RPT Realty
Form DEF 14A
March 18, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.   )
Filed by the Registrant ý   Filed by a Party other than the Registrant ¨
Check the appropriate box:
¨ Preliminary Proxy Statement
¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
ý Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to § 240.14a-12
RPT Realty
(Name of registrant as specified in its charter)
(Name of person(s) filing proxy statement, if other than the registrant)
Payment of Filing Fee (Check the appropriate box):
ý No fee required.
¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
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(2) Aggregate number of securities to which transaction applies:
(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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¨ Fee paid previously with preliminary materials.
¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
(1) Amount Previously Paid:
(2) Form, Schedule or Registration Statement No.:
(3) Filing Party:
(4) Date Filed:

RPT REALTY
31500 NORTHWESTERN HIGHWAY, SUITE 300
FARMINGTON HILLS, MICHIGAN 48334

Dear Shareholder:

We invite you to attend the 2019 Annual Meeting of Shareholders of RPT Realty (the “Trust”) in person, virtually via the Internet, or by proxy. The meeting will be held on Monday, April 29, 2019 at 9:00 a.m., Eastern Time. During the 2019 annual meeting, shareholders will have the opportunity to vote on each item of business described in the enclosed notice of the 2019 annual meeting and accompanying proxy statement.

Shareholders may attend and participate in the annual meeting in person at the office of RPT Realty, 19 W 44th St. 10th Floor, Ste 1002, New York, New York 10036. Only shareholders showing proof of ownership will be allowed to attend the meeting in person. You may also attend and participate in the annual meeting virtually via the Internet at www.virtualshareholdermeeting.com/rpt2019 where you will be able to vote electronically and submit questions during the meeting. You will be able to vote electronically and submit questions during the meeting only if you use your control number, which will be included on your notice or proxy card (if you received a printed copy of the proxy materials), to log on to the meeting.

We have elected to furnish proxy materials to you primarily through the Internet, which expedites your receipt of materials, lowers our expenses and conserves natural resources. On or about March 18, 2019, we mailed to our shareholders of record (other than shareholders who previously requested e-mail or paper delivery of proxy materials) a notice containing their control number, instructions on how to access our 2019 proxy statement and 2018 annual report through the Internet and how to vote through the Internet. The notice also included instructions on how to receive such materials, at no charge, by paper delivery (along with a proxy card) or by e-mail. Beneficial owners received a similar notice from their broker, bank or other nominee. Please do not mail in the notice, as it is not intended to serve as a voting instrument. Notwithstanding anything to the contrary, the Trust may send certain shareholders of record a full set of proxy materials by paper delivery instead of the notice or in addition to sending the notice.

Your continued interest and participation in the affairs of the Trust are greatly appreciated.

Sincerely,

Brian L. Harper
President and Chief Executive Officer
March 18, 2019

Your vote is important. Whether or not you plan to attend the annual meeting in person or virtually via the Internet, we urge you to vote promptly to save us the expense of additional solicitation. If you attend the annual meeting in person or virtually via the Internet, you may revoke your proxy in accordance with the procedures set forth in the proxy statement and vote during the meeting.

RPT REALTY
NOTICE OF 2019 ANNUAL MEETING OF SHAREHOLDERS
APRIL 29, 2019

To the Shareholders of RPT Realty:

Notice is hereby given that the 2019 Annual Meeting of Shareholders of RPT Realty will be held on Monday, April 29, 2019 at 9:00 a.m., Eastern Time. You may attend the meeting in person at the office of RPT Realty, 19 W 44th St. 10th Floor, Ste 1002, New York, New York 10036, or virtually via the Internet at www.virtualshareholdermeeting.com/rpt2019 by using the control number included with your notice to log on to the meeting. The agenda for the 2019 Annual Meeting of Shareholders is as follows:

(1) Elect seven Trustees named in the accompanying proxy statement to serve until the 2020 annual meeting of shareholders and until their successors are duly elected and qualify;

(2) Ratify the appointment of Grant Thornton LLP as the Trust's independent registered public accounting firm for the year ending December 31, 2019;

(3) Approve (on an advisory basis) the compensation of our named executive officers;

(4) Approve the 2019 Omnibus Long-Term Incentive Plan; and

(5) Transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The Board recommends a vote FOR each of the Trustee nominees listed in this proxy statement, FOR the ratification of Grant Thornton's appointment, FOR the approval, on an advisory basis, of the compensation of our named executive officers, and FOR the approval of the 2019 Omnibus Long-Term Incentive Plan.

The accompanying proxy statement, which forms a part of this Notice of 2019 Annual Meeting of Shareholders, contains additional information for your careful review. A copy of the Trust's annual report for 2018 is also enclosed. Shareholders of record of the Trust's common shares of beneficial interest at the close of business on March 5, 2019 are entitled to receive notice of, and to vote at, the annual meeting and any adjournment or postponement thereof.

By Order of the Board of Trustees

Heather Ohlberg
Senior Vice President, Senior Counsel of Legal and Secretary
March 18, 2019

Your vote is important. Whether or not you plan to attend the annual meeting in person or virtually via the Internet, we urge you to vote promptly to save us the expense of additional solicitation. If you attend the annual meeting in person or virtually via the Internet, you may revoke your proxy in accordance with the procedures set forth in the proxy statement and vote during the meeting.

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RPT REALTY
31500 NORTHWESTERN HIGHWAY, SUITE 300
FARMINGTON HILLS, MICHIGAN 48334

PROXY STATEMENT

2019 ANNUAL MEETING OF SHAREHOLDERS

The Board of Trustees (the "Board") of RPT Realty (the "Trust") is soliciting proxies for use at the 2019 annual meeting of shareholders of the Trust and any adjournment or postponement thereof. The annual meeting will be held at the office of RPT Realty, 19 W 44th St. 10th Floor, Ste 1002, New York, New York 10036, and virtually via the Internet at www.virtualshareholdermeeting.com/rpt2019, on Monday, April 29, 2019 at 9:00 a.m., Eastern Time.

On or about March 18, 2019, the Trust mailed to its shareholders of record of the Trust's common shares of beneficial interest (the "Shares"), other than shareholders who previously requested e-mail or paper delivery of proxy materials, a notice (the "Notice") containing instructions on how to access this proxy statement and the 2018 annual report through the Internet. Beneficial owners received a similar notice from their broker, bank or other nominee. In addition, on or about March 18, 2019, the Trust and brokers, banks and other nominees began mailing or e-mailing the proxy materials to shareholders of record who previously requested such delivery. Notwithstanding anything to the contrary in this proxy statement, the Trust may send certain shareholders of record a full set of proxy materials by paper delivery instead of the Notice or in addition to sending the Notice.

ABOUT THE MEETING

What is the purpose of the 2019 annual meeting of shareholders?

At the 2019 annual meeting, shareholders will act upon the matters outlined in the accompanying Notice of Meeting, including:

- the election of seven Trustees named in this proxy statement to serve until the annual meeting of shareholders in 2020;
- the ratification of the appointment of Grant Thornton LLP ("Grant Thornton") as the Trust's independent registered public accounting firm for the year ending December 31, 2019;
- the approval (on an advisory basis) of the compensation of our named executive officers; and
- the approval of the 2019 Omnibus Long-Term Incentive Plan.

The Board recommends a vote FOR each of the Trustee nominees listed in this proxy statement, FOR the ratification of Grant Thornton's appointment, FOR the approval, on an advisory basis, of the compensation of our named executive officers, and FOR the approval of the 2019 Omnibus Long-Term Incentive Plan.

We are not aware of any other matters that will be brought before the shareholders for a vote at the annual meeting. If any other matter is properly brought before the meeting, your signed proxy card gives authority to your proxies to vote on such matter in their best judgment. The proxy holders named in the proxy card will vote as the Board recommends or, if the Board gives no recommendation, in their own discretion.

In addition, management will report on the performance of the Trust and will respond to appropriate questions from shareholders. The Trust expects that representatives of Grant Thornton will be present at the annual meeting and will be available to respond to questions. Such representatives will also have an opportunity to make a statement.

How can I attend the 2019 Annual Meeting?

You can attend our 2019 annual meeting in person, virtually via the Internet, or by proxy.

Attending In Person. Our 2019 annual meeting will take place at the office of RPT Realty, 19 W 44th St. 10th Floor, Ste 1002, New York, New York 10036. You will need to present photo identification, such as a driver's license and proof of Share ownership as of the record date in order to be allowed into the meeting.

Attending and Participating Online. You may also attend the 2019 annual meeting virtually via the Internet at www.virtualshareholdermeeting.com/rpt2019. Shareholders may vote and submit questions while attending the meeting virtually

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via the Internet. You will need the 12 or 14 digit control number included on your Notice or proxy card (if you received a printed copy of the proxy materials), to enter the meeting via the Internet. Instructions on how to attend and participate virtually via the Internet, including how to demonstrate proof of Share ownership, are posted at www.virtualshareholdermeeting.com/rpt2019.

Attending by Proxy. Please see "Can I vote my Shares without attending the annual meeting in person or virtually via the Internet?" below.

Who is entitled to vote?

Only record holders of Shares at the close of business on the record date of March 5, 2019 are entitled to receive notice of the annual meeting and to vote the Shares that they held on the record date. Each outstanding Share is entitled to one vote on each matter to be voted upon at the annual meeting.

What constitutes a quorum?

The presence at the annual meeting, in person, virtually via the Internet or by proxy, of shareholders entitled to cast a majority of all the votes entitled to be cast at such meeting will constitute a quorum for all purposes. As of the record date, 80,355,422 Shares were outstanding. Broker non-votes (defined below), and proxies marked with abstentions or withhold votes, will be counted as present in determining whether or not there is a quorum.

What is the difference between holding Shares as a shareholder of record and as a beneficial owner?

Shareholders of Record. If your Shares are registered directly in your name with the Trust's transfer agent, American Stock Transfer & Trust Company, you are considered the shareholder of record with respect to those Shares and the applicable proxy materials are being sent directly to you by the Trust. As the shareholder of record, you have the right to grant your voting proxy directly to the Trust through the enclosed proxy card, through the Internet or by telephone, or to vote in person at the annual meeting.

Beneficial Owners. Many of the Trust's shareholders hold their Shares through a broker, bank or other nominee rather than directly in their own name. If your Shares are so held, you are considered the beneficial owner of Shares, and the applicable proxy materials are being forwarded to you by your broker, bank or nominee who is considered the shareholder of record with respect to those Shares. As the beneficial owner, you have the right to direct your broker, bank or nominee on how to vote and are also invited to attend the annual meeting. However, since you are not the shareholder of record, you cannot vote these Shares in person at the annual meeting unless you obtain a proxy from your broker, bank or nominee and bring such proxy to the annual meeting. Your broker, bank or nominee has enclosed voting instructions for you to use in directing the broker, bank or nominee on how to vote your Shares.

Why did many shareholders receive a Notice in the mail regarding the Internet availability of proxy materials this year instead of a full set of proxy materials?

The Trust has elected to furnish proxy materials to you primarily through the Internet, which expedites the receipt of materials, lowers our expenses and conserves natural resources. If you received the Notice containing instructions on how to access this proxy statement and the 2018 annual report through the Internet, please do not mail in the Notice, as it is not intended to serve as a voting instrument. For more information on attending the meeting virtually via the Internet, please see "How Can I attend the 2019 Annual Meeting?" above.

How can I access the Trust's proxy materials and annual report on Form 10-K?

The "Investors — SEC Filings" section of the Trust's website, www.rptrealty.com, provides access, free of charge, to Securities and Exchange Commission ("SEC") reports as soon as reasonably practicable after the Trust electronically files such reports with, or furnishes such reports to, the SEC, including proxy materials, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports. In addition, a copy of the Trust's Annual Report on Form 10-K for the year ended December 31, 2018 will be sent to any shareholder, without charge, upon written request sent to: Investor Relations, RPT Realty, 19 W 44th St. 10th Floor, Ste 1002, New York, New York 10036. Further, the SEC maintains a website that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC, including the Trust, at www.sec.gov.

As noted above, most shareholders will receive a Notice with instructions on how to view the proxy materials and annual report for 2018 through the Internet (at www.proxyvote.com). The Notice includes a control number (which is the same control number as that used to attend the meeting virtually via the Internet) that must be entered on the Internet in order to view the proxy

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materials. The Notice also describes how to receive the proxy materials by paper delivery or e-mail. You can elect to receive future proxy materials by e-mail at no charge if you vote using the Internet and, when prompted, indicate you agree to receive or access shareholder communications electronically in future years. You may also request additional paper copies without charge by sending a written request to Investor Relations, RPT Realty, 19 W 44th St. 10th Floor, Ste 1002, New York, New York 10036.

The references to the website addresses of the Trust and the SEC in this proxy statement are not intended to function as a hyperlink and, except as specified herein, the information contained on such websites is not part of this proxy statement.

Can I vote my Shares in person at the annual meeting?

Even if you plan to attend the meeting in person or virtually via the Internet, the Trust encourages you to vote your Shares prior to the meeting.

If you attend the meeting in person, you will need to present photo identification, such as a driver's license and proof of Share ownership as of the record date when you arrive at the meeting. If you hold your Shares through a bank, broker or other holder of record and you plan to attend the annual meeting, you must present proof of your ownership of Shares, such as a bank or brokerage account statement, in order to be admitted to the meeting. No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the annual meeting.

To vote your Shares before the meeting through the Internet or by attending the meeting virtually via the Internet, you will need to demonstrate proof of your Share ownership pursuant to the instructions on how to do so as set forth in your Notice or proxy card, as applicable.

Shareholders of Record. If you are a shareholder of record and attend the annual meeting in person, you can deliver your completed proxy card or vote by ballot in person at the annual meeting. If you are a shareholder of record and attend the annual meeting virtually via the Internet, you can deliver your completed proxy card as discussed in the next question below or vote during the meeting by ballot in accordance with the instructions on how to participate virtually via the Internet which are posted at www.virtualshareholdermeeting.com/rpt2019.

Beneficial Owners. If you hold your Shares through a broker, bank or other nominee and want to vote such Shares in person at the annual meeting, you must obtain a proxy from your broker, bank or other nominee giving you the power to vote such Shares and bring such proxy to the annual meeting. If you hold your Shares through a broker, bank or other nominee and want to vote such Shares virtually via the Internet at the annual meeting, you should follow the instructions at www.virtualshareholdermeeting.com/rpt2019 in order to vote at the meeting.

Can I vote my Shares without attending the annual meeting in person or virtually via the Internet?

By Mail. If you received your annual meeting materials by paper delivery, you may vote by completing, signing and returning the enclosed proxy card or voting instruction card. Please do not mail in the Notice, as it is not intended to serve as a voting instrument.

By Telephone. If you received your annual meeting materials by paper delivery, you may vote by telephone as indicated on your enclosed proxy card or voting instruction card.

Through the Internet. You may vote before or during the meeting through the Internet as instructed on your Notice, proxy card, voting instruction card, or e-mail notification. In order to vote through the Internet, you must enter the control number set forth in your Notice, proxy card, voting instruction card, or e-mail notification. If you do not have any of these materials and are a shareholder of record, you may contact RPT Investor Relations (telephone number: 248-350-9900) to request a proxy card (which will include your control number) to be mailed to your address on record or an e-mail with your control number to be sent to your e-mail address on record. If you do not have any of these materials and are a beneficial owner, you must contact your broker, bank or other nominee to obtain your control number.

Can I change my vote?

Shareholders of Record. You can change your vote at any time before the proxy is exercised by filing with the Secretary of the Trust either a notice revoking the proxy or a new proxy that is dated later than the original proxy. You can also change your vote through the Internet, by telephone or by taking action at the annual meeting. If you vote your shares by proxy and then attend the annual meeting in person or virtually via the Internet, the individuals named as proxy holders in the enclosed proxy card will nevertheless have authority to vote your Shares in accordance with your instructions on the proxy card unless you properly file such revocation notice or new proxy.

Beneficial Owners. If you hold your Shares through a bank, broker or other nominee, you should contact such person prior to the time such voting instructions are exercised.

What does it mean if I receive more than one proxy card or voting instruction card?

If you receive more than one proxy card or voting instruction card, it means that you have multiple accounts with banks, brokers, other nominees and/or the Trust's transfer agent. Please take action with respect to each proxy card and voting instruction card that you receive. The Trust recommends that you contact such persons to consolidate as many accounts as possible under the same name and address.

What if I do not vote for some of the items listed on my proxy card or voting instruction card?

Shareholders of Record. Proxies that are properly executed without voting instructions on certain matters will be voted in accordance with the recommendations of the Board on such matters.

Beneficial Owners. If you hold your Shares in street name through a broker, bank or other nominee and do not provide voting instructions for any or all matters, such nominee will determine if it has the discretionary authority to vote your Shares. Under applicable law and New York Stock Exchange ("NYSE") rules and regulations, brokers have the discretion to vote on routine matters, such as the ratification of the appointment of the Trust's independent registered public accounting firm, but do not have discretion to vote on non-routine matters. For all other matters at the 2019 annual meeting, the Trust believes that your bank, broker or nominee will be unable to vote on your behalf if you do not instruct it how to vote your Shares. If you do not provide voting instructions, your Shares will be considered "broker non-votes" with regard to the non-routine proposals because the broker will not have discretionary authority to vote thereon. Therefore, it is very important for you to vote your Shares for each proposal.

What vote is required to approve each item?

Proposal 1 — Election of Trustees. The seven nominees who receive the most votes cast "FOR" at the annual meeting will be elected as Trustees. The Board's slate of nominees consists of Richard L. Federico, Arthur H. Goldberg, Brian L. Harper, Joanna T. Lau, David J. Nettina, Laurie M. Shahon and Andrea M. Weiss, each nominated for a one-year term ending at the 2020 annual meeting of shareholders. Withheld votes and broker non-votes will have no effect on the outcome of the vote.

Proposal 2 — Ratification of Appointment of Independent Registered Public Accounting Firm. The affirmative vote of a majority of the votes cast at the annual meeting will be necessary to ratify the Audit Committee's appointment of Grant Thornton as the Trust's independent registered public accounting firm for the year ending December 31, 2019. Abstentions will not be counted as votes cast at the annual meeting and will have no effect on the result of the vote.

Proposal 3 — Advisory Approval of the Compensation of Our Named Executive Officers. The affirmative vote of a majority of the votes cast at the annual meeting will be necessary to approve, on an advisory basis, the compensation of our named executive officers. Abstentions and broker non-votes will have no effect on the outcome of the vote.

Proposal 4 — Approval of the 2019 Omnibus Long-Term Incentive Plan. The affirmative vote of a majority of the votes cast at the annual meeting will be necessary to approve the 2019 Omnibus Long-Term Incentive Plan, provided that the total votes cast on the proposal represent more than 50% of the outstanding Shares entitled to vote on the proposal. Accordingly, a broker non-vote will have the same effect as a vote against the proposal, unless holders of more than 50% of the outstanding Shares entitled to vote on the proposal cast votes (in which case, broker non-votes will have no effect on the result of the vote). In accordance with NYSE regulations, an abstention will be counted as a vote cast for the proposal and will have the same effect as a vote against the proposal.

Other Matters. If any other matter is properly submitted to the shareholders at the annual meeting, its adoption will generally require the affirmative vote of a majority of the votes cast at the annual meeting. The Board does not propose to conduct any business at the annual meeting other than as stated above.

Although the advisory vote in Proposal No. 3 is not binding on the Trust, the Board and the Compensation Committee will take your vote into consideration in determining future activities.

How do I find out the voting results?

We intend to announce preliminary voting results at the annual meeting and to disclose the final voting results in a current report on Form 8-K within four business days of the annual meeting.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of the Shares as of March 5, 2019 with respect to (i) each Trustee, nominee and named executive officer, (ii) all of our Trustees and executive officers as a group and (iii) to our knowledge, each beneficial owner of more than 5% of the outstanding Shares. Unless otherwise indicated, each owner has sole voting and investment powers with respect to the Shares listed below. Information with respect to ownership by the Trustees and executive officers of the Trust's 7.25% Series D Convertible Perpetual Preferred shares is contained in the footnotes to the following table. None of the Trust's Trustees or executive officers owns more than 1% of such Series D Convertible Perpetual Preferred Shares.

Trustees, Executive Officers and More Than 5% Shareholders (1)	Number of Shares Owned Directly or Indirectly(2)		Right to Acquire Within 60 Days		Number of Shares Beneficially Owned	Percent of Shares
Dennis Gershenson	2,059,549	(3)	5,565	(4)	2,065,114	2.57 %
Brian L. Harper	275,781		—		275,781	*
Joel M. Pashcow	148,341	(5)	—		148,341	*
Arthur Goldberg	100,368	(6)	—		100,368	*
Stephen R. Blank	52,268	(7)	—		52,268	*
David J. Nettina	46,629		—		46,629	*
Laurie M. Shahon	20,495		—		20,495	*
Andrea M. Weiss	5,131		—		5,131	*
Richard L. Federico	3,565		—		3,565	*
Joanna T. Lau	—	(8)	—		—	—
Michael Fitzmaurice	50,467		—		50,467	*
Timothy Collier	35,861		—		35,861	*
Catherine Clark	107,242		—		107,242	*
Raymond Merk	16,304		—		16,304	*
John Hendrickson (9)	68,931		—		68,931	*
Geoffrey Bedrosian (10)	32,972		—		32,972	*
Edward Eickhoff (11)	37,237		—		37,237	*
All Trustees and Executive Officers as a Group (14 Persons)	2,922,001	(12)	5,565		2,927,566	3.64 %
More Than 5% Shareholders:						
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	12,027,596	(13)	—		12,027,596	14.97%
BlackRock, Inc. 55 East 52nd Street New York, NY 10022	15,449,941	(14)	—		15,449,941	19.23%
Wellington Management Group LLP 280 Congress Street Boston, MA 02210	6,808,637	(15)	—		6,808,637	8.47 %
Macquarie Group Limited 50 Martin Place Sydney, New South Wales, Australia	8,245,230	(16)	—		8,245,230	10.26%

* less than 1%

(1) Percentages are based on 80,355,422 Shares outstanding as of March 5, 2019. Any Shares beneficially owned by a specified person but not currently outstanding, including options exercisable within 60 days of the record date and Shares issuable upon the exchange of units of limited partnership ("OP Units") in the Trust's operating partnership,

RPT Realty, L.P., are included in the percentage computation for such specified person, but are not included in the computation for other persons.

(2) Certain Shares included in this column are currently in the form of restricted Shares, all owned directly by such person, each of which represents the right to receive one Share upon vesting. During the vesting period, holders of restricted Shares have voting rights as if such restricted Shares were vested. Holdings of restricted Shares are as follows: Brian L. Harper, 275,781 shares; Joel M. Pashcow, 6,813 shares; Arthur Goldberg, 6,813 shares; Stephen R. Blank, 6,813 shares; David J. Nettina, 6,813 shares; Laurie M. Shahon, 6,813; Andrea M. Weiss, 5,131 shares; Richard L. Federico, 3,565 shares; Michael Fitzmaurice, 50,467 shares; Timothy Collier, 35,861 shares; Catherine Clark, 30,824 shares; and Raymond Merk, 15,037 shares.

(3) Includes: (i) 15,800 Shares owned by a charitable trust of which Mr. Gershenson is a trustee, (ii) 8,375 Shares owned by trusts for Mr. Gershenson's children (shared voting and dispositive power), (iii) 95,000 Shares owned by a trust of which Mr. Gershenson's spouse is the trustee, and (iv) 1,401,003 Shares that trusts, of which Mr. Gershenson is a trustee, have the right to acquire upon the exchange of 1,401,003 OP Units owned by such trusts pursuant to the Exchange Rights Agreement with the Trust (the "Exchange Rights Agreement").

Mr. Gershenson disclaims beneficial ownership of the Shares owned by the trusts for his children and the charitable trust.

(4) Represents Shares that Mr. Gershenson could acquire upon conversion of 7.25% Series D Convertible Perpetual Preferred shares owned by him.

(5) Includes 80,550 Shares owned by a trust for the benefit of Mr. Pashcow's family member. Mr. Pashcow disclaims beneficial ownership of the Shares owned by the trust.

(6) Includes 36,668 Shares deferred under certain of the Trust's equity incentive plans and 48,700 Shares owned by Mr. Goldberg's wife. Mr. Goldberg disclaims beneficial ownership of the Shares owned by his wife.

(7) Includes 40,668 Shares deferred under certain of the Trust's equity incentive plans.

(8) Ms. Lau is a nominee for Trustee and did not hold any Shares as of March 5, 2019.

(9) Mr. Hendrickson resigned from the Trust effective April 12, 2018. The information presented is based on the former officer's last filed Form 4 and company records.

(10) Mr. Bedrosian resigned from the Trust effective April 20, 2018. The information presented is based on the former officer's last filed Form 4 and company records.

(11) Mr. Eickhoff resigned from the Trust effective July 30, 2018. The information presented is based on the former officer's last filed Form 4 and company records.

(12) Includes Trustees and executive officers as of March 5, 2019.

(13) Based on the Schedule 13G/A filed with the SEC on February 12, 2019. The Vanguard Group has sole voting power over 144,442 Shares, shared voting power over 97,115 Shares, sole dispositive power over 11,860,367 Shares and shared dispositive power over 167,229 Shares.

(14) Based on the Schedule 13G/A filed with the SEC January 31, 2019. This report includes holdings of various subsidiaries of BlackRock, Inc. BlackRock, Inc. has sole voting power over 15,220,252 Shares and sole dispositive power over 15,449,941 Shares.

(15) Based on the Schedule 13G filed with the SEC on February 12, 2019.This report includes holdings of various subsidiaries of Wellington Management Group LLP. Wellington Management Group LLP has shared voting power over 5,331,820 Shares and shared dispositive power over 6,808,637 Shares.

(16) Based on the Schedule 13G/A filed with the SEC on February 14, 2019. This report includes holdings of various subsidiaries and funds.

PROPOSAL 1 — ELECTION OF TRUSTEES

The Board currently consists of nine Trustees. Seven nominees are to be elected at the 2019 annual meeting to serve for a one-year term until the annual meeting of shareholders in 2020 and until their successors are duly elected and qualified or until any such Trustee's earlier resignation, retirement or other termination of service. The seven nominees who receive the most votes cast at the annual meeting will be elected as Trustees. The Board has re-nominated Richard L. Federico, Arthur H. Goldberg, Brian L. Harper, David J. Nettina, Laurie M. Shahon and Andrea M. Weiss. Messrs. Blank, Gershenson and Pashcow have elected to retire from the Board at the end of their current terms; therefore, their service as Trustees will end on the date of the 2019 annual meeting. The Board has also nominated Joanna T. Lau as a Trustee for initial election at the 2019 annual meeting. The Board has reduced its size to seven members effective as of the 2019 annual meeting. Proxies cannot be voted for a greater number of persons than the number of nominees named. The Board recommends that you vote FOR the election of the Board's nominees.
Each of the seven nominees has consented to serve a one-year term and has consented to be named in this proxy statement. If for any reason any of the nominees becomes unavailable for election, the Board may designate a substitute nominee. In such case, the persons named as proxies in the accompanying proxy card will vote for the Board's substitute nominee. Alternatively, the Board may reduce the size of the Board or leave the position vacant.

Since the last annual meeting, the Nominating and Governance Committee has actively pursued the refreshment of the Board. Ms. Weiss, Mr. Federico and Ms. Lau each bring experience, skills and expertise to the Board that the Nominating and Governance Committee believes will assist the Board in facing the challenges of the rapidly changing retail REIT environment. Their qualifications are discussed in greater detail below.
The nominees of the Trust are as follows:

Name	Age	Title
Richard L. Federico	65	Trustee
Arthur Goldberg	76	Trustee
Brian L. Harper	43	Trustee; President and Chief Executive Officer of the Trust
Joanna T. Lau	60	Nominee for election as Trustee
David J. Nettina	66	Trustee
Laurie M. Shahon	67	Trustee
Andrea M. Weiss	63	Trustee

Trustee Background and Qualifications

As a fully integrated self-administered, publicly-traded REIT which owns and operates a national portfolio of dynamic open-air shopping destinations principally located in the top U.S. markets, the Trust's business involves a wide range of real estate, financing, accounting, management and financial reporting issues. In light of the Trust's business and structure, the Nominating and Governance Committee considers the experience, mix of skills, independence from management and other qualities of the Trustees and nominees to ensure appropriate Board composition. In particular, the Nominating and Governance Committee believes that Trustees and nominees with the following qualities and experiences can assist in meeting this goal:

Senior Leadership Experience. Trustees with experience in significant leadership positions provide the Trust with perspective in analyzing, shaping and overseeing the execution of operational, organizational and strategic issues at a senior level. Further, such persons have a practical understanding of balancing operational and strategic goals and risk management.

Real Estate Experience. An understanding of real estate issues, particularly with respect to real estate investment trusts, real estate development, community shopping centers and key tenants, brings critical industry-specific knowledge and experience to our Board. Education and experience in the real estate industry is useful in understanding the Trust's acquisition, development, leasing and management of shopping centers and the competitive landscape of its industry.

Retail, Consumer Products and Hospitality/Entertainment Experience. The Board believes that our Trustees with experience in the retail, consumer products and hospitality/entertainment segments can provide our management with valuable insight on the industries that are driving demand for retail shopping centers.

Business Entrepreneurship, Transactional and Strategic Planning Experience. Trustees who have a background in high growth companies and transactions can provide insight into developing and implementing strategies for entering into new business segments, partnering in joint ventures and/or growing via mergers and acquisitions. Further, they have a practical understanding of the importance of "fit" with the Trust's culture and strategy, the valuation of transactions and business opportunities and management's plans for integration with existing operations.

Financial, Accounting and Capital Markets Experience. An understanding of the financial markets, corporate finance, accounting requirements and regulations and accounting and financial reporting processes allows Trustees to understand, oversee and advise management with respect to the Trust's operating and strategic performance, capital structure, financing and investing activities, financial reporting and internal control of such activities. The Trust seeks to have a number of Trustees who qualify as audit committee financial experts and expects all of the Trustees to be financially knowledgeable.

Technology. Trustees with significant experience in the technology and technology consulting industries can provide the Trust with valuable insight into technological developments and trends that are impacting the retail industry and can guide the Trust's management in operational matters that are impacted by evolving technology.

Public Company Board and Corporate Governance Experience. Trustees who serve, or have served, on other public company boards can offer advice and insights with regard to the dynamics and operation of a board of trustees, relationship of a board to the Chief Executive Officer and other management personnel, importance of a particular agenda or oversight matter and oversight of a changing mix of strategic, operational and compliance-related matters.

In addition, each of the Trustees is currently a member of the National Association of Corporate Directors.

The following sets forth the business experience during at least the past five years of each Board nominee. The years of Trustee service include service for the Trust's predecessors. In addition, the following includes, for each nominee, a brief discussion of the specific experiences, qualifications, attributes and skills that led to the conclusion that such nominee should serve on the Board in light of the goals set forth above.

Richard L. Federico has been a Trustee since 2018, is an independent Trustee and qualifies as a financial expert under SEC rules based on the experiences described below.

Richard L. Federico served as Non-Executive Chairman of P.F. Chang's China Bistro Inc. from February 2016 to March 2019. He previously served as the Chairman and Chief Executive Officer or Co-Chief Executive Officer of P.F. Chang's from September 1997 to March 2015 and as Executive Chairman from March 2015 to February 2016. Mr. Federico joined P.F. Chang's as President in 1996, when he also began his service on its Board of Directors. Prior to joining P.F. Chang's, Mr. Federico held a number of leadership positions in the restaurant industry including roles at Steak & Ale, Orville Beans and Bennigan's restaurants, Grady's Goodtimes, and Brinker International.

