Background

In June 2010, we issued $600 million principal amount of 2.625% Senior Convertible Notes due 2017 ("2010 Notes"). Concurrent with the issuance of the 2010 Notes, we entered into a hedging transactions designed to mitigate or eliminate the potential dilution associated with the conversion of 2010 Notes.

The below table illustrates the potential impact to the reported diluted shares outstanding associated with the 2010 Notes, after the $142M of conversions in Q4'17:

Stock Price	Shares Dilution from 2.625% Debentures (accounting)	Shares Dilution from warrants (accounting)	Total Shares Dilution (accounting)	Shares Dilution from 2.625% Debentures (economic - net of call options)
$ 50.00	6,708,000	3,790,000	10,498,000	3,790,000
$ 51.00	6,888,000	4,123,000	11,011,000	4,123,000
$ 52.00	7,061,000	4,444,000	11,505,000	4,444,000
$ 53.00	7,227,000	4,752,000	11,979,000	4,752,000
$ 54.00	7,387,000	5,049,000	12,436,000	5,049,000
$ 55.00	7,541,000	5,335,000	12,876,000	5,335,000
$ 56.00	7,690,000	5,611,000	13,301,000	5,611,000
$ 57.00	7,833,000	5,877,000	13,710,000	5,877,000
$ 58.00	7,971,000	6,135,000	14,106,000	6,135,000
$ 59.00	8,105,000	6,383,000	14,488,000	6,383,000
$ 60.00	8,235,000	6,623,000	14,858,000	6,623,000
$ 61.00	8,360,000	6,855,000	15,215,000	6,855,000
$ 62.00	8,481,000	7,080,000	15,561,000	7,080,000
$ 63.00	8,598,000	7,298,000	15,896,000	7,298,000
$ 64.00	8,712,000	7,508,000	16,220,000	7,508,000
$ 65.00	8,822,000	7,713,000	16,535,000	7,713,000

Our 2010 Notes and associated derivative instruments require some explanation. As a refresher, there are 3 associated elements: the convertible bond itself, a bond hedge (call option) we purchased that effectively offsets the economic dilution from the convertible bond, and then a warrant we sold to offset the cost of the bond hedge. Accounting principles require us to reflect the dilution from the convertible bond and the warrant, but do not allow us to reflect the offsetting benefit from the call option. As our share price rises, the dilution from both the convertible bond and the warrant increases.

From an economic perspective, the bond hedge perfectly offsets the dilution from the convertible bond. After conversion, there will be net zero dilution. There will remain, however, dilution from the warrant as it is a separate instrument with a higher strike price and is not hedged.

In the March quarter we had $142M of conversions of the 2010 Notes. This impacted us as follows. First, we paid the nominal value of the 2010 Notes ($142M). We then simultaneously issued to the 2010 Notes holder and received from our counterparties the appropriate amount of shares. The final number of shares is based on an average stock price over 30 days. Given the economics of the instrument, we do not expect significantly more conversions before the final maturity in June.

We are not providing guidance on any actions with respect to the warrant.

Potential Reduction in Diluted Shares due to Conversions (Ms)*

	Q4FY17	**Q1FY18**	**Q2FY18**	**Total**
$142M @ ~$59	1.7	0.8		2.5
$458M @ ~$59		2.7	5.4	8.1
TOTAL	1.7	3.5	5.4	10.6

**A $59 share price is used to illustrate the above table. This price approximates the actual share price used for accounting purposes in Q4'17.*