rules and procedures established by the Administrator, select the investments from among the options provided in Section 7.1 to be used for the purpose of calculating future hypothetical investment adjustments to the Account or to future credits to the Account under Section 6.2 effective as of the Valuation Date coincident with or next following notice to the Administrator. Each Account shall be adjusted as of each Valuation Date to reflect: (a) the hypothetical earnings, expenses, gains and losses described above; (b) amounts credited pursuant to Section 6.2; and (c) distributions or withdrawals. In addition, each Account may be adjusted for its allocable share of the hypothetical costs and expenses associated with the maintenance of the hypothetical investments provided in Section 7.1.

ARTICLE 8 - RIGHT TO BENEFITS

8.1 Vesting.

(a) A Participant, at all times, has a 100% nonforfeitable interest in the amounts credited to his Account attributable to his elective deferrals made in accordance with Section 4.1.

(b) A Participant's right to the amounts credited to his Account attributable to Discretionary Credits made in accordance with Article 5, if any, shall vest at to 100% of the applicable Discretionary Credit on the date that such Participant achieves two Years of Service (each, an "Employer Contribution Vesting Date"). Upon a Separation from Service prior to an Employer Contribution Vesting Date, the Participant shall forfeit the nonvested portion of his Account. Notwithstanding the foregoing, a Participant's rights to the amounts credited to his Account attributable to Discretionary Credits made in accordance with Article 5, if any, shall vest as to 100% of the applicable Discretionary Credit in the event of such Participant's death or Disability, or upon the occurrence of a Change in Control.

8.2 Death; Disability. A Participant may designate a Beneficiary or Beneficiaries, or change any prior designation of Beneficiary or Beneficiaries in accordance with rules and procedures established by the Administrator.

A copy of the death notice or other sufficient documentation must be filed with and approved by the Administrator. If upon the death of the Participant there is, in the opinion of the Administrator, no designated Beneficiary for part or all of the Participant's vested Account, such amount will be paid to his estate (such estate shall be deemed to be the Beneficiary for purposes of the Plan) in accordance with the provisions of Article 9.

ARTICLE 9 - DISTRIBUTION OF BENEFITS

9.1 Amount of Benefits. The vested amount credited to a Participant's Account as determined under Articles 6, 7 and 8 shall determine and constitute the basis for the value of benefits payable to the Participant under the Plan.

9.2 Method and Timing of Distributions. Except as otherwise expressly provided herein, amounts credited to a Participant's Account for each Plan Year shall be paid to the Participant in accordance with the Participant's distribution election under Article 4. Distributions shall commence to be paid to the Participant as soon as administratively feasible following the Distribution Date, but in no event later than the time prescribed by Treas. Reg. Section 1.409A-3(d). A Participant may make a one (1) time change to his or her distribution election for a Plan Year to elect a later Specified Payment Date in accordance with this Section 9.2 and may make a one (1) time change to his or her distribution election for a Plan Year to elect a different payment schedule in accordance with this Section 9.2; provided, however, that an election to defer payment or change the form of distribution shall not take effect until at least 12 months after the date on which the election is made and shall be effective only if (i) the election is made at least twelve (12) months before the Specified Payment Date or payment schedule would otherwise commence or occur, and (ii) the Participant elects a new Specified Payment

Date or payment schedule that delays the Specified Payment Date or payment schedule at least five (5) years. For purposes of this Section 9.2, a series of installment payments is always treated as a single payment and not as a series of separate payments.

9.3 **Form of Distribution**. Vested amounts credited to a Participant's Account shall, at the Participant's election specified in his deferral agreement in accordance with Article 4, be payable to the Participant in a single sum cash payment or in substantially equal annual cash installments over not less than two (2) years and not more than ten (10) years. Annual installment payments shall be calculated by dividing the Account balance by the remaining annual installments to be made.

9.4 **Payment Election Overrides.** Notwithstanding the Participant's election as to the time and form of payment, upon the Participant's death or Disability, the Participant's entire Account (including any amounts with respect to which installment payments have previously commenced) shall be paid to the Participant or his Beneficiary in a single sum cash payment.

9.6 **Change in Control.** Notwithstanding the Participant's election as to the time and form of payment, in the event of a Change in Control, the Participant's entire Account (including any amounts with respect to which installment payments have previously commenced) shall be paid to the Participant in a single sum cash payment upon the Change in Control.

A Change in Control, for purposes of the Plan, will occur upon a change in the ownership of the Plan Sponsor, a change in the effective control of the Plan Sponsor or a change in the ownership of a substantial portion of the assets of the Plan Sponsor. The Plan Sponsor, for this purpose, includes any corporation identified in this Section 9.6.

If a Participant continues to make deferrals in accordance with Article 4 after he has received a distribution due to a Change in Control, the residual amount payable to the Participant shall be paid at the time and in the form specified in the elections he makes in accordance with Article 4 or upon his death or Disability as provided in Article 8.
Whether a Change in Control has occurred will be determined by the Administrator in accordance with the rules and definitions set forth in this Section 9.6. A distribution to the Participant will be treated as occurring upon a Change in Control if the Plan Sponsor terminates the Plan in accordance with Section 10.2 and distributes the Participant's benefits within twelve months of a Change in Control as provided in Section 10.3.