Mr. Federico has served on the Domino's Pizza, Inc. Board of Directors since February 2011 and is a member of its Audit and Compensation Committees. He also sits on the boards of several private companies in the food industry and was previously the Chairman of the Board of Directors of Jamba, Inc. Mr. Federico is a Founding Director of Chances for Children.

Mr. Federico's extensive knowledge of the hospitality and food service industries, senior leadership experience and experience as a director of other publicly traded companies led the Nominating and Governance Committee to conclude Mr. Federico should serve as a member of our Board.

Arthur Goldberg has been a Trustee since 1988 and is an independent Trustee. Mr. Goldberg qualifies as a financial expert under SEC rules based on the experiences described below.

Mr. Goldberg is currently the Chairman of the South Palm Beach Jewish Federation. Mr. Goldberg was a Managing Director of Corporate Solutions Group, LLC, an investment banking and advisory firm, from January 2002 to 2015. Mr. Goldberg served as President of Manhattan Associates, LLC, a merchant and investment banking firm, from 1994 to 2002 and as Chairman of Reich & Company, Inc. (formerly Vantage Securities, Inc.), a securities and investment brokerage firm, from 1990 to 1993. Mr. Goldberg has also served in leadership positions of other investment banking and brokerage firms. This experience has provided Mr. Goldberg with a broad perspective on investment banking, capital markets, finance, accounting and mergers and acquisitions, and enables him to provide key market insights to our Board. Further, his significant investment banking experience, relationships and familiarity with public equity offerings and transactional matters have been invaluable to the Trust in its capital raising and acquisition and disposition activities.

Mr. Goldberg also has extensive Board and Board committee experience at other public companies. Mr. Goldberg served on the Board of Directors of Avantair, Inc. from 2003 to August of 2013 (serving as the Chair of its Compensation Committee and a member of the Audit Committee and Executive Committee). He also served on the Board of Directors of North Shore Acquisition Corp. from November 2007 to August 2009 and Atlantic Realty Trust from May 1996 to April 2006.

Mr. Goldberg’s knowledge of the Trust and its culture based on his 30 years of service, combined with the attributes noted above, led the Nominating and Governance Committee to conclude Mr. Goldberg should continue to serve as a member of our Board.

Joanna T. Lau is a nominee for Trustee and, if elected, would be an independent Trustee.

Ms. Lau currently serves as CEO of Lau Technologies, an executive consulting and investment company focused on providing debt and equity financing and consulting to mid-range companies. Ms. Lau founded Lau Technologies in 1990 and has been responsible for managing all aspects of the company from financing growth to the quality of the performance of the products previously sold by the company. Ms. Lau held leadership positions with Digital Equipment Corporation and General Electric before founding Lau Technologies. Ms. Lau has served as a member of the Board of the Directors of DSW Inc. since 2008 and is a member of the Audit Committee and Chairperson of the Technology Committee. Ms. Lau’s previous public board experiences includes ESI, InfoSoft, ITT Educational Services, FSI International, Boston Federal Banks and TD Bank.

Ms. Lau's extensive board experience, strong technological background and retail industry expertise led the Nominating and Governance Committee to conclude that Ms. Lau should serve as a member of our Board.

Brian L. Harper has been a Trustee since June 2018 and was appointed as President and Chief Executive Officer of the Trust in June 2018.

Prior to joining the Trust, Mr. Harper served as Chief Executive Officer of Rouse Properties where he also served as the Chief Operating Officer from April 2015 to July 2016 and served as Executive Vice President of Leasing and Marketing as well as Executive Vice President of Leasing and Acquisitions from January 2012 to April 2015. Mr. Harper previously was the Senior Vice President of Leasing for General Growth Properties.

Mr. Harper has over 18 years of experience in the retail real estate industry, and brings significant expertise in real estate operations, redevelopment and site densification as well as strong relationships with leading retailers. He has won several awards, including Chain Store Age’s 10 Under 40 in Real Estate. Mr. Harper holds a Bachelor’s degree from the University of Kansas.

Mr. Harper's knowledge of and experience in the retail real estate industry and his expected appointment as President and Chief Executive Officer of the Trust led the Nominating and Governance Committee to conclude that Mr. Harper should serve as a member of our Board.

David J. Nettina has been a Trustee since 2012. Mr. Nettina is an independent Trustee and qualifies as a financial expert under SEC rules based on the experiences described below.

Mr. Nettina has served as the Managing Principal of Briarwood Capital Group, LLC, since 2001, through which he develops residential and commercial real estate pursuant to contracts and joint venture development agreements with Heritage Custom Builders, LLC, a residential home builder in Albany, New York. He is also a General Partner of Spa Mirbeau, a retail shopping center centric spa and French country dining experience company. In addition, he is the Albany, New York Chair for Vistage International, Inc., an international organization which offers facilitated peer groups for chief executive officers and private company owners. Mr. Nettina also formerly served as the chairman of the board of Mastrioanni Bros., Inc., a privately held commercial banking company in Albany, New York and as a member of the board of Frontera Investment, Inc. Mr. Nettina served as the co-Chief Executive Officer of Career Management, LLC from 2009 to 2013 and has served as Chief Executive Officer since 2013.

Prior to returning to private business, Mr. Nettina served as the President, Chief Financial Officer and Chief Real Estate Officer of American Financial Realty Trust (AFRT), a publicly traded real estate investment trust, from March 2005 to April 2008. In 2008, AFRT merged with Gramercy Capital Corp. AFRT was formerly the leading net lease real estate investment trust with an exclusive focus on bank real estate. Mr. Nettina was the principal architect of AFRT's operational and financial restructuring, which ultimately resulted in its successful merger with Gramercy Capital Corp. Prior to his service at AFRT, Mr. Nettina founded Briarwood Capital Group, LLC to manage his family investment activities, which were principally engaged in the acquisition and development of residential real estate.

From 1997 to 2001, Mr. Nettina served as President and Chief Financial Officer and Chief Operating Officer of SL Green Realty Corp., a publicly traded real estate investment trust which owns and operates Manhattan commercial office real estate, and for which Mr. Nettina led the company's initial public offering. Prior to SL Green Realty Corp.'s initial public offering, Mr. Nettina held various executive management positions for more than 11 years with The Pyramid Companies, a developer, owner and operator of 20 regional malls in the Northeast, including positions as the Chief Financial Officer and a development partner involved in the development of over three million square feet of retail space. During his tenure at The Pyramid Companies, he led a financial and operational restructuring of the company during the economic downturn in the early 1990s which allowed the company to remain privately held. Prior to his service at The Pyramid Companies, Mr. Nettina served in a number of roles in Citicorp's consumer banking division, which led to his being appointed the President of Citibank (Maine), N.A., which he established on a de novo basis. Prior to his service at Citibank, he served on active military duty as a Captain in the 101st Airborne Division.

Mr. Nettina has served on a number of civic and collegiate boards, including the Doylestown Ways and Means Committee and the Real Estate Committee of the Board of Trustees of Sienna College in Albany, New York and the Real Estate Committee of the Board of Trustees for Canisius College in Buffalo, New York.

Mr. Nettina is a Leadership Fellow with the NACD (National Association of Corporate Directors) and a member/fellow of the Society of Fellows of the Culinary Institute of America.

Mr. Nettina earned a Bachelor of Science degree in Accounting and a Master of Business Administration degree in Finance from Canisius College in Buffalo, New York, along with a Certificate in Management Accounting.

All of the foregoing has provided Mr. Nettina with 32 years of extensive knowledge and experience in executive management (including REITs in particular), corporate finance (in both banking and real estate), accounting and capital markets.

Mr. Nettina’s knowledge of the real estate industry and extensive experience as a leader of publicly traded real estate investment trusts, as well as the attributes noted above, led the Nominating and Governance Committee to conclude Mr. Nettina should serve as a member of our Board.

Laurie M. Shahon has been a Trustee since 2015. Ms. Shahon is an independent Trustee and qualifies as a financial expert under SEC rules based on the experiences described below.

Ms. Shahon is the President of Wilton Capital Group, a private direct investment firm she founded in 1994 that makes principal investments in later-stage ventures and medium-sized buyouts. She previously held investment banking positions with Morgan Stanley and Salomon Brothers. Ms. Shahon was a director of KCG Holdings, Inc. (and its predecessor) from 2006 until its sale in 2017 and served on its Nominating and Governance Committee, Compensation Committee and Audit and Finance Committee. She is currently a director of Boston Mutual Life Insurance Company and its wholly-owned subsidiary Life Insurance Company of Boston and New York. Ms. Shahon received an A.B. in English and Political Science from Wellesley College and an M.B.A. in Finance and International Business from Columbia University. She is a former Adjunct Professor of Finance at Columbia Business School. Ms. Shahon has served on the boards of more than ten public companies over the past 25 years, including The Bombay Company, Inc., Eddie Bauer Holdings, Inc and Kitty Hawk Inc.

Ms. Shahon's significant experience in the financial services, retail and securities industries, her experience as the founder of a private direct investment firm, her experience as a director of other publicly traded companies and her extensive finance and accounting knowledge, combined with the attributes noted above, led the Nominating and Governance Committee to conclude Ms. Shahon should serve as a member of our Board.

Andrea M. Weiss has been a Trustee since 2018 and is an independent Trustee.

Ms. Weiss has extensive specialty retail experience having served in several senior executive positions with dELIA*s Inc., The Limited, Inc., Intimate Brands, Inc., Guess, Inc. and Ann Taylor Stores, Inc. She is the Founder and current President and

Chief Executive Officer of Retail Consulting, Inc. and has served as its President and Chief Executive Officer since its formation in October 2002. Ms. Weiss is also the co-Founder and current Managing Member of The O Alliance LLC, a new branch of Retail Consulting, Inc. Ms. Weiss has served on the Board of Directors of Cracker Barrel Old Country Store, Inc. since 2003 and was a Director of NutriSystem Inc. (from March 2013 to March 2019) and Chico's FAS, Inc. (from 2009 until November 2018). Ms. Weiss also serves on several private advisory boards.
Previously, Ms. Weiss served on the Boards of Directors of GSI Commerce, Inc. from 2006 to 2011, Ediets.com, Inc. from 2004 to 2009, The Pep Boys-Manny, Moe & Jack from 2013 to 2016, Grupo Cortefiel from 2006 to 2007 and Brookstone, Inc. from 2002 to 2005. In 2016, Ms. Weiss was named by the National Association of Corporate Directors (NACD) as one of America's Top 100 Directors and in 2017, Ms. Weiss achieved NACD Leadership Board Fellowship status, the highest credential awarded for independent Board members.
Ms. Weiss's significant experience in the specialty retail field, business entrepreneurship experience and service as a director of other publicly traded companies led the Nominating and Governance Committee to conclude Ms. Weiss should serve as a member of our Board.

Trustee Independence

The NYSE listing standards set forth objective requirements for a Trustee to satisfy, at a minimum, in order to be determined independent by the Board. In addition, the NYSE listing standards require the Board to consider all relevant facts and circumstances, including the Trustee's commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships and such other criteria as the Board may determine from time to time. The Board has determined, after considering all of the relevant facts and circumstances, that each of Messrs. Federico, Goldberg, Nettina, Blank and Pashcow and each of Mss. Lau, Shahon and Weiss are independent Trustees and therefore the Trust satisfies the requirements of the NYSE listing standards and the Trust's Corporate Governance Guidelines that at least a majority of the Trustees be independent.
The Audit Committee, Compensation Committee and Nominating and Governance Committee are composed entirely of independent Trustees. In addition, after considering all of the relevant facts and circumstances, the Board has determined that each member of the Audit Committee and the Compensation Committee qualifies as independent in accordance with the additional independence standards established by the SEC and the NYSE.

Majority Withheld Votes

Included in our Corporate Governance Guidelines is a policy approved by the Board to be followed if any nominee for Trustee in an uncontested election receives a greater number of votes "withheld" from his or her election than votes "for" such election. In such event, the applicable Trustee must promptly tender his or her resignation, conditioned on Board acceptance, following certification of the shareholder vote. The Nominating and Governance Committee will consider the resignation and recommend to the Board whether to accept such resignation. The Board will act on the Nominating and Governance Committee's recommendation and will disclose its decision within 90 days following certification of the shareholder vote.

BOARD MATTERS

The Board of Trustees

General

The Board has general oversight responsibility of the Trust's affairs and the Trustees, in exercising their fiduciary duties, represent and act on behalf of the shareholders. Although the Board does not have responsibility for the Trust's day-to-day management, it stays regularly informed about the Trust's business and provides guidance to management through periodic meetings and other informal communications. The Board is significantly involved in, among other things, the Trust's strategic and financial planning process, leadership development, as well as other functions carried out through the Board committees as described below. The Board, led by the Nominating and Governance Committee, also performs an annual performance review of the Board and individual Trustees.

Board Leadership

Mr. Blank previously served as the independent Chairman of the Board from September 2009 to June 2018. From June to September 2018, Mr. Gershenson served as Chairman of the Board and Mr. Blank served as Lead Trustee. In September 2018, Mr. Gershenson stepped down from the position of Chairman of the Board. Messrs. Blank and Gershenson are not seeking reelection at the 2019 annual meeting.

The Board does not have a specific policy on whether the Chairman should be a non-employee Trustee or if the Chairman and Chief Executive Officer positions should be separate. In accordance with the Corporate Governance Guidelines, if the Chairman is also the Chief Executive Officer of the Trust, then one of the independent members of the Board will be named as Lead Trustee. The Board believes either circumstance provides sufficient checks and balances and is appropriate to further the interests of shareholders of the Trust. The Board has not yet appointed a new Chairman and intends to appoint a new Chairman or Lead Trustee during 2019. The Board believes that its independent Trustees are deeply engaged and provide significant independent leadership and direction given their executive and Board experience. See "Proposal 1— Election of Trustees — Trustee Background and Qualifications" above. The independent Trustees are the sole members of the Audit, Compensation and Nominating and Governance Committees, which oversee critical matters of the Trust such as the integrity of the Trust's financial statements, the compensation of executive management, the nomination and evaluation of Trustees and the development and implementation of the Trust's corporate governance policies and structures. The independent Trustees also meet regularly in executive session at Board and committee meetings and have access to independent advisors as they deem appropriate. Management supports this oversight role through its tone-at-the-top and open communication.

Oversight of Risk Management

The Board oversees the Trust's risk management. This oversight is administered primarily through:

- the Board's review and approval of management's annual business plan and long-term strategic plan;
- at least quarterly review by the Board of business developments, strategic plans and implementation, liquidity and financial results;
- the Board's oversight of succession planning;
- the Board's oversight of capital spending and financings;
- the Audit Committee's oversight of the Trust's financial reporting, internal control over financial reporting and its discussions with management and the independent accountants regarding the quality and adequacy thereof, and the Trust's cybersecurity;
- the Nominating and Governance Committee's leadership in the corporate governance policies of the Trust and the self-evaluation assessments of the Board and committees; and
- the Compensation Committee's review and approvals regarding executive officer compensation and its relationship to the Trust's business plan, as well its review of compensation plans generally and the related risks.

Oversight of Environmental, Social and Governance ("ESG") and Other Key Areas

In 2018, the Audit Committee and management began a comprehensive review of the Trust's current and planned ESG initiatives and the public communication of those initiatives. See "Compensation Discussion and Analysis—Executive Summary—Sustainability" for a discussion of the Trust's efforts, under the direction of the new management team, to advance its commitment to sustainability during 2018. As a result of this review during 2018 by the Audit Committee and management, in conjunction with the Trust's independent auditors, the Trust plans to implement a comprehensive reporting regimen for the Trust's ESG initiatives using the Global Real Estate Sustainability Benchmark (GRESB) framework. The Trust's ESG initiatives and sustainability reporting will be overseen primarily by the Audit Committee.

In addition, the Board and management are formulating an initiative to group Trustees and members of management, based on experience, for the purpose of each group focusing on one of the following key alignment areas: mixed use, culture and strategy, environmental and social matters, retail, digital and technology and corporate governance.

Meetings

In 2018, the Board held nine meetings. Independent Trustees generally hold scheduled executive sessions in which independent Trustees meet without the presence of management. These executive sessions generally occur around regularly scheduled meetings of the Board. During 2018, Mr. Blank, in his capacity as independent Chairman of the Board or as Lead Trustee, presided at such executive sessions.

Pursuant to the Corporate Governance Guidelines, Trustees are expected to attend all Board and committee meetings, as well as the Trust's annual meeting of shareholders. In 2018, all of the Trustees attended at least 75% of the aggregate meetings of the Board and all committees of the Board on which he or she served. All of the Trustees attended the 2018 annual meeting of shareholders.

Committees of the Board

The Board has delegated various responsibilities and authority to Board committees and each committee regularly reports on its activities to the Board. Each committee, except the Executive Committee, has regularly scheduled meetings. Each committee operates under a written charter approved by the Board, which is reviewed annually by the respective committees and the Board and is available on the Trust's website under "Investors—Corporate Information—Governance Documents" at www.rptrealty.com. The table below sets forth the current membership and 2018 meeting information for the four standing committees of the Board:

Name	Audit	Compensation	Nominating and Governance	Executive(1)
Richard L. Federico(2)	X	—	—	—
Arthur Goldberg	X	Chair	—	X
Brian L. Harper	—	—	—	Chair
David J. Nettina	Chair	—	X	X
Laurie M. Shahon(3)	X	X	Chair	X
Andrea M. Weiss(4)	—	X	—	—
Stephen R. Blank(5)(6)	X	X	X	—
Dennis Gershenson(6)	—	—	—	—
Joel M. Pashcow(6)	—	X	X	—
Meetings	7	4	3	—

(1) Mr. Harper was appointed to the Executive Committee in June 2018 in connection with his appointment as President and Chief Executive Officer. Mr. Gershenson served as a member and Mr. Pashcow served as Chair of the Executive Committee until October 2018 when Mr. Harper was appointed Chair and Mr. Nettina and Ms. Shahon were appointed members of the Executive Committee.

(2) Mr. Federico was appointed to the Audit Committee in February 2019.

(3) Ms. Shahon was appointed Chair of the Nominating and Governance Committee on June 18, 2018 when Mr. Rosenfeld's board service terminated.

(4) Ms. Weiss was appointed to the Compensation Committee in October 2018.

(5) Mr. Blank is an ex-officio member of such committees.

(6) Messrs. Blank, Gershenson and Pashcow are retiring from the Board at the end of their current terms; therefore, their service as Trustees will end on the date of the 2019 annual meeting.

In addition to the meetings listed above, the Executive Committee took action by unanimous written consent in 2018. In 2017, the Board also formed an ad hoc CEO Search Committee, consisting of Mr. Gershenson, Mr. Goldberg, Mr. Nettina and Ms. Shahon.

Audit Committee

The Trust has a separately-designated Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Audit Committee is responsible for providing independent, objective oversight and review of the Trust’s consolidated financial statements, the Trust’s system of internal controls, the Trust’s risk management system, the qualifications, performance and independence of the Trust’s independent registered public accounting firm, the performance of the Trust’s internal audit function and the Trust’s compliance with legal and regulatory requirements. The Audit Committee also has the sole authority and responsibility to appoint, determine the compensation of, evaluate and, when appropriate, replace the Trust's independent registered public accounting firm. See "Audit Committee Disclosure," "Report of the Audit Committee" and the Audit Committee's charter for additional information on the responsibilities and activities of the Audit Committee.

The Board has determined that Messrs. Federico, Goldberg and Nettina and Ms. Shahon are each financially literate and have the accounting or related financial management expertise in accordance with NYSE listing standards, and are each an audit committee financial expert as defined in the rules and regulations of the SEC. See "Proposal 1- Election of Trustees - Trustee Background and Qualifications" for a description of Messrs. Federico's, Goldberg's and Nettina's and Ms. Shahon's relevant business experience. The designation of an "audit committee financial expert" does not impose upon such person any duties, obligations or liabilities that are greater than are generally imposed on such person as a member of the Audit Committee and the Board, and such designation does not affect the duties, obligations or liabilities of any other member of the Audit Committee or the Board.

Compensation Committee

The Compensation Committee administers the executive compensation program of the Trust. The Compensation Committee's responsibilities include recommending and overseeing compensation and benefit plans and policies, approving equity grants and otherwise administering share-based plans and reviewing annually all compensation decisions relating to the Trust's executive officers. In connection with the foregoing, the Compensation Committee monitors compensation and regulatory developments and trends, and may solicit independent advice where appropriate. The Compensation Committee also reviews and discusses, at least annually, the relationship between risk management policies and practices, corporate strategy and the Trust's compensation programs and is responsible for overseeing the preparation of the Compensation Discussion and Analysis. The Compensation Committee has the power to form subcommittees and delegate responsibility to such subcommittees. See "Compensation Discussion and Analysis," "Compensation Committee Report" and the Compensation Committee's charter for additional information on the responsibilities and activities of the Compensation Committee.

Role of Management. Similar to prior years, the Compensation Committee sought recommendations of the Chief Executive Officer with respect to the Trust's 2018 executive compensation program. See "Compensation Discussion and Analysis — Process for Making Compensation Determinations — Advisors Utilized in Compensation Determinations" for further information.

Role of Compensation Consultant. The Compensation Committee has the sole authority to engage outside advisors and establish the terms of such engagement, including compensatory fees. The Compensation Committee engaged Meridian Compensation Partners LLC ("Meridian") as its compensation consultant for 2018 with respect to executive compensation and Trustee compensation programs generally. The Compensation Committee works with management to determine Meridian's responsibilities and direct its work product, but the Compensation Committee is responsible for the formal approval of the annual work plan.

In compliance with the SEC and the NYSE requirements regarding the independence of compensation consultants, Meridian provided the Compensation Committee with a letter addressing each of the six independence factors. Their responses affirm the independence of Meridian and the partners, consultants and employees who service the Compensation Committee on executive compensation matters and governance issues.

Nominating and Governance Committee

The Nominating and Governance Committee is responsible for identifying and nominating individuals qualified to serve as Board members, recommending Trustees for each Board committee and overseeing the Trust's Corporate Governance Guidelines and related corporate governance issues. See the Nominating and Governance Committee's charter for additional information on its responsibilities and activities.

Trustee Appointment and Nominee Selection Process. The Nominating and Governance Committee considers the balance of skills, experience, independence and knowledge of the Board and the diversity representation of the Board, including gender and race, how the Board works as a unit and other factors relevant to its effectiveness, although it does not have a specific diversity policy underlying its nomination process. Generally, the Nominating and Governance Committee will re-nominate incumbent Trustees who continue to satisfy its criteria for members of the Board, who it believes will continue to make important contributions to the Board and who consent to continue their service on the Board.

If a vacancy on the Board occurs, the Nominating and Governance Committee will review the experience, mix of skills and background, independence and other qualities of a nominee to ensure appropriate Board composition after taking into account the current Board members and the specific needs of the Trust and Board.

The Nominating and Governance Committee may rely on multiple sources for identifying and evaluating nominees, and, in 2017, the Nominating and Governance Committee engaged a leading, third-party paid search firm, Heidrick & Struggles International, Inc. ("Heidrick & Struggles"), to identify and evaluate potential new Trustee candidates. In connection with the search process, the Nominating and Governance Committee and the Board engaged in an extensive review of the mix of specific experience, qualifications and skills of the existing Trustees, including those described above under "Proposal 1—Election of Trustees—Trustee Background and Qualifications" and worked with Heidrick & Struggles to conduct a focused search for new Trustees who would specifically bring retail, consumer products, and hospitality/entertainment experience as well as technology experience to the Board. This process, which included the consideration of multiple potential candidates, lead to the appointment of Ms. Weiss and Mr. Federico in 2018, and to the nomination of Ms. Lau for election at the 2019 annual meeting. The Board believes that these new Trustees and nominee bring important additional qualifications to the Board. Specifically, Ms. Weiss has expertise in the specialty and multi-channel retail fields, Mr. Federico brings to the Board knowledge of the hospitality and food service industries, Ms. Lau provides a strong technological background and retail industry experience, and all three have entrepreneurial or senior leadership experience as well as experience serving as directors of other publicly traded companies.

Consideration of Shareholder Nominees. The Nominating and Governance Committee does not solicit Trustee nominations, but will consider nominee recommendations by shareholders with respect to elections to be held at an annual meeting, so long as such recommendations are timely made and otherwise in accordance with the Trust's Bylaws and applicable law. Such recommendations will be evaluated against the same criteria used to evaluate other nominees. The Trust did not receive any nominations of Trustees by shareholders for the 2019 annual meeting of shareholders.

Under the Bylaws, shareholders must follow an advance notice procedure to nominate candidates for election as Trustees or to bring other business before an annual meeting. The advanced notice procedures set forth in the Bylaws do not affect the right of shareholders to request the inclusion of proposals in the Trust's proxy statement and form of proxy pursuant to SEC rules. See "Additional Information-Presentation of Shareholder Proposals and Nominations at 2020 Annual Meeting" for information regarding providing timely notice of shareholder proposals and nominations.

Executive Committee

The Executive Committee is permitted to exercise all of the powers and authority of the Board, except as limited by applicable law and the Bylaws. The Executive Committee generally acts by way of unanimous written consent in lieu of holding a meeting.

Corporate Governance

The Board and management are committed to responsible corporate governance to ensure that the Trust is managed for the benefit of its shareholders. To that end, the Board and management periodically review and update the Trust's corporate governance policies and practices as appropriate or required by applicable law, the NYSE listing standards or SEC regulations.

The Trust has adopted a Code of Business Conduct and Ethics which sets forth basic principles to guide the conduct of Trustees and the Trust's employees, including its principal executive officer, principal financial officer, principal accounting officer or controller and persons serving similar functions. The code covers numerous topics including illegal or unethical behavior, conflicts of interest, compliance with laws, accounting and financial reporting practices, harassment, corporate opportunities and confidentiality. A copy of the Trust's Code of Business Conduct and Ethics is available on the Trust's website under "Investors—Corporate Information—Governance Documents" at www.rptrealty.com. Any waiver or material amendment that relates to the Trustees or certain executive officers of the Trust will be publicly disclosed in such subsection on the Trust's website within four business days of such action. See "Related Person Transactions" for additional information regarding policies and procedures specifically addressing related person transactions.

The Trust has also adopted Corporate Governance Guidelines, which address, among other things, a Trustee's responsibilities, qualifications (including independence), compensation and access to management and advisors. The Nominating and Governance Committee is responsible for overseeing and reviewing these guidelines and recommending any changes to the Board. A copy of the Trust's Corporate Governance Guidelines is available on the Trust's website under "Investors — Corporate Information — Governance Documents" at www.rptrealty.com.

A copy of the Trust's committee charters, Code of Business Conduct and Ethics and Corporate Governance Guidelines will be sent to any shareholder, without charge, upon written request sent to the Trust's executive offices: Investor Relations, RPT Realty, 19 W 44th St. 10th Floor, Ste 1002, New York, New York 10036.

Trustee Compensation

The Compensation Committee and Board believe that Trustees should receive a mix of cash and equity. Compensation paid to the non-employee Trustees is intended to provide incentives to such persons to continue to serve on the Board, to further align the interests of the Board and shareholders and to attract new Trustees with outstanding qualifications. Trustees who are employees or officers of the Trust or any of its subsidiaries do not receive any compensation for serving on the Board or any committees thereof; therefore, Messrs. Harper and Gershenson are excluded from the Trustee compensation table below.

2018 Non-Employee Trustee Annual Cash Retainer and Meeting Fees. In 2018, each non-employee Trustee received an annual cash retainer equal to approximately $40,000 and an annual equity retainer, consisting of a grant of restricted shares, valued at approximately $90,000 (or 6,813 restricted shares). The restricted shares were granted on July 1st and vest in full on the first anniversary of the grant date. There were no additional fees paid per meeting attended. Mr. Blank, in his capacity as Chairman of the Board for a portion of the year, also received an additional annual cash retainer of $50,000. The chairman of each of the Audit Committee, Compensation Committee, Nominating and Governance Committee and, if a non-employee Trustee, the Executive Committee received additional cash retainers of $15,000, $10,000, $10,000 and $5,000, respectively.

In 2017, the Board approved a minimum fee of $10,000 to members of the ad hoc CEO Search Committee, which was paid to the members of such committee in 2018. The Board also approved one-time fees of $10,000 to each of (i) Ms. Shahon, as chair of the Nominating and Governance Committee, for her significant efforts during 2018 in connection with the director search process that resulted in the appointments of Ms. Weiss and Mr. Federico and the nomination of Ms. Lau, and (ii) Mr. Nettina, as chair of the Audit Committee, for his significant efforts during 2018 in connection with the Chief Financial Officer search process that resulted in the hiring of Mr. Fitzmaurice. The Trust also reimburses all Trustees for expenses incurred in connection with attending any meetings or performing their duties as Trustees.

Stock Ownership Guidelines. The Trust's stock ownership guidelines for non-employee Trustees require such persons to hold directly a number of Shares (including unvested restricted Shares) having a market value no less than three times the then current annual stock grant denominated in Shares for all Trustees. New Trustees have a five-year period to comply with the guidelines. The Compensation Committee reviews the minimum equity holding level and other market trends and practices on a periodic basis. The Compensation Committee has confirmed that all Trustees currently satisfy the guidelines or are within the time period to become compliant.

Deferred Fee Plan. The Trust maintains a Deferred Fee Plan for Trustees. A Trustee may elect to defer the entire annual equity retainer earned for services provided during a subsequent calendar year (“Deferral Year”) by completing and filing a proper deferred fee agreement with the Secretary of the Trust no later than December 31 of the year prior to the Deferral Year. Any shares deferred will be credited to a deferred share account and will be entitled to receive distributions, which at the Trustee’s election will either be paid in cash or will be reinvested in Shares. A Trustee may modify or revoke his or her existing fee deferral election only on a prospective basis, only for an annual equity retainer to be earned in a subsequent calendar year and only if the Trustee executes a new deferred fee agreement or revokes his or her existing deferred fee agreement in writing by December 31 of the year preceding the calendar year for which such modification or revocation is to be effective. The Trustee must elect the end of the deferral period at the time of such election and, except for limited circumstances, no Trustee shall have any right to make any early withdrawals from the Trustee’s deferred fee accounts.

2018 Trustee Compensation Table

Name	Fees Earned or Paid in Cash ($) (1)	Stock Awards ($) (2)(3)(4)	Total ($)
Richard L. Federico[(5)]	3,478	50,302	53,780
Arthur Goldberg	60,000	90,000	150,000
David J. Nettina	75,000	90,000	165,000
Laurie M. Shahon	65,000	90,000	155,000
Andrea M. Weiss[(6)]	11,522	71,013	82,535
Stephen R. Blank	90,000	90,000	180,000
Joel M. Pashcow	45,000	90,000	135,000
Mark K. Rosenfeld[(7)]	25,000	—	25,000
Total	375,000	571,315	946,315

(1) Represents amounts earned in 2018 with respect to the cash retainers.

(2) Reflects 6,813 restricted Shares for each non-employee Trustee (except Mr. Federico and Ms. Weiss), 3,565 restricted Shares for Mr. Federico and 5,131 restricted Shares for Ms. Weiss, in each case granted in 2018 under the 2012 Omnibus Long-Term Incentive Plan. The amounts reported for each non-employee Trustee except Mr. Federico and Ms. Weiss reflect the grant date fair value of each award based on the closing price of the Shares on the NYSE on June 29, 2018 (i.e., $13.21), the last business day prior to the grant date of July 1, 2018. The amount reported for Mr. Federico reflects the grant date fair value of such award based on the closing price of the Shares on the NYSE on December 10, 2018 (i.e., $14.11) and for Ms. Weiss reflects a grant date fair value of each such award based on the closing price of the Shares on the NYSE on September 17, 2018 (i.e., $13.84).