(a) **Relevant Corporations.** To constitute a Change in Control for purposes of the Plan, the event must relate to (i) the corporation for whom the Participant is performing services at the time of the Change in Control, (ii) the corporation that is liable for the payment of the Participant's benefits under the Plan (or all corporations liable if more than one corporation is liable) but only if either the deferred compensation is attributable to the performance of services by the Participant for such corporation (or corporations) or there is a bona fide business purpose for such corporation (or corporations) to be liable for such payment and, in either case, no significant purpose of making such corporation (or corporations) liable for such payment is the avoidance of federal income tax, or (iii) a corporation that is a majority shareholder of a corporation identified in (i) or (ii), or any corporation in a chain of corporations in which each corporation is a majority shareholder of another corporation in the chain, ending in a corporation identified in (i) or (ii). A majority shareholder is defined as a shareholder owning more than fifty percent (50%) of the total fair market value and voting power of such corporation.

(b) **Stock Ownership.** Code Section 318(a) applies for purposes of determining stock ownership. Stock underlying a vested option is considered owned by the individual who owns the vested option (and the stock underlying an unvested option is not considered owned by the individual who holds the unvested option). If, however, a vested option is exercisable for stock that is not substantially vested (as defined by Treasury Regulation Section 1.83-3(b) and (j)) the stock underlying the option is not treated as owned by the individual who holds the option.

(c) **Change in the Ownership of a Corporation.** A change in the ownership of a corporation occurs on the date that any one person or more than one person acting as a group, acquires ownership of stock of the corporation that, together with stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of such corporation. If any one person or more than one person acting as a group is considered to own more than fifty percent (50%) of the total fair market value or total voting power of the stock of a corporation, the acquisition of additional stock by the same person or persons is not considered to cause a change in the ownership of the corporation (or to cause a change in the effective control of the corporation as discussed below in Section 9.6(d)). An increase in the percentage of stock owned by any one person, or persons acting as a group, as a result of a transaction in which the corporation acquires its stock in exchange for property will be treated as an acquisition of stock. Section 9.6(c) applies only when there is a transfer of stock of a corporation (or issuance of stock of a corporation) and stock in such corporation remains outstanding after the transaction. For purposes of this Section 9.6(c), persons will not be considered to be acting as a group solely because they purchase or own stock of the same corporation at the same time or as a result of a public offering. Persons will, however, be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the corporation. If a person, including an entity, owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a group with other shareholders in a corporation only with respect to ownership in that corporation prior to the transaction giving rise to the change and not with respect to the ownership interest in the other corporation.

(d) **Change in the effective control of a corporation.** A change in the effective control of a corporation occurs on the date that either (i) any one person, or more than one person acting as a group, acquires (or has acquired during the twelve month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the corporation possessing thirty percent (30%) or more of the total voting power of the stock of such corporation, or (ii) a majority of members of the corporation's board of directors is replaced during any twelve month period by directors whose appointment or election is not endorsed by a majority of the members of the corporation's board of directors prior to the date of the appointment or election, provided that for purposes of this paragraph (ii), the term corporation refers solely to the relevant corporation identified in Section 9.6(a) for which no other corporation is a majority shareholder for purposes of Section 9.6(a). In the absence of an event described in Section 9.6(d)(i) or (ii), a change in the effective control of a corporation will not have occurred. A change in effective control may also occur in any transaction in which either of the two corporations involved in the transaction has a change in the ownership of such corporation as described in Section 9.6(c) or a change in the ownership of a substantial portion of the assets of such corporation as described in Section 9.6(e). If any one person, or more than one person acting as a group, is considered to effectively control a corporation within the meaning of this Section 9.6(d), the acquisition of additional control of the corporation by the same person or persons is not considered to cause a change in the effective control of the corporation or to cause a change in the ownership of the corporation within the meaning of Section 9.6(c). For purposes of this Section 9.6(d), persons will or will not be considered to be acting as a group in accordance with rules similar to those set forth in Section 9.6(c) with the following exception. If a person, including an entity, owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a group with other shareholders in a corporation only with respect to the ownership in that corporation prior to the transaction giving rise to the change and not with respect to the ownership interest in the other corporation.

(e) **Change in the ownership of a substantial portion of a corporation's assets.** A change in the ownership of a substantial portion of a corporation's assets occurs on the date that any one person, or more than one person acting as a group (as determined in accordance with rules similar to those set forth in Section 9.6(d)), acquires (or has acquired during the twelve month period ending on the date of the most recent acquisition by such person or persons) assets from the corporation that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the corporation immediately prior to such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the corporation or the value of the assets being disposed of determined without regard to any liabilities associated with such assets. There is no Change in Control event under this Section 9.6(e) when there is a transfer to an entity that is controlled by the shareholders of the transferring corporation immediately after the transfer. A transfer of assets by a corporation is not treated as a change in ownership of such assets if the assets are transferred to (i) a shareholder of the corporation (immediately before the asset transfer) in exchange for or with respect to its stock, (ii) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by the corporation, (iii) a person, or more than one person acting as a group, that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all the outstanding stock of the corporation, or (iv) an entity, at least fifty (50%) of the total value or voting power of which is owned, directly or indirectly, by a person described in Section 9.6(e)(iii). For purposes of the foregoing, and except as otherwise provided, a person's status is determined immediately after the transfer of assets.

9.7 Permissible Delays in Payment. Distributions may be delayed beyond the date payment would otherwise occur in accordance with the provisions of Articles 8 and 9 in any of the following circumstances as long as the Employer treats all payments to similarly situated Participants on a reasonably consistent basis.