(3) In 2018, the following Trustees elected to defer the receipt of their entire equity retainer under the Trust's Deferred Fee Plan for Trustees as follows:

Name	2018 Stock Deferrals ($)	Deferred Shares Credited (#)
Stephen R. Blank	90,000	6,813
Arthur Goldberg	90,000	6,813

However, such Trustees elected to receive currently the dividend equivalents related to such deferred shares in cash.

(4) As of December 31, 2018, non-employee Trustees did not have any stock options outstanding. As of December 31, 2018, each non-employee Trustee (except Mr. Federico and Ms. Weiss) had 6,813 unvested restricted Shares outstanding, Mr. Federico had 3,565 unvested restricted Shares outstanding and Ms. Weiss had 5,131 unvested restricted Shares outstanding.

(5) Mr. Federico joined the Board on November 30, 2018.

(6) Ms. Weiss joined the Board on September 6, 2018.

(7) Mr. Rosenfeld's service as a Trustee ended on June 18, 2018, the date of the 2018 annual meeting of shareholders.

Communication with the Board

Any shareholder or interested party who desires to communicate with the Board or any specific Trustee(s) can write to the Board at the following address: Board of Trustees, c/o Secretary, RPT Realty, 19 W 44th St. 10th Floor, Ste 1002, New York, NY 10036. All communications received by the Trust’s Secretary which are addressed to the Board or a Committee will be forwarded directly to the members of the Board.

Shareholders, Trust employees, officers, Trustees or any other interested persons who have concerns or complaints regarding accounting or auditing matters of the Trust are encouraged to contact, anonymously or otherwise, the Chairman of the Audit Committee (or any Trustee who is a member of the Audit Committee) at the address above. Such submissions will be treated confidentially.

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EXECUTIVE OFFICERS

The executive officers of the Trust serve at the pleasure of the Board. The executive officers of the Trust as of the record date are as follows:

Name	Age	Title
Brian L. Harper	43	Trustee; President and Chief Executive Officer
Michael Fitzmaurice	40	Executive Vice President and Chief Financial Officer
Timothy Collier	45	Executive Vice President - Leasing
Catherine Clark	60	Executive Vice President - Transactions
Raymond Merk	59	Senior Vice President, Chief Accounting Officer

See “Proposal 1—Election of Trustees” for biographical and other information regarding Mr. Harper.

Michael Fitzmaurice has been Executive Vice President and Chief Financial Officer since June 2018. Mr. Fitzmaurice was employed with Retail Properties of America, Inc. as Senior Vice President of Finance from September 2017 to June 2018, Vice President of Capital Markets & Investor Relations from January 2017 to September 2017 and Vice President of Finance from August 2012 to January 2017. Prior to Retail Properties of America, Inc., Mr. Fitzmaurice spent 11 years at General Growth Properties in various finance, capital markets and accounting roles. In addition, Mr. Fitzmaurice spent two years with Equity Office Properties as a Manager with the Investments/Due Diligence team. Mr. Fitzmaurice received his B.S. in finance from the University of Illinois at Chicago.

Timothy Collier has served as Executive Vice President — Leasing since August 2018. Mr. Collier has over 20 years of experience in the real estate industry and was formerly with Acadia Realty Trust, serving most recently as their Senior Vice President of Leasing from January 2016 to August 2018, Vice President of Leasing from January 2013 to December 2015, and Director of Leasing from May 2011 to December 2012. Mr. Collier has also worked at Kimco Realty and Pyramid Management Group in various leasing roles. Mr. Collier received his B.A. from State University of New York at Oswego, is a Licensed Real Estate Salesperson in the Commonwealth of Massachusetts and a member of the ICSC.

Catherine Clark serves as Executive Vice President — Transactions and has been employed with the Trust since 1997 in various acquisition roles. Previously, Ms. Clark was a Vice President with Farmington Mortgage, a subsidiary of the Fourmidable Group, and Vice President with Amurcon Corporation. Ms. Clark has over 33 years of experience in the real estate industry.

Raymond Merk served as the Trust's acting principal financial officer from April 2018 to June 2018 and has served as the Trust's Chief Accounting Officer since March 2017, having joined the Trust, originally on an interim basis, in September 2016. Prior to joining the Trust, Mr. Merk worked as an independent consultant since June 2016 and as a consultant for Robert Half International Inc. from June 2015 through May 2016. From April 2010 through April 2013, Mr. Merk was the vice president of finance for DynaVox Systems, LLC. Mr. Merk served as chief financial officer and corporate secretary of DynaVox Systems, LLC from May 2013 through May 2015. In addition, Mr. Merk served as the chief financial officer and corporate secretary of DynaVox Inc., DynaVox Systems Holdings, LLC and DynaVox Intermediate LLC, the holding company parents of DynaVox Systems, LLC, from May 2013 through March 2014. DynaVox Inc., DynaVox Systems Holdings, LLC, and DynaVox Intermediate LLC filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in April 2014. Except as described in the preceding sentence, no other event has occurred during the past 10 years requiring disclosure pursuant to Item 401(f) of Regulation S-K. He holds a Bachelor of Science in Business Administration from Ohio Northern University. Mr. Merk is a Certified Public Accountant.

COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Committee of the Board (referred to as the “Committee” in this section), composed entirely of independent Trustees, administers the executive compensation program of the Trust. The Committee’s responsibilities include recommending and overseeing compensation and benefit plans and policies, reviewing and approving equity grants and otherwise administering share-based compensation plans and reviewing and approving annually all compensation decisions relating to the Trust’s executive officers. This section of the proxy statement explains how the Trust’s compensation programs are designed and operated in practice with respect to the named executive officers. The Trusts named executive officers consisted of the following individuals for the year ended December 31, 2018: our President and Chief Executive Officer, Brian L. Harper, our Executive Vice President and Chief Financial Officer, Michael Fitzmaurice, our Executive Vice President—Leasing, Timothy Collier, our Executive Vice President—Transactions, Catherine Clark, our Senior Vice President and Chief Accounting Officer, Raymond Merk, our former President and Chief Executive Officer, Dennis Gershenson, our former Executive Vice President, Chief Financial Officer and Secretary, Geoffrey Bedrosian, our former Executive Vice President and Chief Operating Officer, John Hendrickson, and our former Senior Vice President—Development, Edward A. Eickhoff. Messrs. Gershenson, Hendrickson, Bedrosian and Eickhoff's employment with the Trust ended effective July 1, 2018, April 12, 2018, April 20, 2018, and July 30, 2018, respectively.

Executive Summary

Key Highlights

The following is a summary of key aspects of the Trust’s 2018 business results and its 2018 compensation program for named executive officers:

- Key Executive Transitions in 2018. Brian L. Harper was appointed President and Chief Executive Officer of the Trust and Michael Fitzmaurice was appointed Executive Vice President and Chief Financial Officer of the Trust effective June 15, 2018 and June 18, 2018, respectively. The Trust entered into employment agreements with Messrs. Harper and Fitzmaurice in connection with their appointments. See “—Executive Officer Employment Agreements” for a description of the material terms of such employment agreements. In connection with Mr. Harper’s appointment, the Trust provided written notice to Dennis Gershenson, the former President and Chief Executive Officer of the Trust, of the termination his employment agreement effective July 1, 2018. John Hendrickson, the former Chief Operating Officer of the Trust, departed effective April 12, 2018, and Geoffrey Bedrosian, the former Executive Vice President and Chief Financial Officer of the Trust, resigned effective April 20, 2018. See "Named Executive Officer Compensation Tables—Potential Payments Upon Termination or Change-in-Control" for a description of the benefits such executives were entitled to receive upon separation from the Trust.
- Trust’s 2018 Business Results. During 2018, the Trust completed several key foundational objectives which included the streamlining of the organizational platform, resetting the company culture, conducting a strategic asset review that resulted in the decision to sell approximately $200 million of non-core assets, cultivating a redevelopment pipeline and changing the name of the Trust to RPT Realty. See the section below entitled “—Overview of 2018 Operating Performance and Pay-For-Performance” for a discussion of the Trust's three-year total shareholder return through December 31, 2018.
- Sustainability. In 2018, under the direction of the new management team, the Trust implemented several initiatives towards its long-term commitment to sustainability, with a focus on achieving goals in each of the Environmental, Social and Governance (“ESG”) areas of sustainability.

The Trust's management is focused on creating healthy workspaces and promoting health and wellness for its employees and their families. In 2018, the Trust was recognized for winning Michigan’s Best and Brightest in Wellness for the fifth year in a row. The Best and Brightest in Wellness awards program honors organizations that are making their workplaces, their employees and the community a healthier place to live and work. In addition, the Trust recently adopted “RPT Remote”, a flexible work initiative that allows employees the ability to telecommute one day per week.

The Trust is devoted to philanthropy initiatives and partners with organizations that are committed to improving the overall quality of life in our communities. Each month, the Trust supports a local community organization through charitable giving or volunteerism.

Finally, the New York City office is a Leadership in Energy and Environmental Design ("LEED") certified location. LEED is an internationally recognized green building certification system, providing third-party verification that a building or community was designed and built using strategies aimed at improving performance metrics that matter most: energy savings, water efficiency, CO_2 emissions reduction, improved indoor environmental quality and stewardship of resources and sensitivity to their impacts.

Corporate governance matters are discussed under "Board Matters—Committees of the Board—Nominating and Governance Committee" and "Board Matters—Corporate Governance."

- Multifaceted Compensation Program. In 2018, each named executive officer, except our former President and Chief Executive Officer, Mr. Gershenson, participated in the three primary elements of the Trust's executive compensation program: a base salary; an annual cash bonus; and stock-based long-term incentive awards.
Base salaries provide a fixed component of compensation that is required to retain key executives.
Annual cash bonuses for the Trust's former Chief Executive Officer, Chief Operating Officer and Chief Financial Officer were awarded based upon performance relative to specified incentive targets pursuant to an annual executive incentive plan. The Trust's former Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, who participated in the 2018 Executive Incentive Plan (the "2018 STIP"), separated from the Trust during 2018 and their entitlement to bonus amounts, if any, was determined pursuant to the severance terms of their employment agreements. The employment agreements of the Trust's current Chief Executive Officer and Chief Financial Officer, Messrs. Harper and Fitzmaurice, provide that they will participate in the Trust's annual executive incentive plans going forward; however, for 2018, such officers were entitled to receive guaranteed bonuses equal to their prorated target bonus amount, negotiated in connection with their hiring. Annual cash bonuses for the Trust's other named executive officers are discretionary; however, for 2018, Mr. Collier was entitled to receive a guaranteed bonus equal to his prorated target bonus amount, negotiated in connection with his hiring.
For 2018, for all named executive officers, long-term incentive awards consist half of service-based grants of restricted shares and half of performance-based restricted share units that vest upon the achievement of specified performance criteria, except Mr. Harper's awards, over two-thirds of which consisted of performance-based restricted share units. For Mr. Harper, Mr. Fitzmaurice and Mr. Collier, the long-term incentive awards were granted under the Trust's Inducement Incentive Plan and the service-based grants of restricted shares vest over a three-year period and, for the other named executive officers, the long-term incentive awards were granted under the 2012 Omnibus Long-Term Incentive Plan (referred to throughout this Compensation Discussion and Analysis as the "LTIP") and the service-based grants of restricted shares vest over a five-year period. Pursuant to his employment agreement, Mr. Gershenson was not eligible to receive an annual grant under the Trust's LTIP in 2018 but received a grant of 100,000 restricted shares on January 2, 2018, which vested in full on July 1, 2018, when Mr. Gershenson ceased to be employed by the Trust.
- Base Salary and Annual Bonus Potential. There were no changes to base salaries for executive officers serving in February 2018. In keeping with its belief in appropriate levels of target bonuses, the Committee maintained 2017 target bonus levels for the executive officers serving in early 2018. The 2018 target bonuses were 125% of base salary for Mr. Gershenson, 75% of base salary for each of Mr. Bedrosian and Mr. Hendrickson and 40% of base salary for each of Ms. Clark, Mr. Eickoff and Mr. Merk. For Messrs. Harper and Fitzmaurice, annual base salaries were set at \$750,000 and \$450,000, respectively, and target bonuses were set at 125% and 75% of base salary, respectively, in accordance with their respective employment agreements. Mr. Collier's annual base salary and target bonus were negotiated in connection with his hiring in August 2018 and set at \$400,000 and 65% of base salary.
- Emphasis on Pay-for-Performance. For Messrs. Harper, Fitzmaurice and Collier, performance-based compensation in 2018 consisted only of the performance-based component of their long-term incentive awards and equaled 55%, 23% and 20% of Target Annual Compensation (as defined below and using annualized salary and target bonus amounts), respectively, for such executives since each was entitled to receive a guaranteed bonus equal to his prorated target bonus amount for 2018, negotiated in connection with his hiring. For 2018, performance based compensation for Ms. Clark and Mr. Merk consisted of bonus compensation and the performance-based component of the long-term incentive program and equaled 36% and 34% of Total Annual Compensation, respectively, for such executives. See the table setting forth Target Annual Compensation under "—Overview of 2018 Compensation Actions" below.
- Balance of Short-Term and Long-Term Compensation. For 2018, long-term incentive compensation represented 24-81% of Target Annual Compensation for the named executive officers. Through grants of new long-term awards, unvested amounts of prior awards and stock ownership guidelines, named executive officers have substantial incentives to focus on the long-term performance of the Trust. See the table setting forth Target Annual Compensation under "—Overview of 2018 Compensation Actions" below.

- Policies and Agreements providing for Change in Control and Severance Payments to our Current Named Executive Officers. The Trust maintains a Change in Control Policy applicable to the Trust's executive vice presidents and senior vice presidents, which includes the Trust's named executive officers. Benefits under the policy require a "double trigger," which means a change of control and the actual or constructive termination of employment within one year after the trigger event. In addition, the policy does not provide for a tax gross-up on benefits. The Trust believes that this policy is competitive with policies of its peers and provides executives with incentives to continue working diligently on the Trust's behalf in the event of any possible change of control. For the Trust's Chief Executive Officer, Chief Financial

Officer and Executive Vice President—Leasing, the change in control and severance terms of their employment agreements or offer letter govern. Also, in April 2018 the Trust entered into an Agreement Regarding Severance with certain officers, which provides for severance benefits if such executive incurs a separation from service by reason of an involuntary termination. See "—Executive Officer Employment Agreements" for a description of the material terms of such agreements.

- Shareholder Support for Compensation Program for Named Executive Officers. The Trust's say-on-pay proposal at the 2018 annual meeting was approved by approximately 97% of the votes cast on the proposal. The Committee and Board discussed the results of such shareholder vote. In light of the significant shareholder support and many other factors discussed herein, the Committee determined to make changes to the compensation policies and programs for the named executive officers only as described below.

Overview of 2018 Compensation Actions

In February 2018, the Committee made no changes to annual base salaries or target annual cash bonuses and established target long-term incentive awards (collectively, the "Target Annual Compensation") for each named executive officer then serving as an executive officer. In considering the appropriate levels of Target Annual Compensation, the Committee balanced the need to retain and motivate the Trust's named executive officers while managing the Trust's cash and non-cash expense and strengthening the alignment of management with the Trust's shareholders.

In February 2018, the Committee continued awarding cash bonuses based upon Trust performance relative to specified incentive targets pursuant to the 2018 STIP for the Trust's former Chief Executive Officer, Chief Operating Officer and Chief Financial Officer or on a discretionary basis for other named executive officers serving as executive officers at such time. The Committee revised the 2018 STIP incentive targets compared to the prior year by replacing the incentive targets relative to strategic acquisitions and dispositions with incentive targets relating to achievement of non-anchor leased occupancy percentages at year-end and cash on cash yield percentages on investments approved by the Management Investment Committee either to retenant existing space or for other operating capital (not including acquisitions), while maintaining the incentive targets relating to operating FFO (funds from operations, as adjusted for certain one-time items) per share and the ratio of net debt to annualized pro forma adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) that have been used in prior years. Pursuant to their employment agreements, the Trust's current Chief Executive Officer and Chief Financial Officer, Messrs. Harper and Fitzmaurice, will participate in the Trust's annual executive incentive plans going forward; however, for 2018, such officers were entitled to receive guaranteed bonuses equal to their prorated target bonus amount, negotiated in connection with their hiring. Mr. Collier's annual cash bonus will generally be discretionary; however, for 2018, he was also entitled to receive a guaranteed bonus equal to his prorated target bonus amount, negotiated in connection with his hiring. In February 2019, the Committee exercised its discretion to pay discretionary amounts above the guaranteed or target amounts for all named executive officers except Mr. Harper.

The Committee also continued its practice of awarding grants of service-based restricted shares and performance-based share units under the Trust's LTIP. The Committee made no change to long-term incentive targets for 2018, which were equal to 45% to 125% of base salary for the named executive officers serving as executive officers in February 2018 other than Mr. Gershenson. Pursuant to his employment agreement, Mr. Gershenson was not eligible to receive an annual grant under the Trust's LTIP in 2018 but received a grant of 100,000 restricted shares on January 2, 2018, which vested in full on July 1, 2018, when Mr. Gershenson ceased to be employed by the Trust.

For 2018, the long-term incentive awards granted to executive officers serving in February 2018 were divided equally between service-based restricted shares vesting in five equal installments on the anniversaries of the date of grant and performance-based restricted share units that vest based upon the Trust's total shareholder return relative to a defined peer group over a period of three calendar years (with such measures established by the Committee at the beginning of the three-year period). Performance (relative to the peer group) at the 33rd, 50th and 90th percentiles resulted in payouts of 50%, 100% and a maximum 200%, respectively, of the target incentive with a linear adjustment in payout between the performance levels. At the end of the performance period, any performance-based restricted share units earned will be vested and settled in the form of unrestricted Shares in March of the following year.

Messrs. Harper, Fitzmaurice and Collier were granted long-term incentive awards upon commencement of their employment with the Trust under the Trust's Inducement Incentive Plan. Messrs. Harper, Fitzmaurice and Collier were granted (i) restricted shares equal to $2,250,000, $325,000 and $225,000, respectively, divided by the closing price of the Shares on the day prior to such executive's grant date, which will vest in equal installments on the first three anniversaries of the grant date and (ii) performance shares equal to $4,750,000, $325,000 and $225,000, respectively, divided by the closing price of the Shares on the day prior to such executive's grant date. The performance shares granted to Messrs. Harper, Fitzmaurice and Collier have the same terms as the Trust’s 2018 grant of performance shares to other executives, but will be based on the Trust’s total shareholder return relative to a defined peer group over a period from the grant date through December 31, 2020.

The following table sets forth the Target Annual Compensation for the named executive officers in 2018:

Name	Annual Base Salary ($)	Target Annual Bonus ($)(1)	Target Long-term Incentive Award- (Performance-Based Rest. Share Units) ($)	Long-term Incentive Award- (Service Based Rest. Stock) ($)	Target Annual Compensation 2018 ($)	Target Performance-Based Compensation (% of Target Comp) (2)
Brian L. Harper(3)	750,000	937,500	4,750,000	2,250,000	8,687,500	55%
Michael Fitzmaurice(3)	450,000	337,500	325,000	325,000	1,437,500	23%
Timothy Collier(3)	400,000	260,000	225,000	225,000	1,110,000	20%
Catherine Clark(4)	335,002	134,001	125,626	125,626	720,255	36%
Raymond Merk	250,000	100,000	56,250	56,250	462,500	34%
Dennis Gershenson(5)	731,300	914,125	—	1,479,000	3,124,425	29%
Geoffrey Bedrosian(5)	463,500	347,625	289,688	289,688	1,390,501	46%
John Hendrickson(5)	463,500	347,625	289,688	289,688	1,390,501	46%
Edward A. Eickhoff(5)	304,796	121,918	114,299	114,299	655,312	36%

(1) Does not include (i) cash starting bonuses for Messrs. Harper and Fitzmaurice of $500,000 and $170,000, respectively, (ii) a one-time, special bonus to Mr. Merk of $50,000 and (iii) the discretionary amounts above the guaranteed or target bonus amounts for 2018 that the Committee exercised discretion to pay to all named executive officers except Mr. Harper.

(2) For all named executive officers except Messrs. Harper, Fitzmaurice and Collier, represents Target Annual Bonus plus Target Long-term Incentive Award (Performance-Based Restricted Share Units), divided by Target Annual Compensation 2018. For Messrs. Harper, Fitzmaurice and Collier, represents Target Long-term Incentive Award (Performance-Based Restricted Share Units), divided by Target Annual Compensation 2018 (using annualized amounts for Annual Base Salary and Target Annual Bonus and considering that Target Annual Bonus was not "performance-based" in 2018 since such officers were entitled to receive guaranteed bonuses equal to their prorated target bonus amount). If prorated amounts were used for base salary and target bonus, the percentage of performance-based compensation would be higher than reflected in the table.

(3) Annual Base Salary and Target Annual Bonus reflect annualized amounts for Messrs. Harper, Fitzmaurice and Collier and do not reflect that such officers' base salaries and bonus amounts were prorated for the portion of 2018 that each such officer was employed by the Trust.

(4) Does not include a discretionary equity grant of 1,250 shares of service-based restricted shares Ms. Clark received in 2018 since such grant is not expected to be recurring annually.

(5) Does not address or include severance payments or amounts foregone in connection with such officers' separation from the Trust.

Overview of 2018 Operating Performance and Pay-For-Performance

Target Performance Metrics. At the beginning of 2018, the Trust established the following corporate financial objectives that management and the Board deemed important to the short-term and long-term success of the Trust to serve as a payment condition for annual cash bonuses for our former Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, who were participants in the 2018 STIP: (1) to maximize income and cash flow, with a target Operating FFO (funds from operations, as adjusted for certain one-time items) per diluted share, (2) to grow leased occupancy, with a target non-anchor leased occupancy at year-end, (3) to retanant existing space and maximize return on operating capital, with a target cash on cash yield on investments approved by the Management Investment Committee at year-end and (4) to operate with acceptable levels of leverage, with a target ratio of net debt to annualized pro forma adjusted EBITDA (earnings before interest, taxes, depreciation and amortization).

Long-term performance-based incentive grants are based upon the Trust’s prospective total shareholder return relative to a defined peer group over a 3-year period (or shorter period starting on the grant date for Messrs. Harper, Fitzmaurice and Collier). Performance (relative to the peer group) at the 33rd, 50th and 90th percentiles results in payouts of 50%, 100% and a maximum 200%, respectively, of the target incentive with a linear adjustment in payout between the performance levels.

The Committee retains discretion to revise performance-based compensation for individual performance or extraordinary circumstances. The Committee also retains discretion to provide bonuses outside the Trust’s annual bonus plan, make equity grants other than under the existing long-term incentive program and to provide other compensation.

2018 Results and Earned Compensation. Generally, the named executive officers that participate in the annual equity incentive plan earn their bonus amounts to the extent performance measures are achieved. To the extent target performance measures are not achieved or are exceeded, the named executive officers generally will earn compensation below or above their target bonus amounts, respectively. However, in 2018, the Trust's former Chief Executive Officer, Chief Operating Officer and Chief Financial Officer separated from the Trust and their entitlement to bonus amounts, if any, was determined pursuant to the severance terms of their employment agreements. The employment agreements of the Trust's current Chief Executive Officer and Chief Financial Officer, Messrs. Harper and Fitzmaurice, provide that they will participate in the Trust's annual executive incentive plans going forward; however, for 2018, such officers were entitled to receive guaranteed bonuses equal to their prorated target bonus amount, negotiated in connection with their hiring. Accordingly, since all participants in the 2018 STIP separated from the Trust prior to the end of the year, none of the named executive officers were paid bonuses for 2018 based on the Trust’s performance in accordance with the 2018 STIP.

For the other named executive officers, annual bonuses are generally determined at the discretion of the Committee, based upon a review of corporate, departmental and individual performance, together with input from the Chief Executive Officer; however, for 2018, Mr. Collier was entitled to receive a guaranteed bonus equal to his prorated target bonus amount, negotiated in connection with his hiring.

In February 2019, the Committee exercised its discretion to pay discretionary amounts above the guaranteed or target bonus amounts for all named executive officers except Mr. Harper.

For the Trust’s 2016-2018 performance based restricted share unit awards under the long-term incentive program, from the beginning of the performance period in January 2016 through December 31, 2018, the Trust’s annualized 3-year total shareholder return was (4.2)%, which ranked at the 75^{th} percentile of the peer group. In June 2018, Mr. Gershenson's performance based cash and restricted share unit awards under the Trust's LTIP for the 2016-2018 and 2017-2019 performance periods were amended so that Mr. Gershenson is entitled to receive the cash payment or Shares, to the extent earned, even if Mr. Gershenson is not employed by the Trust on the date such awards are earned. Accordingly, such performance resulted in 162.5% of the 2016-2018 performance-based restricted share awards being earned for Mr. Gershenson and Ms. Clark, which were settled in cash. For the Trust’s 2016-2018 performance-based cash award for Mr. Gershenson under the LTIP, the Committee determined to pay the cash award at target, resulting in a payment of $276,900 to Mr. Gershenson.

Compensation Philosophy, Program Objectives and Key Features

The Trust's compensation program for named executive officers is designed to:

- establish and reinforce the Trust's pay-for-performance philosophy;
- motivate and reward the achievement of specific annual and long-term financial and strategic goals of the Trust;
- link actual compensation earned to the relative performance of the Trust's total shareholder return as compared against the peer companies;
- attract, retain and motivate key executives critical to the Trust's operations and strategies; and
- be competitive relative to peer companies.

In furtherance of the foregoing, the Trust's compensation program for named executive officers historically has consisted of a base salary, an annual bonus, long-term incentive compensation and certain other benefits. The Trust also provides certain deferred compensation and severance arrangements.

The Committee recognizes that a compensation program must be flexible to address all of its objectives. The Committee historically has used market data as a compensation guideline and the Committee also considers Trust performance, individual performance reviews, hiring and retention needs and other market factors in finalizing its compensation determinations. The Committee customarily takes significant direction from the recommendations of the Chief Executive Officer and market data from third party consultants to determine the amount and form of compensation utilized in the executive compensation program. See "Process for Making Compensation Determinations — Advisors Utilized in Compensation Determinations" below.

The following table sets forth how each element of compensation in the 2018 executive compensation program is intended to satisfy one or more of the Trust's compensation objectives, as well as key features of the compensation elements that address such objectives.

Element of Compensation	Compensation Objectives	Key Features
Base Salary	• Provide a minimum, fixed level of cash compensation • Important factor in retaining and attracting key employees in a competitive marketplace • Preserve an employee's commitment during downturns in the general economy, the REIT industry and/or equity markets	• Changes based on an evaluation of the individual's experience, current performance, potential for advancement, internal pay equity and comparison to peer groups
Annual Bonus Program	• Incentive for the achievement of short-term Trust performance • The bonus plan for the CEO and CFO enhances "pay-for-performance" compensation and ensures greater transparency for the most significant executives • Assist in retaining, attracting and motivating employees in the near term • To the extent paid in cash, provides a balance for volatile equity compensation	• CEO and CFO typically eligible for bonuses upon the achievement of specified targets (but entitled to prorated target bonus for 2018 only); target bonus for the CEO was 125% of base salary and for CFO was 75% of base salary • Other named executive officers generally have discretionary bonuses with targets of 40-65% of base salary (but our EVP-Leasing is entitled to prorated target bonus for 2018 only)
Long-Term Share-Based Incentive Awards	• Provide incentive for employees to focus on long-term fundamentals and thereby create long-term shareholder value	• Stock ownership guidelines – reinforce focus on long-term fundamentals

	• Provide incentive to focus on strategic performance objectives established by the Compensation Committee • Maintain shareholder-management alignment	• Annual targets of 75% to 267% of base salary, with larger initial inducement awards grated to CEO and CFO in 2018
Service-Based Restricted Shares	• Provides upside incentive, with some down market protection	• Generally 50% of long-term incentive compensation award • Generally vests in five equal installments on the anniversaries grant date; upon vesting, 100% of the award is immediately settled in unrestricted shares (but 2018 inducement awards to three new executive officers vest in three equal installments)

Element of Compensation	Compensation Objectives	Key Features
Performance-Based Restricted Share Units	• Enhances pay-for-performance objective • Incentive for the achievement of three-year performance goals	• Generally 50% of long-term incentive compensation award (but in 2018 CEO award was over two-thirds in the form of performance-based restricted share units) • Earned based on total shareholder return over three-year period; potential to earn 0% to 200% of target based on performance • Upon satisfaction of the performance measures, the award is settled in unrestricted shares
Perquisites and Other Benefits	• Assist in retaining and attracting employees in competitive marketplace, with indirect benefit to Trust	• May include life insurance premiums, disability coverage, medical and dental benefits, matching contributions in 401(k) plan, relocation and housing allowances and mileage reimbursement
Change of control policy	• Ensure continued dedication of employees in case of personal uncertainties or risk of job loss • Ensure compensation and benefits expectations are satisfied • Retain and attract employees in a competitive market	• Double trigger (change of control and actual or constructive termination of employment) required for benefits • All executive officers participate in such policy, except the CEO and CFO, whose employment agreements govern
Employment agreements	• Retain and attract employees in a competitive market • Ensure continued dedication of employees in case of personal uncertainties or risk of job loss	• Messrs. Gershenson, Hendrickson and Bedrosian each had an employment agreement and Messrs. Harper and Fitzmaurice each have an employment agreement with the Trust. Ms. Clark is entitled to certain severance benefits in the event of an involuntary termination pursuant to an agreement regarding severance and Mr. Collier entered into an offer letter with the Trust that provides certain benefits. See "—Executive Officer Employment Agreements" for a description of the material terms of such employment agreements.

Process for Making Compensation Determinations

Advisors Utilized in Compensation Determinations

Management and Other Employees. The Committee takes significant direction from the recommendations of the Chief Executive Officer regarding the design and implementation of the executive compensation program because he has significant involvement in, and knowledge of, the Trust’s business goals, strategies and performance, the overall effectiveness of the executive officers and each person’s individual contribution to the Trust’s performance. For each named executive officer, the Committee is provided a compensation recommendation as well as information regarding historical earned compensation, the individual’s experience, current performance, potential for advancement and other subjective factors and from time-to-time the Committee will review the performance evaluations of the named executive officers. With the assistance of Meridian, the Trust provides recommendations for the performance metrics to be utilized in the incentive compensation programs, the appropriate performance targets and an analysis of whether such performance targets have been achieved (including recommended adjustments). The Committee retains the discretion to modify the recommendations of the Chief Executive Officer and reviews such recommendations for their reasonableness based on the Trust’s compensation philosophy and related considerations.

Generally, the Committee sets the meeting dates and agendas for Committee meetings and the Chief Executive Officer is invited to attend many of such meetings. The Committee also meets regularly in executive session outside the presence of management to discuss compensation issues generally, as well as to review the performance of and determine the compensation of the Chief Executive Officer. The Trust’s legal advisors, human resources department and corporate accounting department support the Committee in its work in developing and administering the compensation plans and programs.

Third-Party Consultants. With respect to the 2018 executive compensation program, the Compensation Committee engaged Meridian to discuss best-practices and market trends in executive compensation, provide a detailed analysis of the long-term incentive program and provide guidance with respect to the compensation terms of each of Mr. Harper's and Mr. Fitzmaurice's employment agreement. In addition, the Committee and the Chief Executive Officer use market data as an important guideline in establishing target compensation, with the objective of having various compensation elements at or slightly above the market median. In past years, the Committee utilized benchmarking by job responsibilities and position in establishing certain compensation levels, which continues to impact the compensation levels in 2018. While benchmarking by job responsibilities and position has been a significant factor in the Trust’s compensation program for the named executive officers in prior years, the Committee did not utilize formal benchmarking in 2018.

Compensation Differences Among Named Executive Officers

The Trust does not have a fixed internal pay equity scale but rather determines the compensation for each role based upon scope of responsibility and market rates of compensation. Prior to June 2018, Mr. Gershenson, the Trust's former President and Chief Executive Officer, and after June 2018, Mr. Harper, the Trust's current President and Chief Executive Officer, led the management of the Trust across all departments and served as management’s representative on the Board. The other named executive officers are responsible for key operating divisions of the Trust. The total compensation among our named executive officers varies as a result of each named executive officer’s individual performance and overall duties and responsibilities.

2018 Compensation Determinations

Base Salary

In February 2018, the Committee made no changes to the base salaries of the named executive officers serving in February 2018. For Messrs. Harper, Fitzmaurice and Collier, the named executive officers hired in 2018, base salaries were negotiated in connection with their hiring.

Annual Bonus

2018 STIP. In February 2018, the Committee approved the adoption of the 2018 STIP for the Trust’s former Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.

For the 2018 STIP, the Committee tied payment of any bonuses under the 2018 STIP to the following corporate financial objectives: (1) to maximize income and cash flow, with a target Operating FFO (funds from operations, as adjusted for certain one-time items) per diluted share, (2) to grow leased occupancy, with a target non-anchor leased occupancy at year-end, (3) to retenant existing space and maximize return on operating capital, with a target cash on cash yield on investments approved by the Management Investment Committee at year-end and (4) to operate with acceptable levels of leverage, with a target ratio of net debt to annualized pro forma adjusted EBITDA. The target bonus for Mr. Gershenson was 125% of base salary and for Messrs.

Hendrickson and Bedrosian was 75% of base salary. Bonus payout levels may be at threshold (50% of target incentive), target (100% of target incentive) or maximum (200% of target incentive) for each of the Operating FFO per share, non-anchor leased occupancy at year-end, and management investment committee yield metrics, which accounted for 80%, 10% and 10% of the potential award, respectively, with a linear increase between such levels, and with payment of the award amounts at the 0%, 75%, 85%, 100% or 110% levels, subject to achievement of a ratio of net debt to annualized pro forma adjusted EBITDA at year end equal to or less than the ratios established by the Compensation Committee.

For purposes of the 2018 STIP, annualized pro forma adjusted EBITDA means earnings before interest, income taxes, depreciation and amortization of the Trust's consolidated businesses, excluding gains, losses and impairment charges on real estate assets (except for gains on land sales in the ordinary course of business) and gains and losses on the extinguishment of debt, calculated by annualizing such amounts from the fourth quarter of the year. Annualized pro forma adjusted EBITDA should not be considered as an alternative to net income (computed in accordance with GAAP) or as an alternative to cash flow as a measure of liquidity.

Target Bonus. The 2018 target bonuses were 125% of base salary for each of Messrs. Harper and Gershenson, 75% of base salary for each of Messrs. Fitzmaurice, Bedrosian and Hendrickson, 65% of base salary for Mr. Collier and 40% of base salary for each of Ms. Clark, Mr. Merk and Mr. Eickoff.

Earned Bonus. All the named executive officers participating in the 2018 STIP separated from the Trust during 2018 and their entitlement to bonus amounts, if any, was determined pursuant to the severance terms of their employment agreements. The employment agreements of the Trust's current Chief Executive Officer and Chief Financial Officer, Messrs. Harper and Fitzmaurice, provide that they will participate in the Trust's annual executive incentive plans going forward; however, for 2018, such officers were entitled to receive guaranteed bonuses equal to their prorated target bonus amount, negotiated in connection with their hiring. Accordingly, none of the named executive officers were paid bonuses for 2018 based on the Trust's performance in accordance with the 2018 STIP. The target bonus for the other named executive officers is discretionary, with payouts based upon the Committee's subjective review of a variety of corporate, department and individual factors, along with the Committee's view of the market and of the Trust's need to retain its key executives, except that, for 2018, Mr. Collier was entitled to receive a guaranteed bonus equal to his prorated target bonus amount, negotiated in connection with his hiring. In February 2019, the Committee exercised its discretion to pay discretionary amounts above the guaranteed or target amounts for all named executive officers except Mr. Harper.

Set forth below are the target annual bonuses in 2018 and the earned annual bonuses in 2017 and 2018 for the Trust's named executive officers:

Name	Earned Annual Bonus 2017	Target Annual Bonus 2018	Earned Annual Bonus 2018
Brian L. Harper[(1)]	—	$511,000	$511,000
Michael Fitzmaurice[(1)]	—	$181,000	$256,000
Timothy Collier[(1)]	—	$106,850	$136,850
Catherine Clark	$165,000	$134,000	$184,000
Raymond Merk[(2)]	$63,200	$100,000	$150,000
Dennis Gershenson	$784,319	$914,125	$914,125[(3)]
Geoffrey Bedrosian	$298,262	$347,625	[(4)]
John Hendrickson	$298,262	$347,625	$90,335[(5)]
Edward A. Eickhoff	$117,000	$121,918	$157,404[(6)]

(1) Messrs. Harper, Fitzmaurice and Collier joined the Trust in 2018. Their target and earned annual 2018 bonuses are shown prorated for the portion of 2018 during which they were employed by the Trust. The amounts above do not include cash starting bonuses for Messrs. Harper and Fitzmaurice of $500,000 and $170,000, respectively. For 2018, such executives were entitled to receive guaranteed bonuses equal to their prorated target bonus amount, negotiated in connection with their hiring. For Messrs. Fitzmaurice and Collier, the Compensation Committee paid discretionary amounts above such guaranteed bonuses for 2018.

(2) The amounts above do not include a one-time special cash bonus for Mr. Merk of $50,000.

(3) Mr. Gershenson was no longer employed by the Trust effective July 1, 2018 and, pursuant to his employment agreement, he is entitled to receive his target 2018 STIP award for the term of the agreement (but in no event longer than 36 months) in accordance with the Trust's normal payroll practices.

(4) Mr. Bedrosian resigned from the Trust effective April 20, 2018 and was not eligible to receive a bonus payment for 2018.

(5) Mr. Hendrickson was no longer employed by the Trust effective April 12, 2018 and, pursuant to his employment agreement, received a pro rata portion of his bonus through April 30, 2018 calculated based on his average annual bonus payments for the two most recently completed full fiscal years of the Trust.

(6) Mr. Eickhoff was no longer employed by the Trust effective July 30, 2018 and received this amount as severance under his severance agreement.

Mr. Harper, Mr. Fitzmaurice, Mr. Collier, Ms. Clark and Mr. Merk earned 100%, 141%, 128%, 137% and 150%, respectively, of their respective target annual or prorated bonuses in 2018. The discretionary bonus approvals reflected the Trust's completion of several key foundational objectives, which included the streamlining of the organizational platform, resetting the company culture, conducting a strategic asset review that resulted in the decision to sell approximately $200 million of non-core assets, cultivating a redevelopment pipeline and changing the name of the Trust to RPT Realty. Mr. Merk also received a one-time, special cash bonus of $50,000 reflecting his contributions to the Trust as acting principal financial officer from April 20, 2018 to June 18, 2018.

Long-Term Incentive Compensation

In February 2018, the Committee approved the Trust’s long-term incentive compensation program, setting long-term incentive targets of 45% to 125% of base salary for the named executive officers serving as executive officers in February 2018, other than Mr. Gershenson. The long-term incentive program consists of grants of service-based restricted shares and performance-based restricted share units. The service-based restricted shares vest in five equal installments on the anniversaries of the date of grant and the performance-based restricted share units are earned based on the achievement of specific performance measures over a period of three calendar years (with such measures established by the Committee at the beginning of the three-year period). Upon satisfaction of the specified performance measures, any performance-based restricted share units earned will be vested and settled in the form of unrestricted shares in March of the following year.

The sole performance measure for the performance-based restricted share units is relative total shareholder return over a three-year period. The fifteen peer companies are publicly traded shopping center REITs, which were selected based on the Committee’s view that such REITs were the Trust’s primary competitors for shareholder investment: Acadia Realty Trust, Brixmor Property Group Inc., Cedar Realty Trust, Inc., Federal Realty Investment Trust, Kimco Realty Corporation, Kite Realty Group Trust, Regency Centers Corporation, Retail Opportunity Investments Corp., Retail Properties of America, Inc., SITE Centers Corp., Saul Centers, Inc., Urban Edge Properties, Urstadt Biddle Properties Inc., Washington Prime Group, Inc., and Weingarten Realty Investments. The achievement of 33rd percentile, 50th percentile, 90th percentile and above corresponds to payouts of 50%, 100% and 200%, respectively, of the target incentive. There is a linear increase in payout between the performance levels, up to a maximum of 200%.

The LTIP grants for the 2018 compensation program for executive officers serving in February 2018 were as follows:

Name	LTIP Award ($)	Target Restricted Share Units (Performance-Based) (#)	Restricted Shares (Service-Based) (#)
Catherine Clark	251,252	10,566	10,566
Raymond Merk	112,500	4,731	4,731
Geoffrey Bedrosian	579,376	24,364	24,364
John Hendrickson	579,376	24,364	24,364
Edward A. Eickhoff	228,598	9,613	9,613

In June 2018, Ms. Clark also received a discretionary grant of 1,250 service-based restricted Shares that vest in three equal installments on March 1, 2019, 2020 and 2021.

Pursuant to his employment agreement, Mr. Gershenson was not eligible to receive an annual grant under the Trust’s LTIP in 2018 but received a grant of 100,000 restricted Shares on January 2, 2018, which vested in full on July 1, 2018, when Mr. Gershenson ceased to be employed by the Trust.

In connection with their hiring, Messrs. Harper, Fitzmaurice and Collier were granted long-term incentive awards upon commencement of their employment with the Trust under the Trust's Inducement Incentive Plan. Messrs. Harper, Fitzmaurice and Collier were granted (i) restricted shares equal to $2,250,000, $325,000 and $225,000, respectively, divided by the closing price of the Shares on the day prior to such executive's grant date, which will vest in equal installments on the first three anniversaries of the grant date and (ii) performance shares equal to $4,750,000, $325,000 and $225,000, respectively, divided by the closing price of the Shares on the day prior to such executive's grant date. The performance shares granted to Messrs. Harper, Fitzmaurice and Collier have the same terms as the Trust's 2018 grant of performance shares to other executives, but will be based on the Trust's total shareholder return relative to a defined peer group over a period from the grant date through December 31, 2020.

Long-term incentive awards under the Inducement Incentive Plan for Messrs. Harper, Fitzmaurice and Collier were as follows:

Name	Long-Term Incentive Award ($)	Target Restricted Share Units (Performance-Based) (#)	Restricted Stock (Service-Based) (#)
Brian L. Harper	7,000,000	371,966	176,195
Michael Fitzmaurice	650,000	25,571	25,571
Timothy Collier	450,000	17,189	17,189

Equity Compensation—Other Policies

Stock Ownership Guidelines. The Trust's stock ownership guidelines for executive officers require our executive officers to hold directly a number of Shares (including unvested restricted Shares) having a market value equal to a multiple of their then current base salary; the Chief Executive Officer's multiple is six and all other executive officers' multiple is three. The Committee reviews the minimum equity holding level and other market trends and practices on a periodic basis. The Committee has confirmed that all executive officers currently satisfy the guidelines or are within the time period to become compliant.

Timing and Pricing of Share-Based Grants. The Trust does not coordinate the timing of share-based grants with the release of material non-public information. Annual equity grants for executive officers and other employees are generally made at the first Committee meeting each year with a grant date as of such approval or shortly thereafter. Further, awards that are subject to performance measures are generally granted at the first Committee meeting of the year following satisfaction of such performance measures. The Committee generally establishes dates for regularly scheduled meetings at least a year in advance.

In accordance with the Trust's compensation plans, the exercise price of each option, if any, is the closing price of the shares (as reported by the NYSE) on the grant date (which date is not earlier than the date the Committee approved such grant). The Committee is prohibited from repricing options, both directly (by lowering the exercise price) and indirectly (by canceling an outstanding option and granting a replacement option with a lower exercise price), without shareholder approval, except in limited circumstances such as a stock split, stock dividend, special dividend or distribution or similar transactions.

Trading Limitations. In addition to the restrictions set forth in SEC regulations, the Trust has an insider trading policy, which among other things, prohibits Trustees, executive officers and other employees from engaging in short sales, trading in options or participating in any other speculative investments relating to the Trust's stock.

Perquisites and Other Personal Benefits

The Trust historically provides named executive officers with perquisites and other personal benefits that the Committee believes are reasonable and consistent with its overall compensation program to enable the Trust to attract and retain employees for key positions. See "Named Executive Officer Tables—Summary Compensation Table" and the footnotes thereto for a description of certain perquisites provided to the named executive officers in 2018.

Deferred Stock

The Committee believes nonqualified deferred compensation arrangements are a useful tool to assist in tax planning and ensure retirement income for its named executive officers. Existing deferred compensation arrangements do not provide for above-market or preferential earnings as defined under SEC regulations.

Under the Trust's Deferred Compensation Plan for Officers, an officer can elect to defer restricted shares which may be granted during a subsequent calendar year. No executive officers elected to defer his or her restricted share grants in 2018.

Contingent Compensation

The Trust has a Change of Control Policy applicable to any executive vice president or any senior vice president, which includes all named executive officers. The policy provides for payments of 2.0 times the sum of the person's base compensation plus his or her target bonus for the year in which the termination occurs if such person's employment with the Trust or any subsidiary is terminated in specified circumstances following a change of control. The policy does not provide for any tax gross-up payments.

The Trust believes this policy would be instrumental in the success of the Trust in the event of any future hostile takeover bid and would ensure the continued dedication of employees, notwithstanding the possibility, threat or occurrence of a change of control. Further, it is imperative to diminish the inevitable distraction of such employees by virtue of the personal uncertainties and risks created by a pending or threatened change of control, and to provide such employees with compensation and benefits upon a change of control that ensure that such employees' compensation and benefits expectations are satisfied. Finally, many competitors have change of control arrangements with named executive officers and such policy ensures the Trust will be competitive in its compensation program. See "Named Executive Officer Compensation Tables—Potential Payments Upon Termination or Change-in-Control" for further information.

The Trust has employment agreements with Messrs. Harper and Fitzmaurice and an offer letter with Mr. Collier that provide for specified severance benefits, including termination upon a change of control. See "—Executive Officer Employment Agreements" below for a description of the material terms of such employment agreements and the offer letter.

Also, in April 2018 the Trust entered into an agreement regarding severance with Ms. Clark and Mr. Eickhoff , which provides for severance benefits if such executive incurs a separation from service by reason of an involuntary termination, and an offer letter with Mr. Collier, which provides for specified severance benefits in certain circumstances, including in connection with a change of control. See "—Executive Officer Employment Agreements" below for a description of the material terms of such agreements and "Named Executive Officer Compensation Tables—Potential Payments Upon Termination or Change-in-Control" for further information regarding potential payments (and actual payments to Mr. Eickhoff) under these agreements.

Policy Regarding Retroactive Adjustment

The Trust does not have a formal policy regarding whether the Committee will make retroactive adjustments to, or attempt to recover, cash or share-based incentive compensation granted or paid to senior management in which the payment was predicated upon the achievement of certain financial results that are subsequently the subject of a restatement. The Committee intends to adopt an appropriate recoupment policy following the approval of applicable regulations required by the Dodd-Frank Act.

Prohibition on Hedging and Pledging

The Trust has adopted an anti-hedging policy that prohibits its trustees, officers and employees from (i) trading in Trust securities on a short-term basis, (ii) short sales and (iii) buying or selling puts and calls and an anti-pledging policy that (1) prohibits trustees and officers from pledging Trust securities as collateral to secure debt or engaging in transactions where the Trust's securities are held in a margin account and (2) strongly encourages all other Trust employees to avoid such transactions.

Executive Officer Employment Agreements

Brian L. Harper's Employment Agreement

Effective April 4, 2018, the Trust entered into an employment agreement with Mr. Harper. The employment agreement provides that Mr. Harper will receive (1) a $750,000 annual base salary, (2) participation in the Trust's annual Executive Incentive Plan ("STIP") with a target award no less than 125% of annual base salary (with a guaranteed bonus of at least his target bonus for 2018 prorated for the portion of the year during which he was employed by the Trust), (3) participation in the LTIP beginning in 2019, with a target award no less than $2,000,000 and (4) inducement awards under the Inducement Plan (as defined below), which include (i) restricted Shares equal to $2,250,000 divided by the closing price of the Shares on the day prior to June 15, 2018, the effective date of Mr. Harper's employment with the Trust (the "Start Date"), which will vest in equal installments on the first three anniversaries of the grant date and (ii) performance shares equal to $4,750,000 divided by the closing price of the Shares on the day prior to the Start Date, which will vest on the third anniversary of the grant date. The performance shares will have the same terms as the Trust's 2018 grant of performance shares to other executives, but will be based on the Trust's total shareholder return compared to the total shareholder return for the members of the Trust's peer group for the period from the Start Date through December 31, 2020. Threshold performance (50%) will be at the 33rd percentile for the peer group; target performance (100% payout) will be at the 50th percentile of the peer group;

and maximum performance (200% payout) will be at the 90th percentile of the peer group. Mr. Harper will receive other perquisites, such as paid vacation, and health and insurance benefits, generally consistent with those provided to other Trust executive officers. Mr. Harper also received a cash starting bonus of $500,000 on the Start Date.

The term of the employment agreement is through June 30, 2021. However, in the event of a termination without Cause or for Good Reason prior to the end of the term (and not within 24 months following a Change in Control), each as defined in the employment agreement, Mr. Harper will be entitled to receive (1) 1.5 times the sum of Mr. Harper’s annual base salary and annual STIP award, payable in equal monthly installments for a period of up to 18 months; (2) any earned but not yet paid incentive awards for already completed years or award cycles; (3) a prorated portion of the STIP award for the year of termination calculated based on actual performance and (4) continued health benefits for 18 months. In the event of a termination of Mr. Harper without Cause or for Good Reason within 24 months following a Change in Control (as defined in the employment agreement), the employment agreement provides that Mr. Harper will receive (1) 2 times the sum of Mr. Harper’s annual base salary and annual STIP award, payable in equal monthly installments for a period of up to 24 months; (2) any earned but not yet paid incentive awards for already completed years or award cycles; (3) a prorated portion of the STIP award for the year of termination and (4) continued health benefits for 18 months. Mr. Harper’s right to receive the foregoing is conditioned upon his execution of a general release of claims, which becomes irrevocable, for the benefit of the Trust. In the event of a termination of Mr. Harper’s employment for Cause or by Mr. Harper without Good Reason prior to the first anniversary of the Start Date, the $500,000 bonus paid on Mr. Harper’s Start Date must be repaid by Mr. Harper.

During employment and thereafter, Mr. Harper is subject to confidentiality and non-disparagement requirements. During employment and for 12 months after the termination of employment, Mr. Harper is subject to non-competition requirements. During employment and for 24 months after the termination of employment, Mr. Harper is subject to non-solicitation requirements.

Michael Fitzmaurice’s Employment Agreement

In June 2018, the Trust and Mr. Fitzmaurice entered into a written agreement concerning Mr. Fitzmaurice’s employment with the Trust. The employment agreement provides that Mr. Fitzmaurice will receive (1) a $450,000 annual base salary; (2) participation in the Trust’s STIP with a target award no less than 75% of annual base salary (with a guaranteed bonus equal to his target bonus for 2018 prorated for the portion of the year during which he was employed by the Trust); (3) participation in the Trust’s LTIP beginning in 2019, with a target award no less than $600,000 and (4) inducement awards under the Inducement Incentive Plan, which include (i) 25,571 restricted common shares of beneficial interest that will vest in equal installments on the first three anniversaries of the grant date and (ii) 25,571 performance shares (at target) that will vest on March 1, 2021. The performance shares will have the same terms as the Trust’s 2018 grant of performance shares to other executives, but will be based on the Trust’s total shareholder return compared to the total shareholder return for the members of the Trust’s peer group for the period from the grant date through December 31, 2020. Threshold performance (50%) will be at the 33rd percentile of the peer group; target performance (100% payout) will be at the 50th percentile of the peer group; and maximum performance (200% payout) will be at the 90th percentile of the peer group. Mr. Fitzmaurice will receive other perquisites, such as paid vacation, and health and insurance benefits, generally consistent with those provided to other Trust executive officers. Mr. Fitzmaurice received a cash starting bonus of $170,000 on June 18, 2018, the effective date of Mr. Fitzmaurice's employment with the Trust.

The term of the employment agreement is through June 30, 2021. However, in the event of a termination without Cause, for Good Reason or due to death or disability prior to the end of the term (and not within 24 months following a Change in Control), each as defined in the employment agreement, Mr. Fitzmaurice will be entitled to receive the following, in addition to any accrued salary, incentive payments or benefits: (1) 1 times the sum of Mr. Fitzmaurice’s annual base salary and annual STIP award, payable in equal monthly installments for a period of 12 months; (2) a prorated portion of the STIP award for the year of termination calculated based on actual performance; (3) continued health benefits for up to 12 months; (4) immediate vesting of the inducement awards (with the performance share portion vesting at target if the performance period has not yet ended); and (5) the immediate vesting of any restricted shares, stock options, or other equity-based awards or benefits granted in 2018 that are unvested. In the event of a termination of Mr. Fitzmaurice without Cause or for Good Reason within 24 months following a Change in Control (as defined in the employment agreement), the employment agreement provides that Mr. Fitzmaurice will be entitled to receive the following, in addition to any accrued salary, incentive payments or benefits: (1) 1.5 times the sum of Mr. Fitzmaurice's annual base salary and annual STIP award, payable in equal monthly installments for a period of up to 18 months; (2) a prorated portion of the STIP award for the year of termination; (3) continued health benefits for 18 months; (4) immediate vesting of the inducement awards (with the performance share portion vesting at target if the performance period has not yet ended); and (5) the immediate vesting of any restricted shares, stock options, or other equity-based awards or benefits that are unvested (except that performance awards with respect to performance periods that have not ended will be forfeited). Mr. Fitzmaurice’s right to receive the foregoing is conditioned upon his execution of a general release of claims, which becomes irrevocable, for the benefit of the Trust. In the event of a termination of Mr. Fitzmaurice’s employment for Cause or by Fitzmaurice without Good Reason prior to the first anniversary of his start date, the $170,000 bonus paid on Mr. Fitzmaurice's start date must be repaid by Mr. Fitzmaurice.

During employment and thereafter, Mr. Fitzmaurice is subject to confidentiality and non-disparagement obligations. During employment and for 12 months after the termination of employment, Mr. Fitzmaurice is subject to non-competition obligations. During employment and for 24 months after the termination of employment, Mr. Fitzmaurice is subject to non-solicitation obligations.

Timothy Collier’s Offer Letter

Mr. Collier’s offer letter, dated as of June 22, 2018, provides that Mr. Collier will receive (1) a $400,000 annual base salary, (2) an annual bonus, with a target equal to 65% of his annual base salary (with a guaranteed bonus equal to his target bonus for 2018 prorated for the portion of the year during which he was employed by the Trust), (3) participation in the LTIP beginning in 2019, with a target award of $450,000; and (4) inducement awards under the Inducement Plan, which include (i) restricted Shares equal to $225,000 divided by the closing price of the Shares on the grant date, which will vest in equal installments on the first three anniversaries of the grant date, and (ii) performance shares equal to $225,000 divided by the closing price of the Shares on the grant date, which have the same terms as the Trust’s 2018 grant of performance shares to other executives, but will be based on the Trust’s total shareholder return relative to a defined peer group over a period from the grant date through December 31, 2020. Mr. Collier is also entitled to various benefits and perquisites generally consistent with those provided to the other Trust executive officers.

Pursuant to the offer letter, if Mr. Collier’s employment is terminated without cause, he will be entitled to receive the following: (1) 1 times (1.5 times if the termination occurs following a change of control) the sum of Mr. Collier’s annual base salary and, for 2018, target bonus, and after 2018, a prorated portion of the annual bonus for the year of termination calculated based on actual performance target bonus; (2) lump sum reimbursement for health benefits for 1 year; and (3) immediate vesting of inducement awards (with the performance share portion vesting at target if the performance period has not yet ended). Mr. Collier’s right to receive the foregoing is conditioned upon his execution of a general release of claims, which becomes irrevocable, for the benefit of the Trust.

Agreements Regarding Severance with Ms. Clark and Mr. Eickhoff

In April 2018, the Trust entered into an agreement regarding severance with each of Ms. Clark and Mr. Eickhoff, which provides for the following severance benefits if such executive incurs a separation from service by reason of an involuntary termination: (1) payment of any accrued but unpaid base salary through the termination date, (2) payment of any accrued but unused paid time off or vacation time, (3) a cash lump sum payment equal to such executive's annual base salary plus such executive's annual bonus prorated for the portion of the fiscal year during which he or she was employed by the Trust based on the average annual bonus payment to such executive for the two most recently completed fiscal years, (4) reimbursement for COBRA payments for a period of up to eighteen months and (5) immediate vesting of any restricted shares or stock options, if any, remaining unvested on the termination date. Such executive's right to receive the foregoing is conditioned upon his or her execution of a general release of claims, which becomes irrevocable, for the benefit of the Trust.

Dennis Gershenson’s Employment Agreement

In connection with the Board’s efforts to promote an orderly transition of leadership of the Trust, the Compensation Committee notified Mr. Gershenson in March 2017 that the Trust elected not to renew his employment agreement dated August 1, 2007 for an additional one year term and, in April 2017, the Trust and Mr. Gershenson entered into a new employment agreement.

The employment agreement provided for a term beginning as of April 1, 2017 and expiring December 31, 2020. Under the employment agreement, Mr. Gershenson served as the Trust’s chief executive officer and chairman. Mr. Gershenson was paid his annual base salary of $731,300, was entitled to receive an annual award under the Trust’s short-term incentive plan with a target value equal to 125% of his base salary and received one-time grants of 5,000 restricted shares of common stock of the Trust on the date of the employment agreement and 100,000 restricted shares of common stock of the Trust on January 2, 2018, which vested in full on July 1, 2018, when Mr. Gershenson ceased to be employed by the Trust. Mr. Gershenson is not eligible to receive performance awards under the Trust’s long term incentive plan following the awards granted to him in 2015 (for the 2015-2017 years), 2016 (for the 2016-2018 years) and 2017 (for the 2017-2019 years). In the event of the termination of Mr. Gershenson’s employment for Good Reason or by the Trust not for Cause, whether or not following a change in control, Mr. Gershenson was entitled to receive his base salary and target short term incentive award for the shorter of 36 months or the period through December 31, 2020. The agreement also provides for a two year noncompetition covenant following the termination of Mr. Gershenson’s employment.

As used in Mr. Gershenson's employment agreement, "Cause" meant termination of Mr. Gershenson's employment upon (i) Mr. Gershenson's conviction of a felony or misdemeanor involving moral turpitude, (ii) embezzlement, misappropriation of Trust property or other acts of dishonesty or fraud, (iii) material willful breach of duties of good faith or loyalty to the Trust, (iv) willful neglect of significant job responsibilities or misconduct, (v) material willful breach of the employment agreement or (vi) repeated willful failure or refusal, after written notice, to follow any lawful directions from the Board and, in the case of items (iii) through (v), that is not cured within 30 days of notice.

As used in Mr. Gershenson's employment agreement, "Good Reason" meant the occurrence of any of the following, without Mr. Gershenson's consent: (i) the failure of the Board to appoint Mr. Gershenson to an executive position, (ii) any reduction in Mr. Gershenson's base salary or his target 125%-of-base salary short term incentive plan award opportunity, (iii) a material change in the geographic location at which Mr. Gershenson must perform the services related to his position, or (iv) any other action or inaction that constitutes a material breach by the Trust of the employment agreement or any other material agreement to which
Mr. Gershenson and the Trust are party, provided, in each case, Mr. Gershenson provides the Trust with written notice of the condition giving rise to Good Reason within 90 days of its occurrence, the Trust fails to correct such condition within 30 days of its receipt of notice and Mr. Hendrickson actually terminates his employment within 6 months following the occurrence of such condition.

The employment agreement also provides for confidentiality and non-compete and non-solicitation provisions, the latter for two years after termination of employment.

Mr. Gershenson's employment with the Trust ended effective July 1, 2018, and Mr. Gershenson is entitled to the benefits under his employment agreement described above in connection with a termination by the Trust not for Cause. In June 2018, Mr. Gershenson's performance based cash and restricted share unit awards under the Trust's LTIP for the 2016-2018 and 2017-2019 performance periods were amended so that Mr. Gershenson is entitled to receive the cash payment or Shares, to the extent earned, even if Mr. Gershenson is not employed by the Trust on the date such awards are earned.

Geoffrey Bedrosian's Employment Agreement

Effective December 17, 2015, the Trust entered into an employment agreement with Mr. Bedrosian, the Trust's Chief Financial Officer, Executive Vice President and Secretary. The employment agreement provided for an annual base salary of at least $450,000 (with adjustments to be considered annually by the Committee, and no decrease from the prior base salary or initial base salary unless applicable to the Trust's executive officers generally), participation in the annual bonus plan, participation in long-term incentive plan, a grant of 37,621 restricted shares (which vests over three years), various relocation costs and other fringe benefits and perquisites as are generally made available to the Trust's executives.

Pursuant to the employment agreement, if Mr. Bedrosian's employment terminated due to death or permanent disability, Mr. Bedrosian (or his legal representative or beneficiary) would have received the accrued and unpaid portion of base salary, any earned but not yet paid incentive awards for already completed years or award cycles, plus one year's base salary. In addition, any unvested equity awards will immediately vest. Further, any COBRA health benefits will be reimbursed for up to eighteen months.

Pursuant to the employment agreement, if Mr. Bedrosian's employment terminated for cause, Mr. Bedrosian would receive the accrued and unpaid portion of his base salary.

If Mr. Bedrosian's employment terminated without cause or if he terminates such employment for good reason (assuming the change of control provisions below do not apply), Mr. Bedrosian would receive the accrued and unpaid portion of base salary, any earned but not yet paid incentive awards for already completed years or award cycles, a pro rata portion of the annual bonus (to the extent earned, and calculated based on the average award for the prior two years), plus one and one-half times his annual base salary and annual bonus (calculated based on the average award for the prior two years for which bonus determinations have already been communicated, or if such termination occurs prior to two award cycles having occurred, based on the target award of seventy-five percent of annual base salary). In addition, any unvested equity awards would immediate vest. Further, any COBRA health benefits would be reimbursed for up to eighteen months.

If Mr. Bedrosian's employment terminated without cause (other than due to death or permanent disability) or he terminated such employment for good reason, in each case within 12 months after a change of control, Mr. Bedrosian would receive the accrued and unpaid portion of base salary, any earned but not yet paid incentive awards for already completed years or award cycles, a pro rata portion of the annual bonus (to the extent earned, and calculated based on the average award for the prior two years), and two times the sum of (i) his annual base salary and (ii) annual target bonus (each for the calendar year in which the terminate occurs). In addition, any unvested equity awards would immediately vest. Further, any COBRA health benefits will be reimbursed for up to eighteen months.