(a) The Employer may delay payment if it reasonably anticipates that its deduction with respect to such payment would be limited or eliminated by the application of Code Section 162(m). Payment must be made during the Participant's first taxable year in which the Employer reasonably anticipates, or should reasonably anticipate, that if the payment is made during such year the deduction of such payment will not be barred by the application of Code Section 162(m) or during the period beginning with the Participant's Separation from Service and ending on the later of the last day of the Employer's taxable year in which the Participant separates from service or the 15th day of the third month following the Participant's Separation from Service. If a scheduled payment to a Participant is delayed in accordance with this Section 9.7(a), all scheduled payments to the Participant that could be delayed in accordance with this Section 9.7(a) will also be delayed.

(b) The Employer may also delay payment if it reasonably anticipates that the making of the payment will violate federal securities laws or other applicable laws provided payment is made at the earliest date on which the Employer reasonably anticipates that the making of the payment will not cause such violation.

(c) The Employer reserves the right to amend the Plan to provide for a delay in payment upon such other events and conditions as the Secretary of the Treasury may prescribe in generally applicable guidance published in the Internal Revenue Bulletin.

9.8 Permitted Acceleration of Payment. The Employer may permit acceleration of the time or schedule of any payment or amount scheduled to be paid pursuant to a payment under the Plan provided such acceleration would be permitted by the provisions of Reg. Sec. 1.409A-3(j)(4), including the following events:

(a) **Domestic Relations Order.** A payment may be accelerated if such payment is made to an alternate payee pursuant to and following the receipt and qualification of a domestic relations order as defined in Code Section 414(p).

(b) **Compliance with Ethics Agreements and Legal Requirements.** A payment may be accelerated as may be necessary to comply with ethics agreements with the Federal government or as may be reasonably necessary to avoid the violation of Federal, state, local or foreign ethics law or conflicts of laws, in accordance with the requirements of Code Section 409A.

(c) **FICA Tax.** A payment may be accelerated to the extent required to pay the Federal Insurance Contributions Act tax imposed under Code Sections 3101, 3121(a) and 3121(v)(2) of the Code with respect to compensation deferred under the Plan (the "FICA Amount"). Additionally, a payment may be accelerated to pay the income tax on wages imposed under Code Section 3401 of the Code on the FICA Amount and to pay the additional income tax at source on wages attributable to the pyramiding Code Section 3401 wages and taxes. The total payment under this subsection (d) may not exceed the aggregate of the FICA Amount and the income tax withholding related to the FICA Amount.

(d) **Section 409A Additional Tax.** A payment may be accelerated if the Plan fails to meet the requirements of Code Section 409A; provided that such payment may not exceed the amount required to be included in income as a result of the failure to comply with the requirements of Code Section 409A.

(e) **Offset.** A payment may be accelerated in the Employer's discretion as satisfaction of a debt of the Participant to the Employer, where such debt is incurred in the ordinary course of the service relationship between the Participant and the Employer, the entire amount of the reduction in any of the Employer's taxable years does not exceed $5,000, and the reduction is made at the same time and in the same amount as the debt otherwise would have been due and collected from the Participant.

(f) **Other Events.** A payment may be accelerated in the Administrator's discretion in connection with such other events and conditions as permitted by Code Section 409A.

ARTICLE 10 - AMENDMENT AND TERMINATION

10.1 Amendment by Plan Sponsor. The Plan Sponsor reserves the right to amend the Plan (for itself and each Employer) through action of its Board of Directors. No amendment can directly or indirectly deprive any current or former Participant or Beneficiary of all or any portion of his Account which had accrued and vested prior to the amendment.

10.2 Plan Termination Following Change in Control or Corporate Dissolution. The Plan Sponsor reserves the right to terminate the Plan and distribute all amounts credited to all Participant Accounts within the 30 days preceding or the twelve months following a Change in Control as determined in accordance with the rules set forth in Section 9.6. For this purpose, the Plan will be treated as terminated only if all agreements, methods, programs and other arrangements sponsored by the Related Employer immediately after the Change in Control which are treated as a single plan under Reg. Sec. 1.409A-1(c)(2) are also terminated so that all participants under the Plan and all similar arrangements are required to receive all amounts deferred under the terminated arrangements within twelve months of the date the Plan

Sponsor irrevocably takes all necessary action to terminate the arrangements. In addition, the Plan Sponsor reserves the right to terminate the Plan within twelve months of a corporate dissolution taxed under Code Section 331 or with the approval of a bankruptcy court pursuant to 11 U. S. C. Section 503(b)(1)(A) provided that amounts deferred under the Plan are included in the gross incomes of Participants in the latest of (a) the calendar year in which the termination and liquidation occurs, (b) the first calendar year in which the amount is no longer subject to a substantial risk of forfeiture, or (c) the first calendar year in which payment is administratively practicable.