If Mr. Bedrosian's employment terminated at the end of the initial term or extension term because the Trust elected not to renew his employment agreement, Mr. Bedrosian would receive the accrued and unpaid portion of base salary, any earned but not yet paid incentive awards for already completed years or award cycles, plus 12 months base salary. In addition, any unvested equity awards will immediate vest.

As used in Mr. Bedrosian's employment agreement, “Cause” meant termination of Mr. Bedrosian's employment upon (i) his conviction of a felony or crime involving moral turpitude, (ii) embezzlement, (iii) misappropriation of Trust property, (iv) his neglect of significant job responsibilities, (v) a material breach of his employment agreement or (vi) his repeated failure to follow specific directions from the Trust's Chief Executive Officer or Board and, in the case of items (i) through (v), which is not cured within 30 days of notice.

As used in Mr. Bedrosian's employment agreement, "Good Reason" meant the occurrence of any of the following, without Mr. Bedrosian's prior written consent: (i) any material diminution of his duties, responsibilities or authority, or those of the Chief Executive Officer , (ii) a material diminution in the budget over which he retains authority, (iii) a material change in his base salary or target incentive awards, (iv) a material diminution in the budget over which he maintains authority, (v) any material breach by the Trust of its make-whole and other initial award obligations under his employment agreement, (vi) any other action or inaction that constitutes a material breach by the Trust under any agreement under which he provides services to the Trust or (vii) any material change in the geographic location at which he must perform the services related to his position, provided, in each case, Mr. Bedrosian provided the Trust with written notice of the condition giving rise to Good Reason within 90 days of its occurrence, the Trust fails to correct such condition within 30 days of its receipt of notice and Mr. Bedrosian actually terminates his employment within 12 months following the occurrence of such condition.

The employment agreement also provides for confidentiality and nonsolicitation provisions, the latter for one year after termination of employment.

Mr. Bedrosian resigned from the Trust effective April 20, 2018. In connection with his departure, his unvested or unearned service-based restricted shares and performance-based restricted share units were forfeited, and he was not entitled to receive any severance benefits.

John Hendrickson's Employment Agreement

Mr. Hendrickson's employment agreement, as amended in January 2018, provided for an annual base salary of at least $463,500, Mr. Hendrickson's current annual base salary, and for participation in the Trust's annual bonus plan and in the Trust's long-term incentive plan in a manner consistent with the way in which Mr. Hendrickson has previously participated in such plans.

Pursuant to the employment agreement, if Mr. Hendrickson's employment terminated due to death or permanent disability, Mr. Hendrickson (or his legal representative or beneficiary) would have received the accrued and unpaid portion of base salary plus one year's base salary. In addition, any unvested equity awards will immediately vest. Further, any COBRA health benefits would be reimbursed for up to eighteen months. If Mr. Hendrickson's employment terminated for cause, Mr. Hendrickson would have received the accrued and unpaid portion of his base salary. If Mr. Hendrickson's employment terminated without cause, if Mr. Hendrickson terminated his employment for good reason (assuming the change of control provisions below do not apply), or if Mr. Hendrickson did not remain employed by the Trust following the expiration of the term of the agreement in July 2018 with an employment agreement containing similar termination benefits, Mr. Hendrickson was entitled to receive the accrued and unpaid portion of base salary, a pro rata portion of the annual bonus (to the extent earned, and calculated based on the average award for the prior two years), plus 12 months base salary. In addition, any unvested equity awards would immediately vest. Further, any COBRA health benefits would be reimbursed for up to eighteen months.

Pursuant to the employment agreement, if Mr. Hendrickson's employment terminated without cause (other than due to death or permanent disability) or he terminated such employment for good reason, in each case within 12 months after a change of control, Mr. Hendrickson was entitled to receive the accrued and unpaid portion of base salary and two times the sum of (i) his annual base compensation and (ii) his target annual bonus (each for the calendar year in which the termination occurs), provided that in no event shall such amount plus all other applicable compensation amounts exceed the product of 2.99 times the "base amount", as defined by Section 280G of the IRC. In addition, any unvested equity awards will immediately vest. Further, any COBRA health benefits will be reimbursed for up to eighteen months.

As used in the employment agreement, "Cause" meant termination of Mr. Hendrickson's employment upon (i) his conviction of a felony or crime involving moral turpitude, (ii) embezzlement, (iii) misappropriation of Trust property, (iv) his neglect of significant job responsibilities, (v) a material breach of his employment agreement or (vi) his repeated failure to follow specific directions from the Trust's Chief Executive Officer or Board and, in the case of items (i) through (v), which is not cured within 30 days of notice.

As used in the employment agreement, “Good Reason” meant the occurrence of any of the following, without Mr. Hendrickson’s consent: (i) any material diminution of his duties, responsibilities or authority, (ii) the passage of 30 days following either (x) Mr. Hendrickson’s withdrawal in writing from consideration to become Chief Executive Officer; or (y) the public announcement of the employment of a new Chief Executive Officer (other than Mr. Hendrickson), (iii) a material diminution in the budget over which he retains authority, (iii) any other action or inaction that constitutes a material breach by the Trust under the employment agreement or any other material agreement to which he and the Trust are party or (iv) a material change in the geographic location at which he must perform the services related to his position, provided, in each case, Mr. Hendrickson’s provides the Trust with written notice of the condition giving rise to Good Reason within 90 days of its occurrence, the Trust fails to correct such condition (other than the condition described in (ii), above) within 30 days of its receipt of notice and Mr. Hendrickson actually terminates his employment within 12 months following the occurrence of such condition. The employment agreement also provides for confidentiality and non-solicitation provisions, the latter for one year after termination of employment.

Mr. Hendrickson resigned from the Trust effective April 12, 2018 and received the benefits under his employment agreement described above that he was entitled to receive if Mr. Hendrickson did not remain employed by the Trust following the expiration of the term of the agreement in July 2018 with an employment agreement containing similar termination benefits.

Severance Agreement with Mr. Eickhoff

In connection with his separation from the Trust, in August 2018, the Trust entered into a severance agreement, waiver and release with Mr. Eickhoff. Mr. Eickhoff received the following: a one-time, lump sum severance payment of $462,200, a one-time, lump sum payment of $14,630 for accrued paid time off, a lump-sum payment of $33,750 for continued health insurance coverage, a lump sum cash payment of $18,523 for the balance of the LTIP cash award for the 2015-2017 performance period and accelerated vesting of 22,708 restricted shares. Mr. Eickhoff was required to deliver a release of claims to receive such severance and his entitlement to payment was subject to his continued compliance with nondisclosure of confidential information and nondisparagement provisions.

Tax and Accounting Considerations

Deductibility of Executive Compensation

The Committee has reviewed the Trust’s compensation policies in light of Section 162(m) of the IRC, which generally limits deductions by a publicly-held corporation for compensation paid to certain executive officers to $1,000,000 per annum. That deduction limitation was subject to a specified exception for certain performance-based compensation, but that exception was generally repealed effective for taxable years after December 31, 2017. As long as the Trust continues to qualify as a real estate investment trust under the IRC, the payment of any non-deductible compensation should not have a material adverse impact on the Trust due to the way in which the income of real estate investment trusts is taxed. The Committee is currently considering the impact of the Tax Cuts and Jobs Act, particularly the elimination of the performance-based exemption, on its compensation programs and policies and intends to continue to review the application of Section 162(m) with respect to any future compensation arrangements considered by the Trust.

Nonqualified Deferred Compensation

Section 409A of the IRC provides that, unless certain conditions are satisfied, amounts deferred under nonqualified deferred compensation arrangements will be included in an employee’s income when vested, and employees will be subject to additional income tax, penalties and a further additional income tax calculated as interest on income taxes deferred under the arrangement. In December 2008, the Trust revised certain of its compensation agreements to ensure that the Trust’s employment, severance and deferred compensation arrangements either comply with, or are exempt from, the requirements of Section 409A to allow for deferral without accelerated taxation, penalties or interest.

Change of Control Payments

Section 280G of the IRC disallows a company’s tax deduction for “excess parachute payments,” generally defined as payments to specified persons that are contingent upon a change of control in an amount equal to or greater than three times the person’s base amount (the five-year average of Form W-2 compensation). Additionally, IRC Section 4999 imposes a 20% excise tax on any person who receives such excess parachute payments.

The Trust’s share-based plans entitle participants to payments in connection with a change of control that may result in excess parachute payments. Further, the employment agreements of Messrs. Harper and Fitzmaurice, the offer letter of Mr. Collier and the Change of Control Policy for the benefit of executive officers, entitle such persons to payments upon termination of his or her employment following a change of control that may constitute excess parachute payments.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board has reviewed and discussed the Compensation Discussion and Analysis (CD&A) in this proxy statement with management, including the Chief Executive Officer. Based on such review and discussion, the Compensation Committee recommended to the Board that the CD&A be included in the Trust's annual report on Form 10-K for the year ended December 31, 2018 and the proxy statement for the 2019 annual meeting of shareholders.

The Compensation Committee

Arthur Goldberg (Chairman)
Stephen R. Blank
Joel M. Pashcow
Laurie M. Shahon
Andrea M. Weiss

NAMED EXECUTIVE OFFICER COMPENSATION TABLES

Summary Compensation Table

The table below summarizes the total compensation paid to or earned by the named executive officers in 2018, 2017 and 2016.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)(2)(3)	All Other Compensation ($)(4)	Total ($)
Brian L. Harper(5) President and CEO	2018	377,885	1,011,000	6,517,047	—	141,819	8,047,751
Michael Fitzmaurice(6) Executive VP and CFO	2018	225,000	426,000	614,215	—	137,061	1,402,276
Timothy Collier(7) Executive VP—Leasing	2018	146,154	136,850	439,351	—	2,123	724,478
Catherine Clark	2018	335,002	184,000	233,734	—	3,000	755,736
Executive VP—Transactions	2017	331,191	165,000	202,517	—	3,000	701,708
	2016	312,852	165,000	225,798	—	3,000	706,650
Raymond Merk(8) Senior VP and Chief Accounting Officer	2018	250,000	200,000	97,790	—	20,491	568,281
Dennis Gershenson(9)	2018	393,777	—	1,479,000	276,900	4,212,572	6,362,249
Former President and CEO	2017	727,204	—	1,602,342	995,972	9,730	3,335,248
	2016	703,269	—	1,763,406	979,800	9,730	3,456,205
Geoffrey Bedrosian(10)	2018	160,442	—	503,604	—	42,688	706,734
Former Executive VP, CFO and	2017	460,904	—	466,995	298,262	56,093	1,282,254
Secretary	2016	450,000	—	537,330	372,600	60,477	1,420,407
John Hendrickson(11)	2018	149,746	—	503,604	—	591,915	1,245,265
Former Executive VP and COO	2017	460,904	—	466,995	298,262	3,000	1,229,161
	2016	440,385	—	537,330	372,600	3,000	1,353,315
Edward A. Eickhoff(12)	2018	188,739	—	198,701	—	529,103	916,543
Former Senior VP—	2017	303,089	117,000	184,252	—	3,000	607,341
Development	2016	294,261	120,000	212,003	—	3,000	629,264

(1) The amounts reported reflect the grant date fair value (excluding the effect of estimated forfeitures).

The awards in the Stock Awards column for 2018, 2017 and 2016 relate to service-based restricted shares and performance-based restricted share units granted in 2018, 2017 and 2016, respectively, under the 2012 Omnibus Long-Term Incentive Plan or, for Messrs. Harper, Fitzmaurice and Collier, the Inducement Incentive Plan. For Ms. Clark, also includes a one-time grant of 1,250 restricted shares.

The 2018 amount reported for Mr. Gershenson includes the grant date fair value of the 100,000 restricted Shares issued to Mr. Gershenson on January 2, 2018 under the amended and restated employment agreement between the Trust and Mr. Gershenson entered into in April 2017, which vested in full on July 1, 2018, when Mr. Gershenson ceased to be employed by the Trust.

The amounts reported reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. The grant date fair value of each share of service-based restricted shares granted is calculated as the closing price of the Shares as of the grant date. The grant date fair value of the performance-based restricted share units are based on the probable outcome of the performance conditions on the grant date for financial statement reporting purposes under FASB ASC Topic 718 and consistent with the estimate of aggregate compensation cost to be recognized over the service period determined as of the grant date under FASB ASC Topic 718, excluding the effect of estimated or actual forfeitures. The assumptions used in determining the listed valuations include the period of time in the performance cycle, risk free rate, beginning TSR share price and volatility.

(2) Unless otherwise noted, the amounts consist of payments earned under the annual incentive plan for such year.

(3) For Mr. Gershenson for 2017, consists of (i) a payment of $784,319 under the 2017 Executive Incentive Plan and (ii) a payment of $211,653 in connection with the 2015-2017 performance-based cash award for Mr. Gershenson under the long-term incentive program (representing 87.1% of target), which was approved by the Compensation Committee on February 27, 2018 and paid to Mr. Gershenson on March 5, 2018. For Mr. Gershenson for 2018, consists of a payment of $276,900 in connection with the 2016-2018 performance-based cash award under the long-term incentive program (representing 100% of target), which was approved by the Compensation Committee in February 2019 and paid to Mr. Gershenson on March 1, 2019.

(4) For 2018, the following named executive officers received payments and/or benefits included under "All Other Compensation" (other than severance payments to certain named executive officers, which are described in footnotes (9), (11) and (12) below):

a. Mr. Harper - Housing, travel costs and legal expenses of $138,819 and $3,000 in 401(k) plan company match;
b. Mr. Fitzmaurice - Housing and travel costs of $134,061 and $3,000 in 401(k) plan company match;
c. Mr. Bedrosian - Housing and travel costs of $18,962 and accrued paid time off of $23,726;
d. Mr. Collier - $2,123 in 401(k) plan company match;
e. Ms. Clark - $3,000 in 401(k) plan company match; and
f. Mr. Merk - Housing reimbursement and $3,000 in 401(k) plan company match.

(5) Amounts reported reflect that Mr. Harper's employment with the Trust commenced June 15, 2018. "Bonus" for 2018 includes Mr. Harper's prorated target STIP award for 2018 and a cash starting bonus of $500,000. See "Narrative Discussion of Summary Compensation Table - Chief Executive Officer Compensation."

(6) Amounts reported reflect that Mr. Fitzmaurice's employment with the Trust commenced June 18, 2018. "Bonus" for 2018 includes Mr. Fitzmaurice's prorated target STIP award for 2018, discretionary increase and a cash starting bonus of $170,000.

(7) Amounts reported reflect that Mr. Collier's employment with the Trust commenced August 6, 2018.

(8) "Bonus" for 2018 includes Mr. Merk's annual discretionary bonus and a $50,000 one-time, special bonus.

(9) Amounts reported reflect that Mr. Gershenson ceased to be employed by the Trust effective July 1, 2018. "All Other Compensation" for 2018 also includes the following amounts paid or accrued to Mr. Gershenson in connection with his separation from the Trust: (i) $4,113,563 reflecting continuation of base salary and target STIP award for 30 months, (ii) $39,924 for continued health insurance coverage, and (iii) a one-time, lump sum payment of $59,085 for accrued paid time off.

(10) Amounts reported reflect that Mr. Bedrosian resigned from the Trust effective April 20, 2018.

(11) Amounts reported reflect that Mr. Hendrickson ceased to be employed by the Trust effective April 12, 2018. "All Other Compensation" for 2018 also includes the following amounts paid or accrued to Mr. Hendrickson in connection with his separation from the Trust: (i) $553,835 reflecting continuation of base salary and prorated STIP award through April 30, 2018 (based on Mr. Hendrickson's average STIP payment for the two most recently completed fiscal years), (ii) a one-time, lump sum payment of $18,378 for accrued paid time off and (iii) $19,702 for continued health insurance coverage.

(12) Amounts reported reflect that Mr. Eickhoff ceased to be employed by the Trust effective July 30, 2018. "All Other Compensation" for 2018 also includes the following amounts paid or accrued to Mr. Eickhoff in connection with his separation from the Trust: (i) a severance payment of $462,200, (ii) a one-time, lump sum payment of $14,630 for accrued paid time off, (iii) $33,750 for continued health insurance coverage and (iv) a lump sum cash payment of $18,523 for the balance of his LTIP cash award for the 2015-2017 performance period.

Narrative Discussion of Summary Compensation Table

Employment Agreements. See “Compensation Discussion and Analysis—Executive Officer Employment Agreements” for a description of the material terms of the Trust's employment agreements with Messrs. Harper, Gershenson, Fitzmaurice, Bedrosian and Hendrickson, offer letter with Mr. Collier and agreements regarding severance with Ms. Clark and Mr. Eickhoff and a severance agreement entered into with Mr. Eickhoff in connection with his departure from the Trust.

Chief Executive Officer Compensation. As discussed above, Mr. Harper's compensation for 2018 was dictated by his employment agreement, entered into in April 2018 in connection with his hiring. Mr. Harper's employment agreement provides for one-time inducement equity awards during 2018 in addition to annual long-term equity awards beginning in 2019. The value of Mr. Harper's inducement equity awards for 2018 is significantly greater than the expected value of Mr. Harper's annual LTIP grants going forward. Furthermore, 67% of Mr. Harper's equity award and over half of his total compensation for 2018 was in the form of a performance based equity award based on the Trust’s total shareholder return relative to a defined peer group over a period from the grant date through December 31, 2020.

Bonus. Amounts reported for 2018 reflect (i) cash starting bonuses of $500,000 and $170,000 for Messrs. Harper and Fitzmaurice, respectively, (ii) guaranteed bonuses equal to their prorated target bonus amount negotiated in connection with their hiring for Messrs. Harper, Fitzmaurice and Collier, (iv) annual discretionary bonuses for Ms. Clark and Mr. Merk, (v) a one-time special cash bonus of $50,000 to Mr. Merk and (vi) discretionary bonus amounts above guaranteed or target amounts for all named executive officers, except Mr. Harper.

Stock Awards. In 2018, the Committee approved long-term incentive targets of 45% to 125% of base salary for the named executive officers serving as executive officers in February 2018, other than Mr. Gershenson, who was not eligible to receive annual grants under the Trust’s LTIP in 2018 but received a grant of 100,000 restricted shares of common stock of the Trust in 2018, which vested in full on July 1, 2018, when Mr. Gershenson ceased to be employed by the Trust. In 2018, Messrs. Harper, Fitzmaurice and Collier were granted initial inducement long-term incentive awards upon commencement of their employment with the Trust under the Trust's Inducement Incentive Plan. In addition to the annual grant under the LTIP, in 2018, Ms. Clark also received an additional 1,250 service-based restricted Shares that vest in three equal installments on March 1, 2019, 2020 and 2021. See "Compensation Discussion and Analysis—2018 Compensation Determinations—Long Term Incentive Compensation" for a description of the Trust's long-term incentive compensation program.

In June 2018, Mr. Gershenson's performance based cash and restricted share unit awards under the Trust's LTIP for the 2016-2018 and 2017-2019 performance periods were amended so that Mr. Gershenson is entitled to receive the cash payment or Shares, as applicable, to the extent earned, even if Mr. Gershenson is not employed by the Trust on the date such awards are earned.

Non-Equity Incentive Plan. All the named executive officers participating in the 2018 STIP separated from the Trust during 2018 and their entitlement to bonus amounts, if any, was determined pursuant to the severance terms of their employment agreements (and included under "All Other Compensation" in the Summary Compensation Table above). The employment agreements of the Trust's current Chief Executive Officer and Chief Financial Officer, Messrs. Harper and Fitzmaurice, provide that they will participate in the Trust's annual executive incentive plans going forward; however, as noted above, for 2018, such officers were entitled to receive guaranteed bonuses equal to their prorated target bonus amount, negotiated in connection with their hiring. Accordingly, none of the named executive officers were paid bonuses for 2018 based on the Trust’s performance in accordance with the 2018 STIP.

Grants of Plan-Based Awards in 2018

The following table provides information about plan-based awards granted to the named executive officers in 2018.

Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)	Estimated Future Payouts Under Equity Incentive Plan Awards(2)	All Other Stock Awards: Number of Shares of Stock or Units (#)(3)	All Other Option Awards: Number of Securities Underlying Options (#)

Aerospace, defense, oil, and gas Our organic net sales decreased 1.5% in fiscal 2015 due primarily to weakness in the oil and gas market resulting from oil price declines and market uncertainty, partially offset by continued strength in our commercial aviation business.

Energy Our organic net sales were flat in fiscal 2015 as growth in the Americas region was offset by declines in the Asia Pacific region.

Net sales in the Industrial Solutions segment increased $202 million, or 6.5%, in fiscal 2014 as compared to fiscal 2013 primarily as a result of organic sales growth of 5.2% and the net sales impact from acquisitions and a divestiture of 1.0%. Our organic net sales by primary industry end market were as follows:

Industrial equipment Our organic net sales increased 6.0% in fiscal 2014 as a result of market recovery, particularly in the Asia Pacific region and, to a lesser degree, the EMEA region.

Aerospace, defense, oil, and gas Our organic net sales increased 6.5% in fiscal 2014. The increase was attributable to continued strength in the commercial aviation business and growth in the oil and gas market, partially offset by continued weakness in the defense market.

Energy Our organic net sales increased 2.1% in fiscal 2014 primarily as a result of growth in the Asia Pacific and Americas regions, partially offset by a decline in the EMEA region.

Operating Income. The following table presents the Industrial Solutions segment's operating income and operating margin, as well as the changes from the prior fiscal year:

	Fiscal			Fiscal 2015 versus	Fiscal 2014 versus
	2015	**2014**	**2013**	**2014**	**2013**
		($ in millions)			
Operating income	$ 352	$ 431	$ 344	$ (79)	$ 87
Operating margin	11.1%	13.1%	11.1%	(2.0)%	2.0%

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The Industrial Solutions segment's operating income included the following special items:

	Fiscal 2015	Fiscal 2014	Fiscal 2013
	(in millions)		
Acquisition related charges:			
Acquisition and integration costs	$ 27	$ 27	$ 7
Charges associated with the amortization of acquisition-related fair value adjustments	6	4	
	33	31	7
Restructuring and other charges, net	44	7	63
Total	$ 77	$ 38	$ 70

In fiscal 2015, operating income in the Industrial Solutions segment decreased $79 million as compared to fiscal 2014. Excluding the charges presented in the table above, operating income decreased in fiscal 2015 as a result of the negative impact of changes in foreign currency exchange rates and price erosion, partially offset by higher volume.

Operating income in the Industrial Solutions segment increased $87 million in fiscal 2014 as compared to fiscal 2013. Excluding the charges presented in the table above, operating income increased in fiscal 2014 due to higher volume and improved manufacturing productivity, partially offset by price erosion.

Communications Solutions

Net Sales. The following table presents the Communications Solutions segment's net sales and the percentage of total net sales by primary industry end market[(1)]:

	Fiscal 2015		Fiscal 2014		Fiscal 2013	
	($ in millions)					
Data and Devices	$ 1,357	50%	$ 1,641	64%	$ 1,790	64%
Subsea Communications	709	26	283	11	397	14
Appliances	637	24	657	25	618	22
Total	$ 2,703	100%	$ 2,581	100%	$ 2,805	100%

(1) Industry end market information is presented consistently with our internal management reporting and may be revised periodically as management deems necessary.

The following table provides an analysis of the change in the Communications Solutions segment's net sales compared to the prior fiscal year by primary industry end market:

	Fiscal 2015	Fiscal 2014

	Change in Net Sales versus Prior Fiscal Year					Change in Net Sales versus Prior Fiscal Year					
	Organic		Translation	Total		Organic		Translation	Divestiture	Total	
	($ in millions)										
Data and Devices	$ (224)	(13.6)%	$ (60)	$ (284)	(17.3)%	$ (99)	(5.5)%	$ (11)	$ (39)	$ (149)	(8.3)%
Subsea Communications	426	150.5		426	150.5	(114)	(28.7)			(114)	(28.7)
Appliances	15	2.3	(35)	(20)	(3.0)	39	6.3			39	6.3
Total	$ 217	8.4%	$ (95)	$ 122	4.7%	$ (174)	(6.2)%	$ (11)	$ (39)	$ (224)	(8.0)%

Net sales in the Communications Solutions segment increased $122 million, or 4.7%, in fiscal 2015 as compared to fiscal 2014 as a result of organic sales growth of 8.4%, partially offset by the negative impact of foreign currency translation of 3.7%. Our organic net sales by primary industry end market were as follows:

Data and devices Our organic net sales decreased 13.6% in fiscal 2015 due to continued declines in our sales in the feature phone and tablet computer markets, weak demand in the smartphone business, and the exit of certain low margin product lines.

Subsea communications Our organic net sales increased 150.5% in fiscal 2015 as a result of increased levels of project activity.

Appliances Our organic net sales increased 2.3% in fiscal 2015 with increased demand in the EMEA region and a rebound in the U.S. market, partially offset by lower demand in the Asia Pacific region.

In fiscal 2014, net sales in the Communications Solutions segment decreased $224 million, or 8.0%, as compared to fiscal 2013 due to declines in organic sales of 6.2%, sales declines resulting from a divestiture of 1.4%, and the negative impact of foreign currency translation of 0.4%. Our organic net sales by primary industry end market were as follows:

Data and devices Our organic net sales decreased 5.5% in fiscal 2014 due to the exit of certain product lines and weak demand in the datacenter, mobile phone, and personal computer markets, partially offset by increased demand and new product launches in the tablet computer market.

Subsea communications Our organic net sales decreased 28.7% in fiscal 2014 due to lower project volume.

Appliances Our organic net sales increased 6.3% in fiscal 2014 due primarily to increased demand and share gains in the Asia Pacific region and, to a lesser degree, the Americas region.

Operating Income. The following table presents the Communications Solutions segment's operating income and operating margin, as well as the changes from the prior fiscal year:

	Fiscal			Fiscal 2015 versus 2014	Fiscal 2014 versus 2013
	2015	2014	2013		
	($ in millions)				
Operating income	$ 204	$ 129	$ 107	$ 75	$ 22
Operating margin	7.5%	5.0%	3.8%	2.5%	1.2%

The Communications Solutions segment's operating income included the following special items:

	Fiscal		
	2015	2014	2013
	(in millions)		

Restructuring and other charges, net	$ 66	$ 8	$ 120

In fiscal 2015, operating income in the Communications Solutions segment increased $75 million as compared to fiscal 2014. Excluding the charges presented in the table above, operating income increased in fiscal 2015, due primarily to improved manufacturing productivity, partially offset by price erosion.

Operating income in the Communications Solutions segment increased $22 million fiscal 2014 as compared to fiscal 2013. Excluding the charges presented in the table above, operating income decreased in fiscal 2014 as a result of lower volume and price erosion, partially offset by improved manufacturing productivity.

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Liquidity and Capital Resources

The following table summarizes our cash flow from operating, investing, and financing activities, as reflected on the Consolidated Statements of Cash Flows:

	Fiscal		
	2015	2014	2013
		(in millions)	
Net cash provided by operating activities	$ 1,913	$ 2,083	$ 2,046
Net cash provided by (used in) investing activities	636	(1,075)	(545)
Net cash provided by (used in) financing activities	(1,606)	65	(1,678)
Effect of currency translation on cash	(71)	(19)	(9)
Net increase (decrease) in cash and cash equivalents	$ 872	$ 1,054	$ (186)

Our ability to fund our future capital needs will be affected by our ability to continue to generate cash from operations and may be affected by our ability to access the capital markets, money markets, or other sources of funding, as well as the capacity and terms of our financing arrangements. We believe that cash generated from operations and, to the extent necessary, these other sources of potential funding will be sufficient to meet our anticipated capital needs for the foreseeable future, including the payment of $500 million of senior floating rate notes due in January 2016. We may use excess cash to reduce our outstanding debt, including through the possible repurchase of our debt in accordance with applicable law, to purchase a portion of our common shares pursuant to our authorized share repurchase program, to pay distributions or dividends on our common shares, or to acquire strategic businesses or product lines. The cost or availability of future funding may be impacted by financial market conditions. We will continue to monitor financial markets and respond as necessary to changing conditions.

As of September 25, 2015, our cash and cash equivalents were held in subsidiaries which are located in various countries throughout the world. Under current applicable laws, substantially all of these amounts can be repatriated to Tyco Electronics Group S.A. ("TEGSA"), our Luxembourg subsidiary, which is the obligor of substantially all of our debt, and to TE Connectivity Ltd., our Swiss parent company; however, the repatriation of these amounts could subject us to additional tax costs. We provide for tax liabilities on the Consolidated Financial Statements with respect to amounts that we expect to repatriate; however, no tax liabilities are recorded for amounts that we consider to be retained indefinitely and reinvested in our global manufacturing operations. As of September 25, 2015, we had approximately $5.2 billion of cash, cash equivalents, and intercompany deposits, principally in our subsidiaries, that we have the ability to distribute to TEGSA, our Luxembourg subsidiary, and TE Connectivity Ltd., our Swiss parent company, but we consider to be permanently reinvested. We estimate that up to approximately $1.7 billion of tax expense would be recognized on the Consolidated Financial Statements if our intention to permanently reinvest these amounts were to change. Our current plans do not demonstrate a need to repatriate cash, cash equivalents, and intercompany deposits that are designated as permanently reinvested in order to fund our operations, including investing and financing activities.

Cash Flows from Operating Activities

Net cash provided by continuing operating activities decreased $185 million to $1,619 million in fiscal 2015 as compared to $1,804 million in fiscal 2014. The decrease resulted primarily from the unfavorable effects of changes in working capital levels, partially offset by a decrease in net payments made in relation to pre-separation tax matters.

Net cash provided by continuing operating activities was $1,804 million in fiscal 2014 as compared to $1,775 million in fiscal 2013. The increase resulted primarily from higher income levels, partially

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offset by higher accounts receivable levels and net payments made in relation to pre-separation tax matters.

Pension and postretirement benefit contributions in fiscal 2015, 2014, and 2013 were $68 million, $89 million, and $95 million, respectively. We expect pension and postretirement benefit contributions to be $75 million in fiscal 2016, before consideration of any voluntary contributions. There were no voluntary pension contributions in fiscal 2015, 2014, and 2013.

The amount of income taxes paid, net of refunds, during fiscal 2015, 2014, and 2013 was $350 million, $259 million, and $299 million, respectively. In fiscal 2015 and 2013, these payments included $47 million and $67 million, respectively, for tax deficiencies related to pre-separation tax matters. Also during fiscal 2015 and 2013, we received net reimbursements of $7 million and $39 million, respectively, from Tyco International and Covidien pursuant to their indemnifications for pre-separation U.S. tax matters. During fiscal 2014, we made net payments of $179 million to Tyco International and Covidien pursuant to our indemnifications for pre-separations U.S. tax matters. See Note 13 to the Consolidated Financial Statements for additional information related to pre-separation tax matters.

In addition to net cash provided by operating activities, we use free cash flow, a non-GAAP financial measure, as a useful measure of our ability to generate cash. Free cash flow was $1,076 million in fiscal 2015 as compared to $1,477 million in fiscal 2014 and $1,244 million in fiscal 2013. The following table sets forth a reconciliation of net cash provided by continuing operating activities, the most comparable GAAP financial measure, to free cash flow.