10.3 Other Plan Terminations. The Plan Sponsor retains the discretion to terminate the Plan if (a) all arrangements sponsored by the Plan Sponsor that would be aggregated with any terminated arrangement under Code Section 409A and Reg. Sec. 1.409A-1(c)(2) are terminated, (b) no payments other than payments that would be payable under the terms of the arrangements if the termination had not occurred are made within twelve months of the termination of the arrangements, (c) all payments are made within twenty-four months of the date the Plan Sponsor takes all necessary action to irrevocably terminate and liquidate the arrangements, (d) the Plan Sponsor does not adopt a new arrangement that would be aggregated with any terminated arrangement under Code Section 409A and the regulations thereunder at any time within the three year period following the date of termination of the arrangement, and (e) the termination does not occur proximate to a downturn in the financial health of the Plan sponsor. The Plan Sponsor also reserves the right to amend the Plan to provide that termination of the Plan will occur under such conditions and events as may be prescribed by the Secretary of the Treasury in generally applicable guidance published in the Internal Revenue Bulletin.

ARTICLE 11 - THE TRUST

11.1 Establishment of Trust. The Plan Sponsor may but is not required to establish a trust to hold amounts which the Plan Sponsor may contribute from time to time to correspond to some or all amounts credited to Participants under Section 6.2. In the event that the Plan Sponsor wishes to establish a trust to provide a source of funds for the payment of Plan benefits, any such trust shall be constructed to constitute an unfunded arrangement that does not affect the status of the Plan as an unfunded plan for purposes of Title I of ERISA and the Code.

11.2 Rabbi Trust. Any trust established by the Plan Sponsor shall be between the Plan Sponsor and a trustee pursuant to a separate written agreement under which assets are held, administered and managed, subject to the claims of the Plan Sponsor’s creditors in the event of the Plan Sponsor’s insolvency. The trust is intended to be treated as a rabbi trust in accordance with existing guidance of the Internal Revenue Service, and the establishment of the trust shall not cause the Participant to realize current income on amounts contributed thereto. The Plan Sponsor must notify the trustee in the event of a bankruptcy or insolvency.

11.3 Investment of Trust Funds. Any amounts contributed to the trust by the Plan Sponsor shall be invested by the trustee in accordance with the provisions of the trust and the instructions of the Administrator. Trust investments need not reflect the hypothetical investments selected by Participants under Section 7.1 for the purpose of adjusting Accounts and the earnings or investment results of the trust need not affect the hypothetical investment adjustments to Participant Accounts under the Plan.

ARTICLE 12 - PLAN ADMINISTRATION

12.1 Powers and Responsibilities of the Administrator. The Administrator has the full power and the full responsibility to administer the Plan in all of its details, subject, however, to the applicable requirements of ERISA. The Administrator’s powers and responsibilities include, but are not limited to, the following:

(a) To make and enforce such rules and procedures as it deems necessary or proper for the efficient administration of the Plan;

(b) To interpret the Plan, its interpretation thereof to be final, except as provided in Section 12.2, on all persons claiming benefits under the Plan;

(c) To decide all questions concerning the Plan and the eligibility of any person to participate in the Plan;

(d) To administer the claims and review procedures specified in Section 12.2;

(e) To compute the amount of benefits which will be payable to any Participant, former Participant or Beneficiary in accordance with the provisions of the Plan;

(f) To determine the person or persons to whom such benefits will be paid;

(g) To authorize the payment of benefits;

(h) To comply with the reporting and disclosure requirements of Part 1 of Subtitle B of Title I of ERISA;

(i) To appoint such agents, counsel, accountants, and consultants as may be required to assist in administering the Plan;

(j) By written instrument, to allocate and delegate its responsibilities, including the formation of an administrative committee to administer the Plan.

12.2 Claims and Review Procedures.

Claims Procedure. If any person believes he is being denied any rights or benefits under the Plan, such person may file a claim in writing with the Administrator. If any such claim is wholly or partially denied, the Administrator will notify such person of its decision in writing. Such notification will be given within 90 days (45 days in the case of a claim regarding Disability) after the claim is received by the Administrator. The Administrator may extend the period for providing the notification by 90 days (30 days in the case of a claim regarding Disability) if special circumstances require an extension of time for processing the claim and if written notice of such extension and circumstance is given to such person within the initial 90 day period (45 day period in the case of a claim regarding Disability). If such notification is not given within such period, the claim will be considered denied as of the last day of such period and such person may request a review of his claim. Such notification will contain (i) specific reasons for the denial, (ii) specific reference to pertinent Plan provisions, (iii) a description of any additional material or information necessary for such person to perfect such claim and an explanation of why such material or information is necessary, and (iv) a description of the Plan's review procedures and the time limits applicable to such procedures, including a statement of the person's right to bring a civil action following an adverse decision on review. In addition, for a claim regarding Disability, such notification will be provided in a culturally and linguistically appropriate manner and will contain (v) a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (a) the views provided by the claimant's health care or vocation professionals who treated and evaluated the claimant; (b) the views of medical or vocational experts whose advice was obtained by the plan, regardless of whether the advice was relied upon in making the benefit determination; and (c) any disability determination made by the Social Security Administration, (vi) if the adverse benefit determination is based on medical necessity, experimental treatment, or similar exclusion or limit, either an explanation of the scientific or clinical judgement for the determination, applying the terms of the plan to the claimant's medical circumstances, or a statement that an explanation will be provided free of charge upon request, (vii) the specific internal rules, guidelines, protocols, standards or other similar criteria (a "Guideline") that were relied upon in making the adverse determination or a statement that such Guideline does not exist, and (viii) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits.