	Fiscal		
	2015	2014	2013
		(in millions)	
Net cash provided by continuing operating activities	$ 1,619	$ 1,804	$ 1,775
Capital expenditures	(600)	(635)	(581)
Proceeds from sale of property, plant, and equipment	17	129	22
Payments related to pre-separation U.S. tax matters, net	40	179	28
Free cash flow	$ 1,076	$ 1,477	$ 1,244

Cash Flows from Investing Activities

Capital expenditures were $600 million, $635 million, and $581 million in fiscal 2015, 2014, and 2013, respectively. We expect fiscal 2016 capital spending levels to be approximately 5% of net sales. We believe our capital funding levels are adequate to support new programs, and we continue to invest in our manufacturing infrastructure to further enhance productivity and manufacturing capabilities.

Proceeds from the sale of property, plant, and equipment for fiscal 2014 included approximately $100 million related to the sale of real estate.

During fiscal 2015, we acquired Measurement Specialties. The total value paid for the transaction was approximately $1.7 billion, net of cash acquired, and included $225 million for the repayment of Measurement Specialties' debt and accrued interest. Also during fiscal 2015, we acquired three additional companies for $241 million in cash, net of cash acquired. During fiscal 2014, we acquired five companies for $522 million in cash, net of cash acquired. See additional information in Note 5 to the Consolidated Financial Statements.

During fiscal 2015, we received net cash proceeds of $3.0 billion related to the sale of our BNS business. See additional information in Note 4 to the Consolidated Financial Statements.

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Cash Flows from Financing Activities and Capitalization

Total debt at fiscal year end 2015 and 2014 was $3,903 million and $3,858 million, respectively. See Note 11 to the Consolidated Financial Statements for additional information regarding debt.

During February 2015, TEGSA, our 100%-owned subsidiary, repaid, at maturity, $250 million of 1.60% senior notes due 2015.

In February 2015, TEGSA issued €550 million aggregate principal amount of 1.100% senior notes due March 1, 2023. The notes are TEGSA's unsecured senior obligations and rank equally in right of payment with all existing and any future senior indebtedness of TEGSA and senior to any subordinated indebtedness that TEGSA may incur.

TEGSA has a five-year unsecured senior revolving credit facility ("Credit Facility") with total commitments of $1,500 million. The Credit Facility was amended in August 2013 primarily to extend the maturity date from June 2016 to August 2018 and reduce borrowing costs. TEGSA had no borrowings under the Credit Facility at September 25, 2015 and September 26, 2014.

The Credit Facility contains a financial ratio covenant providing that if, as of the last day of each fiscal quarter, our ratio of Consolidated Total Debt to Consolidated EBITDA (as defined in the Credit Facility) for the then most recently concluded period of four consecutive fiscal quarters exceeds 3.75 to 1.0, an Event of Default (as defined in the Credit Facility) is triggered. The Credit Facility and our other debt agreements contain other customary covenants. None of our covenants are presently considered restrictive to our operations. As of September 25, 2015, we were in compliance with all of our debt covenants and believe that we will continue to be in compliance with our existing covenants for the foreseeable future.

Periodically, TEGSA issues commercial paper to U.S. institutional accredited investors and qualified institutional buyers in accordance with available exemptions from the registration requirements of the Securities Act of 1933 as part of our ongoing effort to maintain financial flexibility and to potentially decrease the cost of borrowings. Borrowings under the commercial paper program are backed by the Credit Facility.

TEGSA's payment obligations under its senior notes, commercial paper, and Credit Facility are fully and unconditionally guaranteed by its parent, TE Connectivity Ltd.

Payments of common share dividends and cash distributions to shareholders were $502 million, $443 million, and $384 million in fiscal 2015, 2014, and 2013, respectively. See Note 19 to the Consolidated Financial Statements for additional information regarding dividends and cash distributions on our common shares.

Future dividends on our common shares or reductions of registered share capital for distribution to shareholders, if any, must be approved by our shareholders. In exercising their discretion to recommend to the shareholders that such dividends or distributions be approved, our board of directors will consider our results of operations, cash requirements and surplus, financial condition, statutory requirements of applicable law, contractual restrictions, and other factors that they may deem relevant.

During fiscal 2015, our board of directors authorized an increase of $3.0 billion in the share repurchase program. We repurchased approximately 18 million of our common shares for $1,163 million, approximately 11 million of our common shares for $604 million, and approximately 20 million of our common shares for $829 million during fiscal 2015, 2014, and 2013, respectively. At September 25, 2015, we had $2.7 billion of availability remaining under our share repurchase authorization.

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Commitments and Contingencies

The following table provides a summary of our contractual obligations and commitments for debt, minimum lease payment obligations under non-cancelable leases, and other obligations at fiscal year end 2015:

	Total	2016	2017	2018	2019	2020	Thereafter
			Payments Due by Fiscal Year (in millions)				
Long-term debt, including current maturities	$ 3,903	$ 500	$	$ 718	$ 574	$	$ 2,111
Interest on long-term debt[1]	1,245	140	140	116	89	79	681
Operating leases	344	98	76	59	44	30	37
Purchase obligations[2]	341	300	24	3	2	2	10
Total contractual cash obligations[3][4][5]	$ 5,833	$ 1,038	$ 240	$ 896	$ 709	$ 111	$ 2,839

(1) Interest payments exclude the impact of our interest rate swaps.

(2) Purchase obligations consist primarily of commitments for purchases of goods and services.

(3) The table above does not reflect unrecognized income tax benefits of $1,368 million and related accrued interest and penalties of $1,076 million, the timing of which is uncertain. See Note 16 to the Consolidated Financial Statements for additional information regarding unrecognized income tax benefits, interest, and penalties.

(4) The table above does not reflect pension and postretirement benefit obligations to certain employees and former employees. We are obligated to make contributions to our pension plans and postretirement benefit plans; however, we are unable to determine the amount of plan contributions due to the inherent uncertainties of obligations of this type, including timing, interest rate charges, investment performance, and amounts of benefit payments. We expect to contribute $75 million to pension and postretirement benefit plans in fiscal 2016, before consideration of voluntary contributions. These plans and our estimates of future contributions and benefit payments are more fully described in Note 15 to the Consolidated Financial Statements.

(5) Other long-term liabilities of $433 million are excluded from the table above as we are unable to estimate the timing of payment for these items.

Legal Proceedings

In the ordinary course of business, we are subject to various legal proceedings and claims, including patent infringement claims, product liability matters, employment disputes, disputes on agreements, other commercial disputes, environmental matters, antitrust claims, and tax matters, including non-income tax matters such as value added tax, sales and use tax, real estate tax, and transfer tax. Although it is not feasible to predict the outcome of these proceedings, based upon our experience, current information, and applicable law, we do not expect that the outcome of these proceedings, either individually or in the aggregate, will have a material effect on our results of operations, financial position, or cash flows. However, the proceedings discussed below in "Income Tax Matters" could have a material effect on our results of operations, financial position, or cash flows. See "Part I. Item 3. Legal Proceedings" for further information regarding legal proceedings.

As previously reported, we had a contingent purchase price commitment of $80 million related to our fiscal 2001 acquisition of Com-Net. This represented the maximum amount payable to the former shareholders of Com-Net only after the construction and installation of a communications system was completed for and approved by the State of Florida in accordance with guidelines set forth in the contract. Under the terms of the purchase and sale agreement, we did not believe we had any obligation to the sellers. However, the sellers contested our position and initiated a lawsuit in June 2006 in the Court of Common Pleas in Allegheny County, Pennsylvania. Trial began in March 2015 and culminated in the entry of final judgment on October 8, 2015, in favor of the sellers and against us for $127 million plus costs. The judgment represents the $80 million contingent purchase price plus

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pre-judgment interest, which will continue to accrue until the judgment is paid in full. We are proceeding with an appeal. In connection with this case, we recorded a reserve and pre-tax charges of $127 million in fiscal 2015. These charges are reflected in income from discontinued operations on the Consolidated Statement of Operations as the Com-Net case was associated with our former Wireless Systems business which was sold in fiscal 2009.

Income Tax Matters

In connection with the separation from Tyco International in 2007, we entered into a Tax Sharing Agreement that generally governs our, Tyco International's, and Covidien's respective rights, responsibilities, and obligations with respect to taxes for periods prior to and including June 29, 2007. See Note 12 to the Consolidated Financial Statements for additional information regarding the Tax Sharing Agreement. Pursuant to the Tax Sharing Agreement, we entered into certain guarantee commitments and indemnifications with Tyco International and Covidien. See "Income Tax Matters" in Note 13 to the Consolidated Financial Statements for further information regarding income tax matters, including the disputed issue related to the tax treatment of certain intercompany debt transactions.

Off-Balance Sheet Arrangements

In certain instances, we have guaranteed the performance of third parties and provided financial guarantees for uncompleted work and financial commitments. The terms of these guarantees vary with end dates ranging from fiscal 2016 through the completion of such transactions. The guarantees would be triggered in the event of nonperformance, and the potential exposure for nonperformance under the guarantees would not have a material effect on our results of operations, financial position, or cash flows.

In disposing of assets or businesses, we often provide representations, warranties, and/or indemnities to cover various risks including unknown damage to assets, environmental risks involved in the sale of real estate, liability for investigation and remediation of environmental contamination at waste disposal sites and manufacturing facilities, and unidentified tax liabilities and legal fees related to periods prior to disposition. We do not expect that these uncertainties will have a material adverse effect on our results of operations, financial position, or cash flows.

At September 25, 2015, we had outstanding letters of credit, letters of guarantee, and surety bonds in the amount of $360 million.

In the normal course of business, we are liable for contract completion and product performance. In the opinion of management, such obligations will not significantly affect our results of operations, financial position, or cash flows.

Critical Accounting Policies and Estimates

The preparation of the Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Our significant accounting policies are summarized in Note 2 to the Consolidated Financial Statements. The following accounting policies are considered to be the most critical as they require significant judgments and assumptions that involve inherent risks and uncertainties. Management's estimates are based on the relevant information available at the end of each period.

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Revenue Recognition

Our revenue recognition policies are in accordance with ASC 605, *Revenue Recognition*. Our revenues are generated principally from the sale of our products. Revenue from the sale of products is recognized at the time title and the risks and rewards of ownership pass to the customer. This generally occurs when the products reach the shipping point, the sales price is fixed and determinable, and collection is reasonably assured. A reserve for estimated returns is established at the time of sale based on historical return experience and is recorded as a reduction of sales. Other allowances include customer quantity and price discrepancies. A reserve for other allowances is generally established at the time of sale based on historical experience and also is recorded as a reduction of sales.

Contract revenues for construction related projects, which are generated in the Communications Solutions segment, are recorded primarily using the percentage-of-completion method. Profits recognized on contracts in process are based upon estimated contract revenue and related cost to complete. Percentage-of-completion is measured based on the ratio of actual costs incurred to total estimated costs. Revisions in cost estimates as contracts progress have the effect of increasing or decreasing profits in the current period. Provisions for anticipated losses are made in the period in which they first become determinable. In addition, provisions for credit losses related to construction related projects are recorded as reductions of revenue in the period in which they first become determinable.

Goodwill and Other Intangible Assets

Intangible assets include both indeterminable-lived residual goodwill and determinable-lived identifiable intangible assets. Intangible assets with a determinable life primarily include intellectual property, consisting of patents, trademarks, and unpatented technology, as well as customer relationships. Recoverability estimates range from 1 to 50 years and costs are generally amortized on a straight-line basis. An evaluation of the remaining useful life of determinable-lived intangible assets is performed on a periodic basis and when events and circumstances warrant an evaluation.

We test for goodwill impairment at the reporting unit level. A reporting unit is generally an operating segment or one level below an operating segment that constitutes a business for which discrete financial information is available and regularly reviewed by segment management. At fiscal year end 2015, we had seven reporting units, six of which contained goodwill. There are two reporting units in each of the Transportation Solutions and Industrial Solutions segments, and three reporting units in the Communications Solutions segment. When changes occur in the composition of one or more reporting units, goodwill is reassigned to the reporting units affected based on their relative fair values. We review our reporting unit structure each year as part of our annual goodwill impairment test, or more frequently based on changes in our structure.

Goodwill impairment is evaluated by comparing the carrying value of each reporting unit to its fair value on the first day of the fourth fiscal quarter of each year or whenever we believe a triggering event requiring a more frequent assessment has occurred. In assessing the existence of a triggering event, management relies on a number of reporting-unit-specific factors including operating results, business plans, economic projections, anticipated future cash flows, transactions, and market place data. There are inherent uncertainties related to these factors and management's judgment in applying these factors to the impairment analysis.

When testing for goodwill impairment, we perform a step I goodwill impairment test to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its fair value, goodwill may be impaired and a step II goodwill impairment test is performed to measure the amount of impairment, if any. In the step II goodwill impairment test, we compare the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of reporting unit goodwill exceeds the implied

fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess. The implied fair value of goodwill is determined in a manner consistent with how goodwill is recognized in a business combination. We allocate the fair value of a reporting unit to all of the assets and liabilities of that unit, including intangible assets, as if the reporting unit had been acquired in a business combination. Any excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill.

Fair value estimates used in the step I goodwill impairment tests are calculated using an income approach based on the present value of future cash flows of each reporting unit. The income approach generally has been supported by guideline analyses (a market approach). These approaches incorporate a number of assumptions including future growth rates, discount rates, income tax rates, and market activity in assessing fair value and are reporting unit specific. Changes in economic and operating conditions impacting these assumptions could result in goodwill impairments in future periods.

We completed our annual goodwill impairment test in the fourth quarter of fiscal 2015 and determined that no impairment existed.

Income Taxes

In determining income for financial statement purposes, we must make certain estimates and judgments. These estimates and judgments affect the calculation of certain tax liabilities and the determination of the recoverability of certain deferred tax assets, which arise from temporary differences between the income tax return and financial statement recognition of revenue and expense.

In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence including our past operating results, the existence of cumulative losses in the most recent years, and our forecast of future taxable income. In estimating future taxable income, we develop assumptions including the amount of future state, federal, and non-U.S. pre-tax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage the underlying businesses.

We currently have recorded significant valuation allowances that we intend to maintain until it is more likely than not the deferred tax assets will be realized. Our income tax expense recorded in the future will be reduced to the extent of decreases in our valuation allowances. The realization of our remaining deferred tax assets is dependent primarily on future taxable income in the appropriate jurisdictions. Any reduction in future taxable income including any future restructuring activities may require that we record an additional valuation allowance against our deferred tax assets. An increase in the valuation allowance would result in additional income tax expense in such period and could have a significant impact on our future earnings. Any changes in a valuation allowance that was established in connection with an acquisition will be reflected in the income tax provision.

Changes in tax laws and rates also could affect recorded deferred tax assets and liabilities in the future. Management is not aware of any such changes that would have a material effect on our results of operations, financial position, or cash flows.

In addition, the calculation of our tax liabilities includes estimates for uncertainties in the application of complex tax regulations across multiple global jurisdictions where we conduct our operations. Under the uncertain tax position provisions of ASC 740, *Income Taxes*, we recognize liabilities for tax and related interest for issues in the U.S. and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes and related interest will be due. In addition, management reviews with tax counsel various issues raised by certain taxing authorities and the adequacy of recorded amounts. These tax liabilities and related interest are reflected net of the

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impact of related tax loss carryforwards, as such tax loss carryforwards will be applied against these tax liabilities and will reduce the amount of cash tax payments due upon the eventual settlement with the tax authorities. These estimates may change due to changing facts and circumstances. Due to the complexity of these uncertainties, the ultimate resolution may result in a settlement that differs from our current estimate of the tax liabilities and related interest. These tax liabilities and related interest are recorded in income taxes and accrued and other current liabilities on the Consolidated Balance Sheets.

Pension and Postretirement Benefits

Our pension expense and obligations are developed from actuarial assumptions. The funded status of our defined benefit pension and postretirement benefit plans is recognized on the Consolidated Balance Sheets and is measured as the difference between the fair value of plan assets and the benefit obligation at the measurement date. For defined benefit pension plans, the benefit obligation is the projected benefit obligation, which represents the actuarial present value of benefits expected to be paid upon retirement factoring in estimated future compensation levels. For the postretirement benefit plans, the benefit obligation is the accumulated postretirement benefit obligation, which represents the actuarial present value of postretirement benefits attributed to employee services already rendered. The fair value of plan assets represents the current market value of cumulative company and participant contributions made to irrevocable trust funds, held for the sole benefit of participants, which are invested by the trustee of the funds. The benefits under pension and postretirement plans are based on various factors, such as years of service and compensation.

Net periodic pension benefit cost is based on the utilization of the projected unit credit method of calculation and is charged to earnings on a systematic basis over the expected average remaining service lives of current participants.

Two critical assumptions in determining pension expense and obligations are the discount rate and expected long-term return on plan assets. We evaluate these assumptions at least annually. Other assumptions reflect demographic factors such as retirement, mortality, and employee turnover. These assumptions are evaluated periodically and updated to reflect our actual experience. Actual results may differ from actuarial assumptions. The discount rate represents the market rate for high-quality fixed income investments and is used to calculate the present value of the expected future cash flows for benefit obligations to be paid under our pension plans. A decrease in the discount rate increases the present value of pension benefit obligations. At fiscal year end 2015, a 25 basis point decrease in the discount rate would have increased the present value of our pension obligations by $136 million; a 25 basis point increase would have decreased the present value of our pension obligations by $122 million. We consider the current and expected asset allocations of our pension plans, as well as historical and expected long-term rates of return on those types of plan assets, in determining the expected long-term rate of return on plan assets. A 50 basis point decrease or increase in the expected long-term return on plan assets would have increased or decreased, respectively, our fiscal 2015 pension expense by $11 million.

The long-term target asset allocation in our U.S. plans' master trust is 10% equity and 90% fixed income. Asset re-allocation to meet that target is occurring over a multi-year period based on the funded status, as defined by the Pension Protection Act of 2006 (the "Pension Act Funded Status"), of the U.S. plans' master trust and market conditions. We expect to reach our target allocation when the Pension Act Funded Status exceeds 105%. Based on the Pension Act Funded Status as of September 25, 2015, our target asset allocation is 45% equity and 55% fixed income.

Accounting Pronouncements

Recently Issued Accounting Pronouncements

See Note 2 to the Consolidated Financial Statements for information regarding recently issued accounting pronouncements.

Non-GAAP Financial Measures

Organic net sales growth and free cash flow are non-GAAP measures and should not be considered replacements for results in accordance with GAAP. These non-GAAP measures may not be comparable to similarly-titled measures reported by other companies. The primary limitation of these measures is that they exclude the financial impact of items that would otherwise either increase or decrease our reported results. This limitation is best addressed by using these non-GAAP measures in combination with the most directly comparable GAAP measures in order to better understand the amounts, character, and impact of any increase or decrease in reported amounts. The following provides additional information regarding these non-GAAP measures.

Organic Net Sales Growth

Organic net sales growth is a useful measure of our underlying results and trends in the business. It is also a significant component in our incentive compensation plans. The difference between reported net sales growth (the most comparable GAAP measure) and organic net sales growth consists of the impact from foreign currency exchange rates, and acquisitions and divestitures, if any. Organic net sales growth is a useful measure of our performance because it excludes items that are not completely under management's control, such as the impact of changes in foreign currency exchange rates, and items that do not reflect the underlying growth of the company, such as acquisition and divestiture activity. Management uses organic net sales growth to monitor and evaluate performance. Also, management uses organic net sales growth together with GAAP measures such as net sales growth and operating income in its decision making processes related to the operations of our reportable segments and our overall company. We believe that investors benefit from having access to the same financial measures that management uses in evaluating operations. The tables presented in "Results of Operations" and "Segment Results" above provide reconciliations of organic net sales growth to net sales growth calculated under GAAP.

Free Cash Flow

Free cash flow is a useful measure of our ability to generate cash. The difference between net cash provided by continuing operating activities (the most comparable GAAP measure) and free cash flow consists mainly of significant cash outflows and inflows that we believe are useful to identify. We believe free cash flow provides useful information to investors as it provides insight into the primary cash flow metric used by management to monitor and evaluate cash flows generated from our operations.

Free cash flow is defined as net cash provided by continuing operating activities excluding voluntary pension contributions and the cash impact of special items, if any, minus net capital expenditures. Net capital expenditures consist of capital expenditures less proceeds from the sale of property, plant, and equipment. These items are subtracted because they represent long-term commitments. Voluntary pension contributions are excluded because this activity is driven by economic financing decisions rather than operating activity. Certain special items, including net payments related to pre-separation tax matters, are also considered by management in evaluating free cash flow. We believe investors also should consider these items in evaluating our free cash flow.

Free cash flow subtracts certain cash items that are ultimately within management's and the board of directors' discretion to direct and may imply that there is less or more cash available for our programs than the most comparable GAAP measure indicates. It should not be inferred that the entire free cash flow amount is available for future discretionary expenditures, as our definition of free cash flow does not consider certain non-discretionary expenditures, such as debt payments. In addition, we may have other discretionary expenditures, such as discretionary dividends, share repurchases, and business acquisitions, that are not considered in the calculation of free cash flow.

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The tables presented in "Liquidity and Capital Resources" above provide reconciliations of free cash flow to cash flows from continuing operating activities calculated under GAAP.

Forward-Looking Information

Certain statements in this report are "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements are based on our management's beliefs and assumptions and on information currently available to our management. Forward-looking statements include, among others, the information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, acquisitions, divestitures, the effects of competition, and the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believe," "expect," "plan," "intend," "anticipate," "estimate," "predict," "potential," "continue," "may," "should," or the negative of these terms or similar expressions.

Forward-looking statements involve risks, uncertainties, and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. You should not put undue reliance on any forward-looking statements. We do not have any intention or obligation to update forward-looking statements after we file this report except as required by law.

The following and other risks, which are described in greater detail in "Part I. Item 1A. Risk Factors," as well as other risks described in this Annual Report, could cause our results to differ materially from those expressed in forward-looking statements:

- conditions in the global or regional economies and global capital markets, and cyclical industry conditions;
- conditions affecting demand for products in the industries we serve, particularly the automotive industry;
- competition and pricing pressure;
- market acceptance of new product introductions and product innovations and product life cycles;
- raw material availability, quality, and cost;
- fluctuations in foreign currency exchange rates;
- financial condition and consolidation of customers and vendors;
- reliance on third-party suppliers;

risks associated with current and future acquisitions and divestitures;

global risks of business interruptions such as natural disasters and political, economic, and military instability;

risks associated with security breaches and other disruptions to our information technology infrastructure;

risks related to compliance with current and future environmental and other laws and regulations;

our ability to protect our intellectual property rights;

risks of litigation;

our ability to operate within the limitations imposed by our debt instruments;

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- risks relating to our separation on June 29, 2007 from Tyco International;
- the possible effects on us of various U.S. and non-U.S. legislative proposals and other initiatives that, if adopted, could materially increase our worldwide corporate effective tax rate and negatively impact our U.S. government contracts business;
- various risks associated with being a Swiss corporation;
- the impact of fluctuations in the market price of our shares; and
- the impact of certain provisions of our articles of association on unsolicited takeover proposals.

There may be other risks and uncertainties that we are unable to predict at this time or that we currently do not expect to have a material adverse effect on our business.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, our financial position is routinely subject to a variety of risks, including market risks associated with interest rate and currency movements on outstanding debt and non-U.S. dollar denominated assets and liabilities and commodity price movements. We utilize established risk management policies and procedures in executing derivative financial instrument transactions to manage a portion of these risks.

We do not execute transactions or hold derivative financial instruments for trading or speculative purposes. Substantially all counterparties to derivative financial instruments are limited to major financial institutions with at least an A/A2 credit rating. There is no significant concentration of exposures with any one counterparty.

Foreign Currency Exposures

As part of managing the exposure to changes in foreign currency exchange rates, we utilize cross-currency swap contracts, foreign currency forward contracts, and foreign currency swap contracts, a portion of which are designated as cash flow hedges. The objective of these contracts is to minimize impacts to cash flows and profitability due to changes in foreign currency exchange rates on intercompany and other cash transactions. A 10% appreciation or depreciation of the underlying currency in our cross-currency swap contracts, foreign currency forward contracts, or foreign currency swap contracts from the September 25, 2015 market rates would have changed the unrealized value of our contracts by $109 million. A 10% appreciation or depreciation of the underlying currency in our foreign currency forward or swap contracts from the September 26, 2014 market rates would have changed the unrealized value of our contracts by $16 million. Such gains or losses on these contracts would generally be offset by the gains or losses on the revaluation or settlement of the underlying transactions.

Interest Rate and Investment Exposures

We issue debt, as needed, to fund our operations and capital requirements. Such borrowings can result in interest rate exposure. To manage the interest rate exposure, we use interest rate swaps to convert a portion of fixed-rate debt into variable-rate debt. We use forward starting interest rate swaps and options to enter into interest rate swaps to manage interest rate exposure in periods prior to the anticipated issuance of fixed-rate debt. We also utilize investment swaps to manage earnings exposure on certain nonqualified deferred compensation liabilities.

Based on our floating rate debt balances of approximately $800 million at September 25, 2015 and $950 million at September 26, 2014, an increase in the levels of the U.S. dollar interest rates by 0.5%, with all other variables held constant, would have resulted in an increase of annual interest expense of approximately $4 million and $5 million in fiscal 2015 and 2014, respectively.

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Commodity Exposures

Our worldwide operations and product lines may expose us to risks from fluctuations in commodity prices. To limit the effects of fluctuations in the future market price paid and related volatility in cash flows, we utilize commodity swap contracts designated as cash flow hedges. We continually evaluate the commodity market with respect to our forecasted usage requirements over the next eighteen months and periodically enter into commodity swap contracts in order to hedge a portion of usage requirements over that period. At September 25, 2015, our commodity hedges, which related to expected purchases of gold, silver, and copper, were in a net loss position of $33 million and had a notional value of $260 million. At September 26, 2014, our commodity hedges, which related to expected purchases of gold, silver, and copper, were in a net loss position of $21 million and had a notional value of $307 million. A 10% appreciation or depreciation of the price of a troy ounce of gold, a troy ounce of silver, and a pound of copper, from the September 25, 2015 prices would have changed the unrealized value of our forward contracts by $23 million. A 10% appreciation or depreciation of the price of a troy ounce of gold, a troy ounce of silver, and a pound of copper, from the September 26, 2014 prices would have changed the unrealized value of our forward contracts by $29 million.

See Note 14 to the Consolidated Financial Statements for additional information on financial instruments.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following Consolidated Financial Statements and schedule specified by this Item, together with the reports thereon of Deloitte & Touche LLP, are presented following Item 15 and the signature pages of this report:

Financial Statements:

Reports of Independent Registered Public Accounting Firm

Consolidated Statements of Operations for the Fiscal Years Ended September 25, 2015, September 26, 2014, and September 27, 2013

Consolidated Statements of Comprehensive Income for the Fiscal Years Ended September 25, 2015, September 26, 2014, and September 27, 2013

Consolidated Balance Sheets as of September 25, 2015 and September 26, 2014

Consolidated Statements of Equity for the Fiscal Years Ended September 25, 2015, September 26, 2014, and September 27, 2013

Consolidated Statements of Cash Flows for the Fiscal Years Ended September 25, 2015, September 26, 2014, and September 27, 2013

Notes to Consolidated Financial Statements

Financial Statement Schedule:

Schedule II Valuation and Qualifying Accounts

All other financial statements and schedules have been omitted since the information required to be submitted has been included on the Consolidated Financial Statements and related notes or because they are either not applicable or not required under the rules of Regulation S-X.

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ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of September 25, 2015. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of September 25, 2015.

Measurement Specialties Acquisition

We acquired Measurement Specialties on October 9, 2014. For additional information regarding the acquisition, see Note 5 to the Consolidated Financial Statements included in this Annual Report.

SEC guidance permits management to omit an assessment of an acquired business' internal control over financial reporting from management's assessment of internal control over financial reporting for a period not to exceed one year from the date of acquisition. We are in the process of integrating the Measurement Specialties operations within our internal control structure. Accordingly, we have excluded Measurement Specialties from our annual assessment of internal control over financial reporting as of September 25, 2015.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our internal control over financial reporting based on the framework in *Internal Control Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has concluded our internal control over financial reporting was effective as of September 25, 2015.

As discussed above, management has excluded Measurement Specialties from the assessment of internal control over financial reporting. Measurement Specialties represented 9% of total assets and 4% of total net sales on the Consolidated Financial Statements as of and for the fiscal year ended September 25, 2015.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Deloitte & Touche LLP, an independent registered public accounting firm, has issued an attestation report on our internal control over financial reporting as of September 25, 2015, which is included in this Annual Report.

Changes in Internal Control Over Financial Reporting

During the quarter ended September 25, 2015, 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 III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information concerning directors, executive officers, and corporate governance may be found under the captions "Agenda Item No. 1 Election of Directors," "Nominees for Election," "Corporate Governance," "The Board of Directors and Board Committees," and "Executive Officers" in our definitive proxy statement for our 2016 Annual General Meeting of Shareholders (the "2016 Proxy Statement"), which will be filed with the SEC within 120 days after the close of our fiscal year. Such information is incorporated herein by reference. The information in the 2016 Proxy Statement set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated herein by reference.

Code of Ethics

We have adopted a guide to ethical conduct, which applies to all of our employees, officers, and directors. Our Guide to Ethical Conduct meets the requirements of a "code of ethics" as defined by Item 406 of Regulation S-K and applies to our chief executive officer, chief financial officer, and chief accounting officer, as well as all other employees and directors, as indicated above. Our Guide to Ethical Conduct also meets the requirements of a code of business conduct and ethics under the listing standards of the NYSE. Our Guide to Ethical Conduct is posted on our website at *www.te.com* under the heading "Corporate Responsibility Governance Compliance Guide to Ethical Conduct." We also will provide a copy of our Guide to Ethical Conduct to shareholders upon request. We intend to disclose any amendments to our Guide to Ethical Conduct, as well as any waivers for executive officers or directors, on our website.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning executive compensation may be found under the captions "Compensation Discussion and Analysis," "Management Development and Compensation Committee Report," "Executive Officer Compensation," "Compensation of Non-Employee Directors," and "Compensation Committee Interlocks and Insider Participation" in our 2016 Proxy Statement. Such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information in our 2016 Proxy Statement set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" is incorporated herein by reference.

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Equity Compensation Plan Information

The following table provides information as of September 25, 2015 with respect to common shares issuable under our equity compensation plans or equity compensation plans of Tyco International prior to the separation:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)[4]	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)[5]
Equity compensation plans approved by security holders:			
2007 Stock and Incentive Plan[1]	12,416,037	$ 39.66	16,659,610
Equity compensation plans not approved by security holders:			
Equity awards under Tyco International Ltd. 2004 Stock and Incentive Plan and other equity incentive plans[2]	287,336	34.83	
Equity awards under ADC Plans[3]	1,168,880	50.16	2,750,471
Total	13,872,253		19,410,081

(1) The TE Connectivity Ltd. 2007 Stock and Incentive Plan, as amended and restated (the "2007 Plan"), provides for the award of annual performance bonuses and long-term performance awards, including share options, restricted and performance units, deferred stock units, and other share-based awards (collectively, "Awards") to board members, officers, and non-officer employees. The 2007 Plan provides for a maximum of 59,843,452 common shares to be issued as Awards, subject to adjustment as provided under the terms of the 2007 Plan.

(2) Includes common shares that may be issued by TE Connectivity pursuant to the Separation and Distribution Agreement under share option awards to current and former employees and directors of Tyco International, which may include individuals currently or formerly employed by or serving with TE Connectivity, Tyco International, or Covidien subsequent to the separation.