Review Procedure. Within 60 days (180 days in the case of a claim regarding Disability) after the date on which a person receives a written notification of denial of claim (or, if written notification is not provided, within 60 days (180 days in the case of a claim regarding Disability) of the date denial is considered to have occurred), such person (or his duly authorized representative) may (i) file a written request with the Administrator for a review of his denied claim and of pertinent documents and (ii) submit written issues and comments to the Administrator. The decision on review will be made within 60 days (45 days in the case of a claim regarding Disability). The Administrator may extend the period for making the decision on review by 60 days (45 days in the case of a claim regarding Disability) if special circumstances require an extension of time for processing the request such as an election by the Administrator to hold a hearing, and if written notice of such extension and circumstances is given to such person within the initial 60-day period (45 days in the case of a claim regarding Disability). If the decision on review is not made within such period, the claim will be considered denied. In the case of a claim regarding Disability, before a final adverse benefit determination is made, the Administrator will provide the claimant, free of charge, with any new or additional evidence or rationale considered, relied upon, or generated by the plan in connection with the claim as soon as possible and sufficiently in advance of the final notice to give the claimant a reasonable opportunity to respond prior to that date.

The Administrator will notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain specific reasons for the decision as well as specific references to pertinent Plan provisions. The notification will explain that the person is entitled to receive, upon request and free of charge, reasonable access to and copies of all pertinent documents and has the right to bring a civil action following an adverse decision on review. In addition, for a claim regarding Disability, the notification will be provided in a culturally and linguistically appropriate manner and will contain (i) a discussion of the decision, including an explanation of the basis for disagreeing with or not following the views provided by the claimant's health care or vocation professionals that treated and evaluated the claimant; the views of medical or vocational experts whose advise was obtained by the plan, regardless of whether the advice was relied upon in making the benefit determination; and any disability determination made by the Social Security Administration, (ii) if the adverse benefit determination is based on medical necessity, experimental treatment, or similar exclusion or limit, either an explanation of the scientific or clinical judgement for the determination, applying the terms of the plan to the claimant's medical circumstances, or a statement that explanation will be provided free of charge upon request, (iii) any Guideline that was relied upon in making the adverse determination or a statement that such Guideline does not exist.

Exhaustion of Claims Procedures and Right to Bring Legal Claim. No action at law or equity shall be brought more than one (1) year after the Administrator's affirmation of a denial of a claim, or, if earlier, more than four (4) years after the facts or events giving rising to the claimant's allegation(s) or claim(s) first occurred.

12.3 Plan Administrative Costs. All reasonable costs and expenses (including legal, accounting, and employee communication fees) incurred by the Administrator in administering the Plan shall be paid by the Plan to the extent not paid by the Employer.

ARTICLE 13 - MISCELLANEOUS

13.1 Unsecured General Creditor of the Employer. Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any property or assets of the Employer. For purposes of the payment of benefits under the Plan, any and all of the Employer's assets shall be, and shall remain, the general, unpledged, unrestricted assets of the Employer. Each Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.

13.2 Employer's Liability. Each Employer's liability for the payment of benefits under the Plan shall be defined only by the Plan and by the deferral elections entered into between a Participant and the Employer. An Employer shall have no obligation or liability to a Participant under the Plan except as provided by the Plan and a deferral election or agreements. An Employer shall have no liability to Participants employed by other Employers.

13.3 Limitation of Rights. Neither the establishment of the Plan, nor any amendment thereof, nor the creation of any fund or account, nor the payment of any benefits, will be construed as giving to the Participant or any other person any legal or equitable right against the Employer, the Plan or the Administrator, except as provided herein; and in no event will the terms of employment or service of the Participant be modified or in any way affected hereby.

13.4 Anti-Assignment. Except as may be necessary to fulfill a domestic relations order within the meaning of Code Section 414(p), none of the benefits or rights of a Participant or any Beneficiary of a Participant shall be subject to the claim of any creditor. In particular, to the fullest extent permitted by law, all such benefits and rights shall be free from attachment, garnishment, or any other legal or equitable process available to any creditor of the Participant and his or her Beneficiary. Neither the Participant nor his or her Beneficiary shall have the right to alienate, anticipate, commute, pledge, encumber, or assign any of the payments which he or she may expect to receive, contingently or otherwise, under the Plan, except the right to designate a Beneficiary to receive death benefits provided hereunder. Notwithstanding the preceding, the benefit payable from a Participant's Account may be reduced, at the discretion of the administrator, to satisfy any debt or liability to the Employer.

13.5 Facility of Payment. If the Administrator determines, on the basis of medical reports or other evidence satisfactory to the Administrator, that the recipient of any benefit payments under the Plan is incapable of handling his affairs by reason of minority, illness, infirmity or other incapacity, the Administrator may direct the Employer to disburse such payments to a person or institution designated by a court which has jurisdiction over such recipient or a person or institution otherwise having the legal authority under State law for the care and control of such recipient. The receipt by such person or institution of any such payments therefore, and any such payment to the extent thereof, shall discharge the liability of the Employer, the Plan and the Administrator for the payment of benefits hereunder to such recipient.

13.6 Notices. Any notice or other communication to the Employer or Administrator in connection with the Plan shall be deemed delivered in writing if addressed to the Plan Sponsor at the following address: 8000 South Federal Way, Boise, ID 83707, and if either actually delivered at said address or, in the case or a letter, 5 business days shall have elapsed after the same shall have been deposited in the United States mails, first-class postage prepaid and registered or certified.

13.7 Tax Withholding. If the Employer concludes that tax is owing with respect to any deferral or payment hereunder, the Employer shall withhold such amounts from any payments due the Participant or from amounts deferred, as permitted by law, or otherwise make appropriate arrangements with the Participant or his Beneficiary for satisfaction of such obligation. Tax, for purposes of this Section 13.7 means any federal, state, local or any other governmental income tax, employment or payroll tax, excise tax, or any other tax or assessment owing with respect to amounts deferred, any earnings thereon, and any payments made to Participants under the Plan.

13.8 Indemnification.

(a) Each Indemnitee (as defined in Section 13.8(e)) shall be indemnified and held harmless by the Employer for all actions taken by him and for all failures to take action (regardless of the date of any such action or failure to take action), to the fullest extent permitted by the law of the jurisdiction in which the Employer is incorporated, against all expense, liability, and loss (including, without limitation, attorneys' fees, judgments, fines, taxes, penalties, and amounts paid or to be paid in settlement) reasonably incurred or suffered by the Indemnitee in connection with any Proceeding (as defined in Subsection (e)). No indemnification pursuant to this Section shall be made, however, in any case where (1) the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness or (2) there is a settlement to which the Employer does not consent.

(b) The right to indemnification provided in this Section shall include the right to have the expenses incurred by the Indemnitee in defending any Proceeding paid by the Employer in advance of the final disposition of the Proceeding, to the fullest extent permitted by the law of the jurisdiction in which the Employer is incorporated; provided that, if such law requires, the payment of such expenses incurred by the Indemnitee in advance of the final disposition of a Proceeding shall be made only on delivery to the Employer of an undertaking, by or on behalf of the Indemnitee, to repay all amounts so advanced without interest if it shall ultimately be determined that the Indemnitee is not entitled to be indemnified under this Section or otherwise.

(c) Indemnification pursuant to this Section shall continue as to an Indemnitee who has ceased to be such and shall inure to the benefit of his heirs, executors, and administrators. The Employer agrees that the undertakings made in this Section shall be binding on its successors or assigns and shall survive the termination, amendment or restatement of the Plan.

(d) The foregoing right to indemnification shall be in addition to such other rights as the Indemnitee may enjoy as a matter of law or by reason of insurance coverage of any kind and is in addition to and not in lieu of any rights to indemnification to which the Indemnitee may be entitled pursuant to the by-laws of the Employer.

(e) For the purposes of this Section, the following definitions shall apply:

(i) "Indemnitee" shall mean each person serving as an Administrator (or any other person who is an employee, director, or officer of the Employer) who was or is a party to, or is threatened to be made a party to, or is otherwise involved in, any Proceeding, by reason of the fact that he is or was performing administrative functions under the Plan.

(ii) "Proceeding" shall mean any threatened, pending, or completed action, suit, or proceeding (including, without limitation, an action, suit, or proceeding by or in the right of the Employer), whether civil, criminal, administrative, investigative, or through arbitration.

13.9 Successors. The provisions of the Plan shall bind and inure to the benefit of the Plan Sponsor, the Employer and their successors and assigns and the Participant and the Participant's designated Beneficiaries.

13.10 Disclaimer. It is the Plan Sponsor's intention that the Plan comply with the requirements of Code Section 409A. Neither the Plan Sponsor nor the Employer shall have any liability to any Participant should any provision of the Plan fail to satisfy the requirements of Code Section 409A.

13.11 Governing Law. The Plan will be construed, administered and enforced according to the laws of Delaware.

Executed this 11th day of April but effective April 1, 2018 except as otherwise expressly provided herein.

MICRON TECHNOLOGY, INC.

/s/ April Arnzen

By: April Arnzen
Its:SVP, Human Resources

FOURTH AMENDMENT TO THE CREDIT AGREEMENT

among

MICRON TECHNOLOGY, INC.,
as Borrower

and

THE LENDERS PARTY HERETO,

and

MORGAN STANLEY SENIOR FUNDING, INC.,
as Administrative Agent and as Collateral Agent

Dated as of April 27, 2018

MORGAN STANLEY SENIOR FUNDING, INC.,

as Lead Arranger and Bookrunner

FOURTH AMENDMENT

FOURTH AMENDMENT, dated as of April 27, 2018 (this "Amendment"), to the CREDIT AGREEMENT, dated as of April 26, 2016 (as amended by the First Amendment, dated as of October 5, 2016, Second Amendment, dated as of April 26, 2017, Third Amendment, dated as of October 26, 2017 and as may be further amended, restated, supplemented or otherwise modified from time to time heretofore, the "Existing Credit Agreement" and as amended by this Amendment, the "Amended Credit Agreement") among MICRON TECHNOLOGY, INC., a Delaware corporation (the "Company"), MORGAN STANLEY SENIOR FUNDING, INC., as administrative agent and as collateral agent (the "Administrative Agent"), the other agents party thereto and each of the financial institutions from time to time party thereto.