(3) In connection with the acquisition of ADC in fiscal 2011, we assumed equity awards issued under plans sponsored by ADC and the remaining pool of shares available for grant under the ADC 2010 Global Stock Incentive Plan (collectively, the "ADC Plans"). Subsequent to the acquisition, we registered 6,764,455 shares related to the ADC Plans via Forms S-3 and S-8. Shares available represent the number of shares available for issuance under future awards from the ADC Plans, which are now available for issuance of TE Connectivity common shares. The ADC 2010 Global Stock Incentive Plan was renamed the TE Connectivity Ltd. 2010 Stock and Incentive Plan.

(4) Does not take into account restricted, performance, or deferred stock unit awards that do not have exercise prices.

(5) The 2007 Plan applies a weighting factor of 1.80 to outstanding nonvested restricted units, deferred stock units, and performance units. The ADC Plans apply a weighting factor of 1.21 to outstanding nonvested restricted units, deferred stock units, and performance units. The remaining shares issuable under both the 2007 Plan and the ADC Plans are increased by forfeitures and cancellations, among other factors.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information in our 2016 Proxy Statement set forth under the captions "Corporate Governance," "The Board of Directors and Board Committees," and "Certain Relationships and Related Transactions" is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information in our 2016 Proxy Statement set forth under the caption "Agenda Item No. 7 Election of Auditors Agenda Item No. 7.1" is incorporated herein by reference.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)

1. Financial Statements. See Item 8.
2. Financial Statement Schedule. See Item 8.
3. Exhibit Index:

Exhibit Number	Description
2.1	Separation and Distribution Agreement among Tyco International Ltd., Covidien Ltd. and Tyco Electronics Ltd., dated as of June 29, 2007 (Incorporated by reference to Exhibit 2.1 to TE Connectivity's Current Report on Form 8-K, filed July 5, 2007)
2.2	Agreement and Plan of Merger dated as of June 18, 2014 among TE Connectivity Ltd., Wolverine-Mars Acquisition, Inc. and Measurement Specialties, Inc. (Incorporated by reference to Exhibit 2.1 to TE Connectivity's Current Report on Form 8-K, filed June 18, 2014)
2.3	Stock and Asset Purchase Agreement, dated as of January 27, 2015, by and among TE Connectivity Ltd., CommScope Holding Company, Inc. and CommScope, Inc. (Incorporated by reference to Exhibit 2.1 to TE Connectivity's Current Report on Form 8-K, filed January 29, 2015)
3.1	Articles of Association of TE Connectivity Ltd., as amended and restated (Incorporated by reference to Exhibit 3.1 to TE Connectivity's Current Report on Form 8-K, filed May 12, 2015)
3.2	Organizational Regulations of TE Connectivity Ltd., as amended and restated (Incorporated by reference to Exhibit 3.2 to TE Connectivity's Current Report on Form 8-K, filed March 6, 2015)
4.1(a)	Indenture among Tyco Electronics Group S.A., Tyco Electronics Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated as of September 25, 2007 (Incorporated by reference to Exhibit 4.1(a) to TE Connectivity's Annual Report on Form 10-K for the fiscal year ended September 28, 2007, filed December 14, 2007)
4.1(b)	Second Supplemental Indenture among Tyco Electronics Group S.A., Tyco Electronics Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated as of September 25, 2007 (Incorporated by reference to Exhibit 4.1(c) to TE Connectivity's Annual Report on Form 10-K for the fiscal year ended September 28, 2007, filed December 14, 2007)
4.1(c)	Third Supplemental Indenture among Tyco Electronics Group S.A., Tyco Electronics Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated as of September 25, 2007 (Incorporated by reference to Exhibit 4.1(d) to TE Connectivity's Annual Report on Form 10-K for the fiscal year ended September 28, 2007, filed December 14, 2007)
4.1(d)	Fifth Supplemental Indenture among Tyco Electronics Group S.A., Tyco

	Electronics Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated as of December 20, 2010 (Incorporated by reference to Exhibit 4.1 to TE Connectivity's Current Report on Form 8-K, filed December 20, 2010)
4.1(e)	Sixth Supplemental Indenture among Tyco Electronics Group S.A., TE Connectivity Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated as of February 3, 2012 (Incorporated by reference to Exhibit 4.1 to TE Connectivity's Current Report on Form 8-K, filed February 3, 2012)

Exhibit Number	Description
4.1(f)	Seventh Supplemental Indenture among Tyco Electronics Group S.A., TE Connectivity Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated as of February 3, 2012 (Incorporated by reference to Exhibit 4.2 to TE Connectivity's Current Report on Form 8-K, filed February 3, 2012)
4.1(g)	Eighth Supplemental Indenture among Tyco Electronics Group S.A., TE Connectivity Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated as of November 25, 2013 (Incorporated by reference to Exhibit 4.1 to TE Connectivity's Current Report on Form 8-K, filed November 25, 2013)
4.1(h)	Ninth Supplemental Indenture among Tyco Electronics Group S.A., TE Connectivity Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated as of July 31, 2014 (Incorporated by reference to Exhibit 4.1 to TE Connectivity's Current Report on Form 8-K, filed July 31, 2014)
4.1(i)	Tenth Supplemental Indenture among Tyco Electronics Group S.A., TE Connectivity Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated July 31, 2014 (Incorporated by reference to Exhibit 4.2 to TE Connectivity's Current Report on Form 8-K, filed July 31, 2014)
4.1(j)	Eleventh Supplemental Indenture among Tyco Electronics Group S.A., TE Connectivity Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated July 31, 2014 (Incorporated by reference to Exhibit 4.3 to TE Connectivity's Current Report on Form 8-K, filed July 31, 2014)
4.1(k)	Twelfth Supplemental Indenture among Tyco Electronics Group S.A., TE Connectivity Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated as of February 27, 2015 (Incorporated by reference to Exhibit 4.1 to TE Connectivity's Current Report on Form 8-K, filed February 27, 2015)
10.1	Tax Sharing Agreement among Tyco International Ltd., Covidien Ltd. and Tyco Electronics Ltd., dated as of June 29, 2007 (Incorporated by reference to Exhibit 10.1 to TE Connectivity's Current Report on Form 8-K, filed July 5, 2007)
10.2	Five-Year Senior Credit Agreement among Tyco Electronics Group S.A., as borrower, TE Connectivity Ltd., as guarantor, the lenders parties thereto and Deutsche Bank AG New York Branch, as administrative agent, dated as of June 24, 2011 (Incorporated by reference to Exhibit 10.1 to TE Connectivity's Current Report on Form 8-K, filed June 27, 2011)
10.3	First Amendment to the Five-Year Senior Credit Agreement dated as of August 2, 2013 among Tyco Electronics Group S.A., as borrower, TE Connectivity Ltd., as guarantor, the lenders parties thereto and Deutsche Bank AG New York Branch, as administrative agent (Incorporated by reference to Exhibit 10.1 to TE Connectivity's Current Report on Form 8-K, filed August 2, 2013)
10.4	TE Connectivity Ltd. 2007 Stock and Incentive Plan (as amended and restated) (Incorporated by reference to Exhibit 10.4 to TE Connectivity's Annual Report on Form 10-K for the fiscal year ended September 26, 2014, filed November 12, 2014)
10.5	TE Connectivity Ltd. Employee Stock Purchase Plan (as amended and restated) (Incorporated by reference to Exhibit 10.4 to TE Connectivity's Annual Report on Form 10-K for the fiscal year ended September 28, 2012, filed November 13, 2012)
10.6	Form of Founders' Grant Option Award Terms and Conditions (Incorporated by reference to Exhibit 10.7 to TE Connectivity's Current Report on Form 8-K, filed

July 5, 2007)

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Exhibit Number	Description
10.7	Form of Option Award Terms and Conditions (Incorporated by reference to Exhibit 10.3 to TE Connectivity's Quarterly Report on Form 10-Q for the quarterly period ended December 24, 2010, filed January 24, 2011)
10.8	Form of Restricted Unit Award Terms and Conditions (Incorporated by reference to Exhibit 10.4 to TE Connectivity's Quarterly Report on Form 10-Q for the quarterly period ended December 24, 2010, filed January 24, 2011)
10.9	Form of Performance Stock Unit Award Terms and Conditions (Incorporated by reference to Exhibit 10.1 to TE Connectivity's Quarterly Report on Form 10-Q for the quarterly period ended December 28, 2012, filed January 25, 2013)
10.10	TE Connectivity Change in Control Severance Plan for Certain U.S. Executives (as amended and restated)*
10.11	TE Connectivity Severance Plan for U.S. Executives (as amended and restated)*
10.12	Tyco Electronics Ltd. Deferred Compensation Plan for Directors (Incorporated by reference to Exhibit 10.16 to TE Connectivity's Annual Report on Form 10-K for the fiscal year ended September 28, 2007, filed December 14, 2007)
10.13	Tyco Electronics Corporation Supplemental Savings and Retirement Plan (Incorporated by reference to Exhibit 10.13 to TE Connectivity's Annual Report on Form 10-K for the fiscal year ended September 25, 2009, filed November 18, 2009)
10.14	Tyco Electronics Ltd. UK Savings Related Share Plan (Incorporated by reference to Exhibit 10.23 to TE Connectivity's Annual Report on Form 10-K for the fiscal year ended September 28, 2007, filed December 14, 2007)
10.15	Form of Indemnification Agreement (Incorporated by reference to Exhibit 10.1 to TE Connectivity's Current Report on Form 8-K, filed October 16, 2009)
10.16	TE Connectivity Ltd. 2010 Stock and Incentive Plan (as amended and restated) (Incorporated by reference to Exhibit 10.16 to TE Connectivity's Annual Report on Form 10-K for the fiscal year ended September 26, 2014, filed November 12, 2014)
10.17	Employment Agreement between Thomas J. Lynch and TE Connectivity Ltd. effective December 20, 2013 (Incorporated by reference to Exhibit 10.1 to TE Connectivity's Current Report on Form 8-K, filed December 20, 2013)
10.18	Employment Agreement between Robert W. Hau and TE Connectivity Ltd. effective December 20, 2013 (Incorporated by reference to Exhibit 10.2 to TE Connectivity's Current Report on Form 8-K, filed December 20, 2013)
10.19	Employment Agreement between Terrence R. Curtin and TE Connectivity Ltd. effective December 20, 2013 (Incorporated by reference to Exhibit 10.3 to TE Connectivity's Current Report on Form 8-K, filed December 20, 2013)
10.20	Employment Agreement between Joseph B. Donahue and TE Connectivity Ltd. effective December 20, 2013 (Incorporated by reference to Exhibit 10.4 to TE Connectivity's Current Report on Form 8-K, filed December 20, 2013)
10.21	Employment Agreement between Robert N. Shaddock and TE Connectivity Ltd. effective December 20, 2013 (Incorporated by reference to Exhibit 10.5 to TE Connectivity's Current Report on Form 8-K, filed December 20, 2013)

21.1 Subsidiaries of TE Connectivity Ltd.*

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Exhibit Number	Description
23.1	Consent of Independent Registered Public Accounting Firm*
24.1	Power of Attorney*
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
101	Financial statements from the Annual Report on Form 10-K of TE Connectivity Ltd. for the fiscal year ended September 25, 2015, filed on November 10, 2015, formatted in XBRL: (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Equity, (v) the Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements*

* Filed herewith

** Furnished herewith

Management contract or compensatory plan or arrangement.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

TE CONNECTIVITY LTD.
By: /s/ ROBERT W. HAU

Robert W. Hau
Executive Vice President
and Chief Financial Officer
(Principal Financial Officer)

Date: November 10, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ THOMAS J. LYNCH Thomas J. Lynch	Chief Executive Officer and Director (Principal Executive Officer)	November 10, 2015
/s/ ROBERT W. HAU Robert W. Hau	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	November 10, 2015
/s/ ROBERT J. OTT Robert J. Ott	Senior Vice President and Corporate Controller (Principal Accounting Officer)	November 10, 2015
* Pierre R. Brondeau	Director	November 10, 2015
* Juergen W. Gromer	Director	November 10, 2015
* William A. Jeffrey	Director	November 10, 2015

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Signature	Title	Date
* Yong Nam	Director	November 10, 2015
* Daniel J. Phelan	Director	November 10, 2015
* Paula A. Sneed	Director	November 10, 2015
* David P. Steiner	Director	November 10, 2015
* John C. Van Scoter	Director	November 10, 2015
* Laura H. Wright	Director	November 10, 2015

* John S. Jenkins, Jr., by signing his name hereto, does sign this document on behalf of the above noted individuals, pursuant to powers of attorney duly executed by such individuals, which have been filed as Exhibit 24.1 to this Report.

By: /s/ JOHN S. JENKINS, JR.

John S. Jenkins, Jr.
Attorney-in-fact

TE CONNECTIVITY LTD.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of TE Connectivity Ltd.:

We have audited the accompanying consolidated balance sheets of TE Connectivity Ltd. and subsidiaries (the "Company") as of September 25, 2015 and September 26, 2014, and the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the three fiscal years in the period ended September 25, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 25, 2015 and September 26, 2014, and the results of its operations and its cash flows for each of the three fiscal years in the period ended September 25, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of September 25, 2015, based on the criteria established in *Internal Control Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 10, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
November 10, 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of TE Connectivity Ltd.:

We have audited the internal control over financial reporting of TE Connectivity Ltd. and subsidiaries (the "Company") as of September 25, 2015, based on criteria established in *Internal Control Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting of Measurement Specialties, Inc. ("Measurement Specialties"), which was acquired on October 9, 2014 and whose financial statements constitute 9% of total assets and 4% of total net sales of the consolidated financial statement amounts as of and for the year ended September 25, 2015. Accordingly, our audit did not include the internal control over financial reporting at Measurement Specialties. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 25, 2015, based on the criteria established in *Internal Control Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule of the Company as of and for the fiscal year ended September 25, 2015, and our report dated November 10, 2015 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
November 10, 2015

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TE CONNECTIVITY LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

Fiscal Years Ended September 25, 2015, September 26, 2014, and September 27, 2013

	Fiscal		
	2015	**2014**	**2013**
		(in millions, except per share data)	
Net sales	$ 12,233	$ 11,973	$ 11,390
Cost of sales	8,146	8,001	7,739
Gross margin	4,087	3,972	3,651
Selling, general, and administrative expenses	1,504	1,534	1,440
Research, development, and engineering expenses	627	583	590
Acquisition and integration costs	55	31	14
Restructuring and other charges, net	152	19	222
Operating income	1,749	1,805	1,385
Interest income	17	19	17
Interest expense	(136)	(127)	(139)
Other income (expense), net	(55)	63	(183)
Income from continuing operations before income taxes	1,575	1,760	1,080
Income tax (expense) benefit	(337)	(146)	75
Income from continuing operations	1,238	1,614	1,155
Income from discontinued operations, net of income taxes	1,182	167	122
Net income	2,420	1,781	1,277
Less: net income attributable to noncontrolling interests			(1)
Net income attributable to TE Connectivity Ltd.	$ 2,420	$ 1,781	$ 1,276
Amounts attributable to TE Connectivity Ltd.:			
Income from continuing operations	$ 1,238	$ 1,614	$ 1,154
Income from discontinued operations	1,182	167	122
Net income	$ 2,420	$ 1,781	$ 1,276
Basic earnings per share attributable to TE Connectivity Ltd.:			
Income from continuing operations	$ 3.06	$ 3.94	$ 2.76
Income from discontinued operations	2.92	0.41	0.29
Net income	5.98	4.34	3.05

Diluted earnings per share attributable to TE Connectivity Ltd.:						
Income from continuing operations	$	3.01	$	3.87	$	2.73
Income from discontinued operations		2.88		0.40		0.29
Net income		5.89		4.27		3.02
Dividends and cash distributions paid per common share	$	1.24	$	1.08	$	0.92
Weighted-average number of shares outstanding:						
Basic		405		410		418
Diluted		411		417		423

See Notes to Consolidated Financial Statements.

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TE CONNECTIVITY LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Fiscal Years Ended September 25, 2015, September 26, 2014, and September 27, 2013

	Fiscal		
	2015	**2014**	**2013**
		(in millions)	
Net income	$ 2,420	$ 1,781	$ 1,277
Other comprehensive income (loss):			
Currency translation	(312)	(211)	(28)
Adjustments to unrecognized pension and postretirement benefit costs, net of income taxes	(46)	(123)	131
Gains (losses) on cash flow hedges, net of income taxes	2	14	(29)
Other comprehensive income (loss)	(356)	(320)	74
Comprehensive income	2,064	1,461	1,351
Less: comprehensive income attributable to noncontrolling interests			(1)
Comprehensive income attributable to TE Connectivity Ltd.	$ 2,064	$ 1,461	$ 1,350

See Notes to Consolidated Financial Statements.

TE CONNECTIVITY LTD.

CONSOLIDATED BALANCE SHEETS

As of September 25, 2015 and September 26, 2014

	Fiscal Year End	
	2015	**2014**
	(in millions, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 3,329	$ 2,457
Accounts receivable, net of allowance for doubtful accounts of $18 and $14, respectively	2,120	2,057
Inventories	1,615	1,509
Prepaid expenses and other current assets	478	519
Deferred income taxes	345	324
Assets held for sale		2,013
Total current assets	7,887	8,879
Property, plant, and equipment, net	2,920	2,920
Goodwill	4,824	3,726
Intangible assets, net	1,555	1,087
Deferred income taxes	2,144	2,047
Receivable from Tyco International plc and Covidien plc	964	1,037
Other assets	314	456
Total Assets	$ 20,608	$ 20,152
Liabilities and Equity		
Current liabilities:		
Current maturities of long-term debt	$ 500	$ 577
Accounts payable	1,143	1,230
Accrued and other current liabilities	1,749	1,594
Deferred revenue	185	176
Liabilities held for sale		416
Total current liabilities	3,577	3,993
Long-term debt	3,403	3,281
Long-term pension and postretirement liabilities	1,327	1,280
Deferred income taxes	329	229
Income taxes	1,954	2,044
Other liabilities	433	312
Total Liabilities	11,023	11,139
Commitments and contingencies (Note 13)		
Equity:		
TE Connectivity Ltd. shareholders' equity:		
Common shares, 414,064,381 shares authorized and issued, CHF 0.57 par value, and 419,070,781 shares authorized and issued, CHF 0.57 par value, respectively	182	184

Contributed surplus	4,359	5,231
Accumulated earnings	6,673	4,253
Treasury shares, at cost, 20,071,089 and 11,383,631 shares, respectively	(1,256)	(644)
Accumulated other comprehensive loss	(373)	(17)
Total TE Connectivity Ltd. shareholders' equity	9,585	9,007
Noncontrolling interests		6
Total Equity	9,585	9,013
Total Liabilities and Equity	$ 20,608	$ 20,152

See Notes to Consolidated Financial Statements.

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TE CONNECTIVITY LTD.

CONSOLIDATED STATEMENTS OF EQUITY

Fiscal Years Ended September 25, 2015, September 26, 2014, and September 27, 2013

	Common Shares		Treasury Shares							
	Shares	Amount	Shares	Amount	Contributed Surplus	Accumulated Earnings	Accumulated Other Comprehensive Income (Loss)	TE Connectivity Ltd. Shareholders' Equity	Non-controlling Interests	Total Equity
					(in millions)					
Balance at September 28, 2012	439	$ 193	(16)	$ (484)	$ 6,837	$ 1,196	$ 229	$ 7,971	$ 6	$ 7,977
Net income						1,276		1,276	1	1,277
Other comprehensive income							74	74		74
Share-based compensation expense					78			78		78
Dividends approved				1	(413)			(412)		(412)
Exercise of share options			6	214				214		214
Restricted share award vestings and other activity			3	11	(3)			8		8
Repurchase of common shares			(20)	(829)				(829)		(829)
Cancellation of treasury shares	(10)	(4)	10	367	(363)					
Dividends to noncontrolling interests									(1)	(1)
Balance at September 27, 2013	429	$ 189	(17)	$ (720)	$ 6,136	$ 2,472	$ 303	$ 8,380	$ 6	$ 8,386
Net income						1,781		1,781		1,781
Other comprehensive loss							(320)	(320)		(320)
Share-based compensation expense					84			84		84
Dividends approved					(473)			(473)		(473)
Exercise of share options			5	156				156		156
Restricted share award vestings and other activity			2	125	(122)			3		3
Repurchase of common shares			(11)	(604)				(604)		(604)
Cancellation of treasury shares	(10)	(5)	10	399	(394)					

Balance at September 26, 2014	419	$ 184	(11)	$ (644)	$ 5,231	$ 4,253	$ (17)	$ 9,007	$ 6	$ 9,013
Net income						2,420		2,420		2,420
Other comprehensive loss							(356)	(356)		(356)
Share-based compensation expense					95			95		95
Dividends approved					(526)			(526)		(526)
Exercise of share options			3	103				103		103
Restricted share award vestings and other activity			1	143	(138)			5	(6)	(1)
Repurchase of common shares			(18)	(1,163)				(1,163)		(1,163)
Cancellation of treasury shares	(5)	(2)	5	305	(303)					
Balance at September 25, 2015	414	$ 182	(20)	$ (1,256)	$ 4,359	$ 6,673	$ (373)	$ 9,585	$	$ 9,585

See Notes to Consolidated Financial Statements.

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TE CONNECTIVITY LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Years Ended September 25, 2015, September 26, 2014, and September 27, 2013

	Fiscal		
	2015	**2014**	**2013**
		(in millions)	
Cash Flows From Operating Activities:			
Net income	$ 2,420	$ 1,781	$ 1,277
Income from discontinued operations, net of income taxes	(1,182)	(167)	(122)
Income from continuing operations	1,238	1,614	1,155
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	616	551	536
Non-cash restructuring charges	21	16	60
Deferred income taxes	40	(281)	14
Provision for losses on accounts receivable and inventories	36	34	39
Tax sharing (income) expense	52	(65)	181
Share-based compensation expense	89	77	71
Other	105	50	56
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:			
Accounts receivable, net	(210)	(182)	(65)
Inventories	(220)	(98)	(28)
Prepaid expenses and other current assets	36	(14)	13
Accounts payable	(22)	71	143
Accrued and other current liabilities	(155)	(280)	(13)
Deferred revenue	12	113	(50)
Income taxes	(52)	167	(387)
Other	33	31	50
Net cash provided by continuing operating activities	1,619	1,804	1,775
Net cash provided by discontinued operating activities	294	279	271
Net cash provided by operating activities	1,913	2,083	2,046
Cash Flows From Investing Activities:			
Capital expenditures	(600)	(635)	(581)
Proceeds from sale of property, plant, and equipment	17	129	22
Acquisition of businesses, net of cash acquired	(1,725)	(522)	(6)
Proceeds from divestiture of discontinued operations, net of cash retained by sold operations	2,957		14
Other	12	(10)	23
Net cash provided by (used in) continuing investing activities	661	(1,038)	(528)
Net cash used in discontinued investing activities	(25)	(37)	(17)
Net cash provided by (used in) investing activities	636	(1,075)	(545)
Cash Flows From Financing Activities:			
Net increase (decrease) in commercial paper	(328)	(23)	50
Proceeds from issuance of long-term debt	617	1,322	
Repayment of long-term debt	(473)	(360)	(714)
Proceeds from exercise of share options	103	156	214
Repurchase of common shares	(1,023)	(578)	(844)
Payment of common share dividends and cash distributions to shareholders	(502)	(443)	(384)

Transfers from discontinued operations	269	242	254
Other		(9)	
Net cash provided by (used in) continuing financing activities	(1,337)	307	(1,424)
Net cash used in discontinued financing activities	(269)	(242)	(254)
Net cash provided by (used in) financing activities	(1,606)	65	(1,678)
Effect of currency translation on cash	(71)	(19)	(9)
Net increase (decrease) in cash and cash equivalents	872	1,054	(186)
Cash and cash equivalents at beginning of fiscal year	2,457	1,403	1,589
Cash and cash equivalents at end of fiscal year	$ 3,329	$ 2,457	$ 1,403

Supplemental Cash Flow Information:

Interest paid	$ 128	$ 118	$ 151
Income taxes paid, net of refunds	350	259	299

See Notes to Consolidated Financial Statements.

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The Consolidated Financial Statements reflect the consolidated operations of TE Connectivity Ltd. and its subsidiaries and have been prepared in United States ("U.S.") dollars in accordance with accounting principles generally accepted in the U.S. ("GAAP").

Description of the Business

TE Connectivity Ltd. ("TE Connectivity" or the "Company," which may be referred to as "we," "us," or "our") is a global technology leader. We design and manufacture connectivity and sensors solutions that are essential in today's increasingly connected world. We help our customers solve the need for intelligent, efficient, and high-performing products and solutions.

We consist of three reportable segments:

Transportation Solutions. The Transportation Solutions segment is a leader in connectivity and sensor technologies. Our products, which must withstand harsh conditions, are used in the automotive, commercial transportation, and sensors markets.

Industrial Solutions. The Industrial Solutions segment is a leading supplier of products that connect and distribute power, data, and signals. Our products are used in the industrial equipment; aerospace, defense, oil, and gas; and energy markets.

Communications Solutions. The Communications Solutions segment is a top supplier of electronic components for the data and devices and appliances markets. We are also a leader in developing, manufacturing, installing, and maintaining some of the world's most advanced subsea fiber optic communications systems.

Use of Estimates

The preparation of the Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Significant estimates in these Consolidated Financial Statements include restructuring and other charges, assets acquired and liabilities assumed in acquisitions, allowances for doubtful accounts receivable, estimates of future cash flows and discount rates associated with asset impairments, useful lives for depreciation and amortization, loss contingencies, net realizable value of inventories, estimated contract revenue and related costs, legal contingencies, tax reserves and deferred tax asset valuation allowances, and the determination of discount and other rate assumptions for pension and postretirement employee benefit expenses. Actual results could differ materially from these estimates.

Fiscal Year

We have a 52 or 53-week fiscal year that ends on the last Friday of September. Fiscal 2015, 2014, and 2013 were 52 weeks and ended on September 25, 2015, September 26, 2014, and September 27, 2013, respectively. For fiscal years in which there are 53 weeks, the fourth quarter reporting period will include 14 weeks with the next occurrence taking place in fiscal 2016.

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies

Principles of Consolidation

We consolidate entities in which we own or control more than 50% of the voting shares or otherwise have the ability to control through similar rights. All intercompany transactions have been eliminated. The results of companies acquired or disposed of are included on the Consolidated Financial Statements from the effective date of acquisition or up to the date of disposal.

Revenue Recognition

Our revenues are generated principally from the sale of our products. Revenue from the sale of products is recognized at the time title and the risks and rewards of ownership pass to the customer. This generally occurs when the products reach the shipping point, the sales price is fixed and determinable, and collection is reasonably assured.

Contract revenues for construction related projects, which are generated in the Communications Solutions segment, are recorded primarily using the percentage-of-completion method. Profits recognized on contracts in process are based upon estimated contract revenue and related cost to complete. Percentage-of-completion is measured based on the ratio of actual costs incurred to total estimated costs. Revisions in cost estimates as contracts progress have the effect of increasing or decreasing profits in the current period. Provisions for anticipated losses are made in the period in which they first become determinable. In addition, provisions for credit losses related to construction related projects are recorded as reductions of revenue in the period in which they first become determinable.

We generally warrant that our products will conform to our, or mutually agreed to, specifications and that our products will be free from material defects in materials and workmanship for a limited time. We limit our warranty to the replacement or repair of defective parts, or a refund or credit of the price of the defective product. We accept returned goods only when the customer makes a verified claim and we have authorized the return. Generally, a reserve for estimated returns is established at the time of sale based on historical return experience and is recorded as a reduction of sales.

Additionally, certain of our long-term contracts in the Communications Solutions segment have warranty obligations. Estimated warranty costs for each contract are determined based on the contract terms and technology-specific considerations. These costs are included in total estimated contract costs and are accrued over the construction period of the respective contracts under percentage-of-completion accounting.

We provide certain distributors with an inventory allowance for returns or scrap equal to a percentage of qualified purchases. A reserve for estimated returns and scrap allowances is established at the time of the sale, based on an agreed upon fixed percentage of sales to distributors, and is recorded as a reduction of sales.

Other allowances include customer quantity and price discrepancies. A reserve for other allowances is generally established at the time of sale based on historical experience and is recorded as a reduction of sales. We believe we can reasonably and reliably estimate the amounts of future allowances.

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are recorded at the lower of cost or market value using the first-in, first-out cost method, except for inventoried costs incurred in the performance of long-term contracts primarily by the Communications Solutions segment.

Property, Plant, and Equipment, Net

Property, plant, and equipment is recorded at cost less accumulated depreciation. Maintenance and repair expenditures are charged to expense when incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which are 10 to 20 years for land improvements, 5 to 40 years for buildings and improvements, and 1 to 15 years for machinery and equipment.

We periodically evaluate, when events and circumstances warrant, the net realizable value of property, plant, and equipment and other long-lived assets, relying on a number of factors including operating results, business plans, economic projections, and anticipated future cash flows. When indicators of potential impairment are present, the carrying values of the asset group are evaluated in relation to the operating performance and estimated future undiscounted cash flows of the underlying asset group. Impairment of the carrying value is recognized whenever anticipated future undiscounted cash flow estimates are less than the carrying value of the asset. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows and discount rates, reflecting varying degrees of perceived risk.

Goodwill and Other Intangible Assets

Intangible assets include both indeterminable-lived residual goodwill and determinable-lived identifiable intangible assets. Intangible assets with a determinable life primarily include intellectual property, consisting of patents, trademarks, and unpatented technology, as well as customer relationships. Recoverability estimates range from 1 to 50 years and costs are generally amortized on a straight-line basis. An evaluation of the remaining useful life of determinable-lived intangible assets is performed on a periodic basis and when events and circumstances warrant an evaluation.

At fiscal year end 2015, we had seven reporting units, six of which contained goodwill. There are two reporting units in each of the Transportation Solutions and Industrial Solutions segments, and three reporting units in the Communications Solutions segment. When changes occur in the composition of one or more reporting units, goodwill is reassigned to the reporting units affected based on their relative fair values.

Goodwill impairment is evaluated by comparing the carrying value of each reporting unit to its fair value on the first day of the fourth fiscal quarter of each year or whenever we believe a triggering event requiring a more frequent assessment has occurred. In assessing the existence of a triggering event, management relies on a number of reporting-unit-specific factors including operating results, business plans, economic projections, anticipated future cash flows, transactions, and market place data. There are inherent uncertainties related to these factors and management's judgment in applying these factors to the impairment analysis.

When testing for goodwill impairment, we perform a step I goodwill impairment test to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount. If the

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

carrying amount of a reporting unit exceeds its fair value, goodwill may be impaired and a step II goodwill impairment test is performed to measure the amount of impairment, if any. In the step II goodwill impairment test, we compare the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess. The implied fair value of goodwill is determined in a manner consistent with how goodwill is recognized in a business combination. We allocate the fair value of a reporting unit to all of the assets and liabilities of that unit, including intangible assets, as if the reporting unit had been acquired in a business combination. Any excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill.

Fair value estimates used in the step I goodwill impairment tests are calculated using an income approach based on the present value of future cash flows of each reporting unit. The income approach generally has been supported by guideline analyses (a market approach). These approaches incorporate a number of assumptions including future growth rates, discount rates, income tax rates, and market activity in assessing fair value and are reporting unit specific. Changes in economic and operating conditions impacting these assumptions could result in goodwill impairments in future periods.