W I T N E S S E T H :

WHEREAS, the Company has requested that the Existing Credit Agreement be amended in the manner provided for herein; and

WHEREAS, (a) existing Lenders which consent to this Amendment (the "Consenting Lenders") shall have the pricing of all of their Term Loans adjusted on the Fourth Repricing Date in accordance with this Amendment; (b) existing Lenders which do not consent to this Amendment (the "Non-Consenting Lenders") shall be paid all accrued and unpaid interest on their Term Loans and their Term Loans may be purchased or assumed by either a new lender (a "New Lender") or an existing Lender which is willing to consent to the Amendment (an "Increasing Lender") on the Fourth Repricing Date in accordance with Section 2.26 of the Amended Credit Agreement and any such New Lender or Increasing Lender shall become a Lender under the Amended Credit Agreement and hold a portion of the Term Loans (or, in the case of an Increasing Lender, hold a greater portion of the Term Loans), which Term Loans shall accrue interest on and after the Fourth Repricing Date at the pricing set forth in this Amendment and (c) the consent of the Required Lenders is required pursuant to Section 2.26 of the Existing Credit Agreement to effectuate the assignment contemplated by the preceding clause (b);

NOW, THEREFORE, the parties hereto hereby agree as follows:

SECTION 1. Defined Terms. Unless otherwise defined herein, terms defined in the Amended Credit Agreement and used herein shall have the meanings given to them in the Amended Credit Agreement.

SECTION 2. Amendments.

(a) Section 1.1 of the Existing Credit Agreement is hereby amended by adding the following definitions in proper alphabetical order:

"Fourth Amendment": means that certain Amendment to this Agreement, dated as of April 27, 2018, by and among the Company, the Administrative Agent and the other parties thereto.

"Fourth Repricing Date": as defined in the Fourth Amendment.

(b) Section 1.1 of the Existing Credit Agreement is hereby amended by deleting clauses (i) and (ii) of the definition of "Applicable Margin" contained therein in their entirety and replacing them with the following:

(i) Base Rate Loans, 0.75% and (ii) Eurodollar Loans, 1.75%

(c) Section 2.13(b) of the Existing Credit Agreement is hereby amended by deleting the term "Third Repricing Date" in the first sentence thereof and replacing it with the term "Fourth Repricing Date".

(d) Section 2.17(b) of the Existing Credit Agreement is hereby amended by adding the following sentence after the last sentence:

> "Notwithstanding anything to the contrary contained herein, payments and prepayments of principal and interest on the Term Loans made on the Fourth Repricing Date in connection with the replacement of Non-Consenting Lenders pursuant to Section 2.26 hereof may be applied on a non-ratable basis as the Borrower may direct."

(e) Notwithstanding anything to the contrary in the Existing Credit Agreement and for the avoidance of doubt, all Term Loans held by Non-Consenting Lenders that are assigned pursuant to this Amendment and for which accrued and unpaid interest has been paid pursuant to Section 4(c) shall accrue interest solely on and after the Fourth Repricing Date. For the further avoidance of doubt, nothing herein shall be deemed to modify the definition of "Applicable Margin" for any day in the relevant Interest Period prior to the Fourth Repricing Date for purposes of calculating interest accrued prior to the Fourth Repricing Date.

SECTION 3. Conditions to Effectiveness. This Amendment (other than the amendments to be effectuated pursuant to Section 2 of this Amendment) shall become effective on the date that each of the following conditions shall have been satisfied (or waived by the Required Lenders):

(a) the Administrative Agent shall have received this Amendment, executed and delivered by a duly authorized officer of the Company and acknowledged by the Administrative Agent;

(b) the Administrative Agent shall have received counterparts of this Amendment executed and delivered by duly authorized officers of the Required Lenders and all Consenting Lenders; and

(c) the Administrative Agent shall have received the Acknowledgement and Confirmation, substantially in the form of Exhibit A hereto, executed and delivered by a duly authorized officer of the Company.

SECTION 4. Conditions to Effectiveness of Section 2. Section 2 of this Amendment shall become effective on the date (the "Fourth Repricing Date") occurring on or after April 27, 2018 that each of the following conditions shall have been satisfied (or waived by the Required Lenders):

(a) each New Lender, if any, has become a party to the Credit Agreement and this Amendment;

(b) the Administrative Agent shall have received from the Company payment of all fees and expenses required to be paid to the Administrative Agent on or before the Fourth Repricing Date for which written invoices in reasonable detail have been submitted at least two Business Days prior to the Fourth Repricing Date;

(c) the Administrative Agent shall have received from the Company, for the benefit of the Non-Consenting Lenders, payment of all accrued interest through the Fourth Repricing Date with respect to the Term Loans held by the Non-Consenting Lenders and being assigned pursuant to this Amendment;

(d) immediately before and after giving effect to Section 2 of this Amendment, each of the representations and warranties made by the Loan Parties and set forth in each Loan Document shall be true and correct in all material respects with the same effect as if made on the Fourth Repricing Date (unless stated to relate solely to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects as of such earlier date), in each case other than representations and warranties which are subject to a materiality qualifier, in which case such representations and warranties shall be (or shall have been) true and correct; and

(e) no Default or Event of Default shall have occurred and be continuing, or would result from the effectiveness of this Amendment on the Fourth Repricing Date.

SECTION 5. New Lenders and Increasing Lenders. If any Lender becomes a Non-Consenting Lender, then pursuant to and in compliance with the terms of Section 2.26 of the Amended Credit Agreement, such Lender may be replaced and its commitments and/or obligations purchased and assumed by either a New Lender or an Increasing Lender upon execution of this Amendment (which will also be deemed to be the execution of an Assignment and Acceptance substantially in the form of Exhibit C to the Amended Credit Agreement). Each Non-Consenting Lender which does not execute such Assignment and Acceptance shall be deemed to have executed and delivered such Assignment and Acceptance in accordance with Section 2.26 of the Amended Credit Agreement and shall be required to assign 100% of the outstanding principal amount of the Term Loans held by such Lender to one or more assignees which have agreed to such assignment.

SECTION 6. No Other Amendment or Waivers; Confirmation. Except as expressly provided hereby, all of the terms and provisions of the Existing Credit Agreement and the other Loan Documents are and shall remain in full force and effect. The amendments contained herein shall not be construed as an amendment of any other provision of the Existing Credit Agreement or the other Loan Documents or for any purpose except as expressly set forth herein or a consent to any further or future action on the part of any Loan Party that would require the waiver or consent of the Administrative Agent or the Lenders. This Amendment shall constitute a Loan Document for purposes of the Amended Credit Agreement and from and after the Fourth Repricing Date, all references to the Credit Agreement in any Loan Document and all references to "this

Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement in the Amended Credit Agreement shall, unless expressly provided otherwise, refer to the Amended Credit Agreement.

SECTION 7. APPLICABLE LAW; WAIVER OF JURY TRIAL. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK. EACH PARTY HERETO HEREBY AGREES AS SET FORTH IN SECTION 9.16 OF THE EXISTING CREDIT AGREEMENT AS IF SUCH SECTION WERE SET FORTH IN FULL HEREIN.

SECTION 8. Miscellaneous. (a) This Amendment may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Amendment by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Agreement.

(b) The provisions of this Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including permitted assignees of its Term Loans in whole or in part prior to effectiveness hereof).

SECTION 9. Headings. Section headings herein are included herein for convenience of reference only and shall not constitute a part hereof for any other purpose or be given any substantive effect.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

MICRON TECHNOLOGY, INC.

By: /s/ Donald E. Whitt, Jr.

Name: Donald E. Whitt, Jr.
Title: CVP, Tax & Treasury

MORGAN STANLEY SENIOR FUNDING, INC.,
as Administrative Agent

By: /s/ Jonathon Rauen

Name: Jonathon Rauen
Title: Authorized Signatory

EXHIBIT A

FORM OF ACKNOWLEDGMENT AND CONFIRMATION

1. Reference is made to (i) the Fourth Amendment, dated as of April 27, 2018 (the "Fourth Amendment") and (ii) the CREDIT AGREEMENT, dated as of April 26, 2016 (as amended by the First Amendment, dated as of October 5, 2016, Second Amendment, dated as of April 26, 2017, Third Amendment, dated as of October 26, 2017 and as may be further amended, restated, supplemented or otherwise modified from time to time heretofore, the "Existing Credit Agreement") among MICRON TECHNOLOGY, INC., a Delaware corporation (the "Company"), MORGAN STANLEY SENIOR FUNDING, INC., as administrative agent and as collateral agent (the "Administrative Agent"), the other agents party thereto and each of the financial institutions from time to time party thereto.

2. The Existing Credit Agreement is being amended pursuant to the Fourth Amendment. The undersigned hereby agrees, with respect to each Loan Document to which it is a party:

(a) all of its obligations, liabilities and indebtedness under such Loan Document shall remain in full force and effect on a continuous basis after giving effect to the Fourth Amendment; and

(b) all of the Liens and security interests created and arising under such Loan Documents remain in full force and effect on a continuous basis, and the perfected status and priority of each such Lien and security interest continues in full force and effect on a continuous basis, unimpaired, uninterrupted and undischarged, after giving effect to the Fourth Amendment, as collateral security for its obligations, liabilities and indebtedness under the Existing Credit Agreement and under its guarantees in the Loan Documents.

3. **THIS ACKNOWLEDGMENT AND CONFIRMATION SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.**

4. Delivery of an executed counterpart of a signature page of this Acknowledgment and Confirmation by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Acknowledgment and Confirmation.

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IN WITNESS WHEREOF, the undersigned has caused this Acknowledgement and Confirmation to be duly executed and delivered by its proper and duly authorized officer as of the day and year first above written.

MICRON TECHNOLOGY, INC.

By: ______________________________

Name:
Title:

[Signature Page to Acknowledgement and Consent]

EXHIBIT 31.1

RULE 13a-14(a) CERTIFICATION OF
CHIEF EXECUTIVE OFFICER

I, Sanjay Mehrotra, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Micron Technology, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 22, 2018

/s/ Sanjay Mehrotra

Sanjay Mehrotra
President and Chief Executive Officer and Director

EXHIBIT 31.2

RULE 13a-14(a) CERTIFICATION OF
CHIEF FINANCIAL OFFICER

I, David A. Zinsner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Micron Technology, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 22, 2018

/s/ David A. Zinsner

David A. Zinsner
Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. 1350

I, Sanjay Mehrotra, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Micron Technology, Inc. on Form 10-Q for the period ended May 31, 2018, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Micron Technology, Inc.

Date: June 22, 2018	/s/ Sanjay Mehrotra
	Sanjay Mehrotra
	President and Chief Executive Officer and Director

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. 1350

I, David A. Zinsner, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Micron Technology, Inc. on Form 10-Q for the period ended May 31, 2018, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Micron Technology, Inc.

Date: June 22, 2018	/s/ David A. Zinsner
	David A. Zinsner Senior Vice President and Chief Financial Officer