Research and Development

Research and development expenditures are expensed when incurred and are included in research, development, and engineering expenses on the Consolidated Statements of Operations. Research and development expenses include salaries, direct costs incurred, and building and overhead expenses. The amounts expensed in fiscal 2015, 2014, and 2013 were $540 million, $484 million, and $494 million, respectively.

Income Taxes

Income taxes are computed in accordance with the provisions of Accounting Standards Codification ("ASC") 740, *Income Taxes*. Deferred tax liabilities and assets are recognized for the expected future tax consequences of events that have been reflected on the Consolidated Financial Statements. Deferred tax liabilities and assets are determined based on the differences between the book and tax bases of particular assets and liabilities and operating loss carryforwards using tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is provided to offset deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

The calculation of our tax liabilities includes estimates for uncertainties in the application of complex tax regulations across multiple global jurisdictions where we conduct our operations. Under the uncertain tax position provisions of ASC 740, we recognize liabilities for tax and related interest for issues in the U.S. and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes and related interest will be due. In addition, management reviews with tax counsel various issues raised by certain taxing authorities and the adequacy of recorded amounts. These tax liabilities and related interest are reflected net of the impact of related tax loss carryforwards, as such tax loss carryforwards will be applied against these tax liabilities and will reduce the amount of cash tax payments due upon the eventual settlement with the tax authorities. These estimates may change due to changing facts and circumstances. Due to the complexity of these uncertainties, the ultimate

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

resolution may result in a settlement that differs from our current estimate of the tax liabilities and related interest.

Financial Instruments

Our financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, debt, and derivative financial instruments.

We account for derivative financial instrument contracts on the Consolidated Balance Sheets at fair value. For instruments not designated as hedges under ASC 815, *Derivatives and Hedging*, the changes in the instruments' fair value are recognized currently in earnings. For instruments designated as cash flow hedges, the effective portion of changes in the fair value of a derivative is recorded in other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the underlying hedged item affects earnings. Ineffective portions of a cash flow hedge, including amounts excluded from the hedging relationship, are recognized currently in earnings. Changes in the fair value of instruments designated as fair value hedges affect the carrying value of the asset or liability hedged, with changes in both the derivative instrument and the hedged asset or liability being recognized currently in earnings.

We determine the fair value of our financial instruments by using methods and assumptions that are based on market conditions and risks existing at each balance sheet date. Standard market conventions are used to determine the fair value of financial instruments, including derivatives.

The cash flows related to derivative financial instruments are reported in the operating activities section of the Consolidated Statements of Cash Flows.

Our derivative financial instruments present certain market and counterparty risks. Concentration of counterparty risk is mitigated, however, by our use of financial institutions worldwide, substantially all of which have long-term Standard & Poor's, Moody's, and/or Fitch credit ratings of A/A2 or higher. In addition, we utilize only conventional derivative financial instruments. We are exposed to potential losses if a counterparty fails to perform according to the terms of its agreement. With respect to counterparty net asset positions recognized at September 25, 2015, we have assessed the likelihood of counterparty default as remote. We currently provide guarantees from a wholly-owned subsidiary to the counterparties to our commodity swap derivatives and exchange cash collateral with the counterparties to our cross-currency swap contracts. The likelihood of performance on the guarantees has been assessed as remote. For all other derivative financial instruments, we are not required to provide, nor do we require counterparties to provide, collateral or other security.

Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, specifies a fair value hierarchy based upon the observable inputs utilized in valuation of certain assets and liabilities. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. Fair value measurements are classified under the following hierarchy:

Level 1. Quoted prices in active markets for identical assets and liabilities.

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Level 2. Quoted prices in active markets for similar assets and liabilities, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3. Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flows methodologies, and similar techniques that use significant unobservable inputs.

Financial assets and liabilities measured at fair value on a recurring basis are generally valued using level 2 inputs.

Financial instruments other than derivative instruments include cash and cash equivalents, accounts receivable, accounts payable, and debt. These instruments are recorded on the Consolidated Balance Sheets at book value. For cash and cash equivalents, accounts receivable, and accounts payable, we believe book value approximates fair value due to the short-term nature of these instruments. See Note 11 for disclosure of the fair value of debt. The following is a description of the valuation methodologies used for the respective financial instruments:

Cash and cash equivalents. Cash and cash equivalents are valued at book value, which we consider to be equivalent to unadjusted quoted prices (level 1).

Accounts receivable. Accounts receivable are valued based on the net value expected to be realized. The net realizable value generally represents an observable contractual agreement (level 2).

Accounts payable. Accounts payable are valued based on the net value expected to be paid, generally supported by an observable contractual agreement (level 2).

Long-term debt. The fair value of long-term debt, including both current and non-current maturities, is derived from quoted market prices or other pricing determinations based on the results of market approach valuation models using observable market data such as recently reported trades, bid and offer information, and benchmark securities (level 2).

Pension and Postretirement Benefits

The funded status of our defined benefit pension and postretirement benefit plans is recognized on the Consolidated Balance Sheets and is measured as the difference between the fair value of plan assets and the benefit obligation at the measurement date. For defined benefit pension plans, the benefit obligation is the projected benefit obligation, which represents the actuarial present value of benefits expected to be paid upon retirement factoring in estimated future compensation levels. For the postretirement benefit plans, the benefit obligation is the accumulated postretirement benefit obligation, which represents the actuarial present value of postretirement benefits attributed to employee services already rendered. The fair value of plan assets represents the current market value of cumulative company and participant contributions made to irrevocable trust funds, held for the sole benefit of participants, which are invested by the trustee of the funds. The benefits under pension and postretirement plans are based on various factors, such as years of service and compensation.

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Net periodic pension benefit cost is based on the utilization of the projected unit credit method of calculation and is charged to earnings on a systematic basis over the expected average remaining service lives of current participants.

The measurement of benefit obligations and net periodic benefit cost is based on estimates and assumptions determined by our management. These valuations reflect the terms of the plans and use participant-specific information such as compensation, age, and years of service, as well as certain assumptions, including estimates of discount rates, expected return on plan assets, rate of compensation increases, interest crediting rates, and mortality rates.

Share-Based Compensation

We determine the fair value of share awards on the date of grant. Share options are valued using the Black-Scholes-Merton valuation model; restricted share awards and performance awards are valued using our end-of-day share price on the date of grant. The fair value is expensed ratably over the expected service period, with an allowance made for estimated forfeitures based on historical employee activity. Estimates regarding the attainment of performance criteria are reviewed periodically; the cumulative impact of a change in estimate regarding the attainment of performance criteria is recorded in the period in which that change is made.

Earnings Per Share

Basic earnings per share attributable to TE Connectivity Ltd. is computed by dividing net income attributable to TE Connectivity Ltd. by the basic weighted-average number of common shares outstanding. Diluted earnings per share attributable to TE Connectivity Ltd. is computed by dividing net income attributable to TE Connectivity Ltd. by the weighted-average number of common shares outstanding adjusted for the potentially dilutive impact of share-based compensation arrangements.

Currency Translation

For our non-U.S. dollar functional currency subsidiaries, assets and liabilities are translated into U.S. dollars using fiscal year end exchange rates. Sales and expenses are translated at average monthly exchange rates. Foreign currency translation gains and losses are included as a component of accumulated other comprehensive income (loss) within equity.

Gains and losses resulting from foreign currency transactions, which are included in earnings, were immaterial in fiscal 2015, 2014, and 2013.

Restructuring Charges

Restructuring activities involve employee-related termination costs, facility exit costs, and asset impairments resulting from reductions-in-force, migration of facilities or product lines from higher-cost to lower-cost countries, or consolidation of facilities within countries. We recognize termination costs based on requirements established by severance policy, government law, or previous actions. Facility exit costs generally reflect the cost to terminate a facility lease before the end of its term (measured at fair value at the time we cease using the facility) or costs that will continue to be incurred under the facility lease without future economic benefit to us. Restructuring activities often result in the disposal

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

or abandonment of assets that require an acceleration of depreciation or impairment reflecting the excess of the assets' carrying values over fair value.

The recognition of restructuring costs require that we make certain judgments and estimates regarding the nature, timing, and amount of costs associated with the planned exit activity. To the extent our actual results differ from our estimates and assumptions, we may be required to revise the estimated liabilities, requiring the recognition of additional restructuring costs or the reduction of liabilities already recognized. At the end of each reporting period, we evaluate the remaining accrued balances to ensure these balances are properly stated and the utilization of the reserves are for their intended purpose in accordance with developed exit plans.

Acquisitions

We account for acquired businesses using the acquisition method of accounting. This method requires, among other things, that most assets acquired and liabilities assumed be recognized at fair value as of the acquisition date. We allocate the purchase price of acquired businesses to the tangible and intangible assets acquired and liabilities assumed based on estimated fair values, or as required by ASC 805, *Business Combinations*. The excess of the purchase price over the identifiable assets acquired and liabilities assumed is recorded as goodwill. We may engage independent third-party appraisal firms to assist us in determining the fair values of assets acquired and liabilities assumed. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets.

Contingent Liabilities

We record a loss contingency when the available information indicates it is probable that we have incurred a liability and the amount of the loss is reasonably estimable. When a range of possible losses with equal likelihood exists, we record the low end of the range. The likelihood of a loss with respect to a particular contingency is often difficult to predict, and determining a meaningful estimate of the loss or a range of loss may not be practicable based on information available. In addition, it is not uncommon for such matters to be resolved over many years, during which time relevant developments and new information must continuously be evaluated to determine whether a loss is probable and a reasonable estimate of that loss can be made. When a loss is probable but a reasonable estimate cannot be made, or when a loss is at least reasonably possible, disclosure is provided.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASC 606, *Revenue from Contracts with Customers*. This guidance supersedes ASC 605, *Revenue Recognition*, and introduces a single, comprehensive, five-step revenue recognition model. ASC 606 also enhances disclosures related to revenue recognition. In August 2015, the FASB deferred the effective date of ASC 606 by one year. ASC 606 will be effective for us in the first quarter of fiscal 2019 and allows for either a full retrospective or a modified retrospective approach at adoption. We are continuing to assess the impact of adopting ASC 606, but do not expect adoption to have a material impact on our results of operations or financial position.

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Restructuring and Other Charges, Net

Net restructuring and other charges consisted of the following:

	Fiscal 2015	Fiscal 2014	Fiscal 2013
	(in millions)		
Restructuring charges, net	$ 93	$ 23	$ 225
Other charges (credits), net	59	(4)	(3)
	$ 152	$ 19	$ 222

Restructuring Charges, Net

Net restructuring charges by segment were as follows:

	Fiscal 2015	Fiscal 2014	Fiscal 2013
	(in millions)		
Transportation Solutions	$ 6	$ 7	$ 39
Industrial Solutions	29	7	62
Communications Solutions	58	9	124
Restructuring charges, net	$ 93	$ 23	$ 225

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Restructuring and Other Charges, Net (Continued)

Activity in our restructuring reserves is summarized as follows:

	Balance at Beginning of Fiscal Year	Charges	Changes in Estimate	Cash Payments	Non-Cash Items	Currency Translation and Other[1]	Balance at End of Fiscal Year
				(in millions)			
Fiscal 2015 Activity:							
Fiscal 2015 Actions:							
Employee severance	$	$ 68	$	$ (23)	$	$	$ 45
Facility and other exit costs		3		(2)			1
Property, plant, and equipment		21			(21)		
Total		92		(25)	(21)		46
Fiscal 2014 Actions:							
Employee severance	16			(7)		(5)	4
Facility and other exit costs	1			(1)			
Total	17			(8)		(5)	4
Fiscal 2013 Actions:							
Employee severance	61		(1)	(42)		(4)	14
Facility and other exit costs	1	2		(3)			
Total	62	2	(1)	(45)		(4)	14
Pre-Fiscal 2013 Actions:							
Employee severance	14	2	(3)	(5)		(2)	6
Facility and other exit costs	21	1		(9)		1	14
Total	35	3	(3)	(14)		(1)	20
Total fiscal 2015 activity	$ 114	$ 97	$ (4)	$ (92)	$ (21)	$ (10)	$ 84
Fiscal 2014 Activity:							
Fiscal 2014 Actions:							

Employee severance	$	$ 10	$	$ (13)	$	$ 19	$ 16
Facility and other exit costs						1	1
Property, plant, and equipment		9			(9)		
Total		19		(13)	(9)	20	17
Fiscal 2013 Actions:							
Employee severance	159	8	(10)	(105)		9	61
Facility and other exit costs	1	4		(5)		1	1
Property, plant, and equipment		7			(7)		
Total	160	19	(10)	(110)	(7)	10	62
Pre-Fiscal 2013 Actions:							
Employee severance	51	2	(10)	(29)			14
Facility and other exit costs	26	2	1	(8)			21
Total	77	4	(9)	(37)			35
Total fiscal 2014 activity	$ 237	$ 42	$ (19)	$ (160)	$ (16)	$ 30	$ 114

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Restructuring and Other Charges, Net (Continued)

	Balance at Beginning of Fiscal Year	Charges	Changes in Estimate	Cash Payments	Non-Cash Items	Currency Translation and Other[(1)]	Balance at End of Fiscal Year
				(in millions)			
Fiscal 2013 Activity:							
Fiscal 2013 Actions:							
Employee severance	$	$ 185	$ (8)	$ (79)	$	$ 61	$ 159
Facility and other exit costs		5		(4)			1
Property, plant, and equipment		58			(58)		
Total		248	(8)	(83)	(58)	61	160
Pre-Fiscal 2013 Actions:							
Employee severance	130	7	(27)	(58)		(1)	51
Facility and other exit costs	31	2	1	(10)		2	26
Property, plant, and equipment		2			(2)		
Total	161	11	(26)	(68)	(2)	1	77
Total fiscal 2013 activity	$ 161	$ 259	$ (34)	$ (151)	$ (60)	$ 62	$ 237

(1) Includes net charges (credits) associated with discontinued operations of $(1) million, $36 million, and $65 million in fiscal 2015, 2014, and 2013, respectively.

Fiscal 2015 Actions

During fiscal 2015, we initiated a restructuring program associated with headcount reductions and product line closures, primarily impacting the Communications Solutions and Industrial Solutions segments. In connection with this program, during fiscal 2015, we recorded net restructuring charges of $92 million. We expect to complete all restructuring actions commenced in fiscal 2015 by the end of fiscal 2016 and to incur total charges of approximately $98 million.

Fiscal 2014 Actions

During fiscal 2014, we initiated a restructuring program associated primarily with headcount reductions and manufacturing site and product line closures in the Communications Solutions segment. In connection with this program, we recorded net restructuring charges of $19 million in fiscal 2014. We do not expect to incur significant additional expense related to restructuring programs commenced in fiscal 2014.

Fiscal 2013 Actions

During fiscal 2013, we initiated a restructuring program associated with headcount reductions and manufacturing site closures impacting all segments. In connection with this program, during fiscal 2015, 2014, and 2013, we recorded net restructuring charges of $1 million, $9 million, and $240 million, respectively. We do not expect to incur significant additional expense related to restructuring programs commenced in fiscal 2013.

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Restructuring and Other Charges, Net (Continued)

Pre-Fiscal 2013 Actions

During fiscal 2012, we initiated a restructuring program to reduce headcount across all segments. Also, during fiscal 2012, we initiated a restructuring program in the Transportation Solutions and Industrial Solutions segments associated with the acquisition of Deutsch Group SAS. During fiscal 2014 and 2013, we recorded net restructuring credits of $5 million and $15 million, respectively, related to pre-fiscal 2013 actions. We do not expect to incur any additional charges related to pre-fiscal 2013 actions.

Total Restructuring Reserves

Restructuring reserves included on the Consolidated Balance Sheets were as follows:

	Fiscal Year End	
	2015	**2014**
	(in millions)	
Accrued and other current liabilities	$ 60	$ 83
Other liabilities	24	31
Restructuring reserves	$ 84	$ 114

Other Charges (Credits), Net

During fiscal 2015, in connection with the sale our Broadband Network Solutions ("BNS") business, we incurred costs of $61 million, consisting primarily of $36 million of legal and professional fees and $18 million of charges associated with the exit of a facility. These amounts are not directly related to the business sold, and accordingly have been recorded in continuing operations. See Note 4 for additional information regarding the divestiture of BNS.

4. Discontinued Operations

During fiscal 2015, we sold our BNS business for $3.0 billion in cash and recognized a pre-tax gain of $1,105 million on the transaction. In the U.S., income taxes associated with the gain on the sale of assets were largely offset by income tax benefits realized on the sale of several subsidiaries. In certain non-U.S. jurisdictions, the sale was exempt from income taxes.

Pre-tax income from discontinued operations for fiscal 2015 included pre-tax charges of $127 million recorded in connection with the Com-Net case related to our former Wireless Systems business which was sold in fiscal 2009. See Note 13 for additional information regarding the Com-Net case.

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Discontinued Operations (Continued)

The following table presents information regarding certain components of income from discontinued operations, net of income taxes:

	Fiscal		
	2015	2014	2013
	(in millions)		
Net sales from discontinued operations	$ 1,595	$ 1,939	$ 1,890
Pre-tax income from discontinued operations	$ 118	$ 224	$ 167
Pre-tax gain (loss) on sale of discontinued operations	1,105		(4)
Income tax expense	(41)	(57)	(41)
Income from discontinued operations, net of income taxes	$ 1,182	$ 167	$ 122

The following table presents balance sheet information for assets and liabilities held for sale fiscal year end 2014; there were no such balances at fiscal year end 2015:

	Fiscal Year End 2014
	(in millions)
Accounts receivable, net	$ 382
Inventories	236
Property, plant, and equipment, net	206
Goodwill	869
Intangible assets, net	242
Other assets	78
Total assets	$ 2,013
Current maturities of long-term debt	$ 90
Accounts payable	161
Other liabilities	165
Total liabilities	$ 416

The BNS and Wireless Systems businesses met the discontinued operations criteria and have been reported as such in all periods presented on the Consolidated Financial Statements. Prior to reclassification to discontinued operations, the BNS and Wireless Systems businesses were included in the former Network Solutions and Wireless Systems segments, respectively.

5. Acquisitions

Measurement Specialties, Inc.

On October 9, 2014, we acquired 100% of the outstanding shares of Measurement Specialties, Inc. ("Measurement Specialties"), a leading global designer and manufacturer of sensors and sensor-based systems, for $86.00 in cash per share. The total value paid was approximately $1.7 billion, net of cash acquired, and included $225 million for the repayment of Measurement Specialties' debt and accrued interest. Measurement Specialties offers a broad portfolio of technologies including pressure, vibration,

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Acquisitions (Continued)

force, temperature, humidity, ultrasonics, position, and fluid sensors, for a wide range of applications and industries. This business has been reported as part of our Transportation Solutions segment from the date of acquisition.

During the second quarter of fiscal 2015, we finalized the valuation of identifiable intangible assets, fixed assets, and pre-acquisition contingencies.

The following table summarizes the allocation of the purchase price to the fair value of identifiable assets acquired and liabilities assumed at the date of acquisition, in accordance with the acquisition method of accounting:

	(in millions)
Cash and cash equivalents	$ 37
Accounts receivable	84
Inventories	110
Other current assets	20
Property, plant, and equipment	95
Goodwill	1,064
Intangible assets	547
Other non-current assets	9
Total assets acquired	1,966
Current maturities of long-term debt	20
Accounts payable	48
Other current liabilities	67
Long-term debt	203
Deferred income taxes	98
Other non-current liabilities	9
Total liabilities assumed	445
Net assets acquired	1,521
Cash and cash equivalents acquired	(37)
Net cash paid	$ 1,484

The fair values assigned to intangible assets were determined through the use of the income approach, specifically the relief from royalty and the multi-period excess earnings methods. Both valuation methods rely on management judgment, including expected future cash flows resulting from existing customer relationships, customer attrition rates, contributory effects of other assets utilized in the business, peer group cost of capital and royalty rates, and other factors. The valuation of tangible assets was derived using a combination of the income, market, and cost approaches. Significant judgments used in valuing tangible assets include estimated reproduction or replacement cost, useful lives of assets, estimated selling prices, costs to complete, and reasonable profit. Useful lives for intangible assets were determined based upon the remaining useful economic lives of the intangible assets that are expected to contribute directly or indirectly to future cash flows.

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Acquisitions (Continued)

Intangible assets acquired consisted of the following:

	Amount (in millions)	Weighted-Average Amortization Period (in years)
Customer relationships	$ 370	18
Developed technology	161	9
Trade names and trademarks	4	1
Customer order backlog	12	<1
Total	$ 547	15

The acquired intangible assets are being amortized on a straight-line basis over their expected useful lives.

Goodwill of $1,064 million was recognized in the transaction, representing the excess of the purchase price over the fair value of the tangible and intangible assets acquired and liabilities assumed. This goodwill is attributable primarily to cost savings and other synergies related to operational efficiencies including the consolidation of manufacturing, marketing, and general and administrative functions. The goodwill has been allocated to the Transportation Solutions segment and is not deductible for tax purposes. However, prior to its merger with us, Measurement Specialties completed certain acquisitions that resulted in goodwill with an estimated value of $23 million that is deductible primarily for U.S. tax purposes, which we will deduct through 2030.

During fiscal 2015, Measurement Specialties contributed net sales of $548 million to our Consolidated Statement of Operations. Due to the commingled nature of our operations, it is not practicable to separately identify operating income of Measurement Specialties on a stand-alone basis.

The following unaudited pro forma financial information reflects our consolidated results of operations had the Measurement Specialties acquisition occurred at the beginning of fiscal 2014:

	Pro Forma for Fiscal 2015	2014
	(in millions, except per share data)	
Net sales	$ 12,252	$ 12,429
Net income attributable to TE Connectivity Ltd.	2,440	1,744
Diluted earnings per share attributable to TE Connectivity Ltd.	$ 5.94	$ 4.18

The pro forma financial information is based on our final allocation of the purchase price. The significant pro forma adjustments, which are described below, are net of income tax expense (benefit) at the statutory rate.

Pro forma results for fiscal 2015 were adjusted to exclude $16 million of acquisition costs, $15 million of share-based compensation expense incurred by Measurement Specialties as a result of the change in control of Measurement Specialties, $11 million of charges related to the fair value adjustment to acquisition-date inventories, $7 million of charges related to acquired customer order backlog, $6 million of income tax expense based on the estimated impact of combining Measurement Specialties into our global tax position, and $1 million of charges related to the amortization of the fair

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Acquisitions (Continued)

value of acquired intangible assets. In addition, pro forma results for fiscal 2015 were adjusted to include $3 million of interest expense based on pro forma changes in our capital structure.

Pro forma results for fiscal 2014 were adjusted to include $20 million of charges related to the amortization of the fair value of acquired intangible assets, $19 million of income tax expense based on the estimated impact of combining Measurement Specialties into our global tax position, $14 million of interest expense based on pro forma changes in our capital structure, $11 million of charges related to the fair value adjustment to acquisition-date inventories, $7 million of charges related to acquired customer order backlog, and $2 million in depreciation expense.

Pro forma results do not include any anticipated synergies or other anticipated benefits of the acquisition. Accordingly, the unaudited pro forma financial information is not necessarily indicative of either future results of operations or results that might have been achieved had the Measurement Specialties acquisition occurred at the beginning of fiscal 2014.

Other Acquisitions

During fiscal 2015, we acquired three additional companies for $241 million in cash, net of cash acquired. During fiscal 2014, we acquired five companies, including the SEACON Group ("SEACON"), a leading provider of underwater connector technology and systems, for $522 million in cash, net of cash acquired.

6. Inventories

Inventories consisted of the following:

	Fiscal Year End	
	2015	**2014**
	(in millions)	
Raw materials	$ 261	$ 211
Work in progress	581	562
Finished goods	773	736
Inventories	$ 1,615	$ 1,509

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Property, Plant, and Equipment, Net

Net property, plant, and equipment consisted of the following:

	Fiscal Year End 2015	Fiscal Year End 2014
	(in millions)	
Land and improvements	$ 163	$ 185
Buildings and improvements	1,261	1,244
Machinery and equipment	6,692	6,787
Construction in process	521	550
Gross property, plant, and equipment	8,637	8,766
Accumulated depreciation	(5,717)	(5,846)
Property, plant, and equipment, net	$ 2,920	$ 2,920

Depreciation expense was $463 million, $467 million, and $456 million in fiscal 2015, 2014, and 2013, respectively.

8. Goodwill

The changes in the carrying amount of goodwill by segment were as follows[1]:

	Transportation Solutions	Industrial Solutions	Communications Solutions	Total
		(in millions)		
September 27, 2013[2]	$ 797	$ 1,919	$ 736	$ 3,452
Acquisitions	46	265		311
Currency translation and other	(9)	(19)	(9)	(37)
September 26, 2014[2]	834	2,165	727	3,726
Acquisitions	1,066	145		1,211
Currency translation	(37)	(57)	(19)	(113)
September 25, 2015[2]	$ 1,863	$ 2,253	$ 708	$ 4,824

(1) In connection with the realignment of certain businesses during fiscal 2015, goodwill was re-allocated to reporting units using a relative fair value approach. See Note 22 for additional information regarding our current segment structure.

(2)

At fiscal year end 2015, 2014, and 2013, accumulated impairment losses for the Transportation Solutions, Industrial Solutions, and Communications Solutions segments were $2,191 million, $669 million, and $1,626 million, respectively.

During fiscal 2015, we completed the acquisition of Measurement Specialties and recognized goodwill of $1,064 million, which benefited the Transportation Solutions segment. See Note 5 for additional information regarding acquisitions.

We completed our annual goodwill impairment test in the fourth quarter of fiscal 2015 and determined that no impairment existed.

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Intangible Assets, Net

Intangible assets consisted of the following:

	Fiscal Year End					
	2015			2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(in millions)					
Intellectual property	$ 1,150	$ (524)	$ 626	$ 986	$ (453)	$ 533
Customer relationships	1,053	(148)	905	614	(83)	531
Other	37	(13)	24	35	(12)	23
Total	$ 2,240	$ (685)	$ 1,555	$ 1,635	$ (548)	$ 1,087

During fiscal 2015, the gross carrying amount of intangible assets increased by $547 million as a result of the Measurement Specialties acquisition. Intangible asset amortization expense was $153 million, $84 million, and $80 million for fiscal 2015, 2014, and 2013, respectively.

The aggregate amortization expense on intangible assets is expected to be as follows:

	(in millions)
Fiscal 2016	$ 141
Fiscal 2017	137
Fiscal 2018	137
Fiscal 2019	135
Fiscal 2020	131
Thereafter	874
Total	$ 1,555

10. Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following:

	Fiscal Year End	
	2015	2014
	(in millions)	
Accrued payroll and employee benefits	$ 424	$ 470
Dividends payable to shareholders	260	236
Income taxes payable	198	158
Share repurchase program payable	177	37
Restructuring reserves	60	83
Interest payable	53	50

Deferred income taxes	33	26
Other	544	534
Accrued and other current liabilities	$ 1,749	$ 1,594

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Debt

Debt was as follows:

	Fiscal Year End 2015	Fiscal Year End 2014
	(in millions)	
Current maturities of long-term debt:		
1.60% senior notes due 2015	$	$ 250
Senior floating rate notes due 2016(1)	500	
Commercial paper, at a weighted-average interest rate of 0.30% at September 26, 2014		327
Total	500	577
Long-term debt:		
Senior floating rate notes due 2016(1)		500
6.55% senior notes due 2017	718	723
2.375% senior notes due 2018	324	324
2.35% senior notes due 2019	250	250
4.875% senior notes due 2021	263	261
3.50% senior notes due 2022	511	499
1.100% senior notes due 2023	612	
3.45% senior notes due 2024	249	249
7.125% senior notes due 2037	475	475
Other	1	
Total	3,403	3,281
Total debt(2)	$ 3,903	$ 3,858

(1) The senior floating rate notes due 2016 bear interest at a rate of three-month London interbank offered rate ("LIBOR") plus 0.20% per year.

(2) Senior notes are presented at face amount and, if applicable, are net of unamortized discount and the effects of interest rate swaps designated as fair value hedges.

In February 2015, Tyco Electronics Group S.A. ("TEGSA"), our 100%-owned subsidiary, issued €550 million aggregate principal amount of 1.100% senior notes due March 1, 2023. The notes are TEGSA's unsecured senior obligations and rank equally in right of payment with all existing and any future senior indebtedness of TEGSA and senior to any subordinated indebtedness that TEGSA may incur.

TEGSA has a five-year unsecured senior revolving credit facility ("Credit Facility") with total commitments of $1,500 million. The Credit Facility was amended in August 2013 primarily to extend the maturity date from June 2016 to August 2018 and reduce borrowing costs. TEGSA had no borrowings under the Credit Facility at September 25, 2015 and September 26, 2014.

Borrowings under the Credit Facility bear interest at a rate per annum equal to, at the option of TEGSA, (1) LIBOR plus an applicable margin based upon the senior, unsecured, long-term debt rating of TEGSA, or (2) an alternate base rate equal to the highest of (i) Deutsche Bank AG New York branch's base rate, (ii) the federal funds effective rate plus $^1/_2$ of 1%, and (iii) one-month LIBOR plus

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Debt (Continued)

1%, plus, in each case, an applicable margin based upon the senior, unsecured, long-term debt rating of TEGSA. TEGSA is required to pay an annual facility fee ranging from 7.5 to 25.0 basis points based upon the amount of the lenders' commitments under the Credit Facility and the applicable credit ratings of TEGSA.

The Credit Facility contains a financial ratio covenant providing that if, as of the last day of each fiscal quarter, our ratio of Consolidated Total Debt to Consolidated EBITDA (as defined in the Credit Facility) for the then most recently concluded period of four consecutive fiscal quarters exceeds 3.75 to 1.0, an Event of Default (as defined in the Credit Facility) is triggered. The Credit Facility and our other debt agreements contain other customary covenants.

Periodically, TEGSA issues commercial paper to U.S. institutional accredited investors and qualified institutional buyers in accordance with available exemptions from the registration requirements of the Securities Act of 1933 as part of our ongoing effort to maintain financial flexibility and to potentially decrease the cost of borrowings. Borrowings under the commercial paper program are backed by the Credit Facility.

TEGSA's payment obligations under its senior notes, commercial paper, and Credit Facility are fully and unconditionally guaranteed by its parent, TE Connectivity Ltd.

The aggregate amounts of total debt maturing are as follows:

	(in millions)
Fiscal 2016	$ 500
Fiscal 2017	
Fiscal 2018	718
Fiscal 2019	574
Fiscal 2020	
Thereafter	2,111
Total	$ 3,903

The fair value of our debt, based on indicative valuations, was approximately $4,115 million and $4,125 million at fiscal year end 2015 and 2014, respectively.

12. Guarantees

Tax Sharing Agreement

Effective June 29, 2007, we became the parent company of the former electronics businesses of Tyco International plc ("Tyco International"). On June 29, 2007, Tyco International distributed all of our shares, as well as its shares of its former healthcare businesses ("Covidien"), to its common shareholders (the "separation"). On January 26, 2015, Covidien was acquired and now operates as a subsidiary of Medtronic plc.

Upon separation, we entered into a Tax Sharing Agreement, under which we share responsibility for certain of our, Tyco International's, and Covidien's income tax liabilities based on a sharing formula for periods prior to and including June 29, 2007. We, Tyco International, and Covidien share 31%, 27%, and 42%, respectively, of U.S. income tax liabilities that arise from adjustments made by tax

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Guarantees (Continued)

authorities to our, Tyco International's, and Covidien's U.S. income tax returns. The effect of the Tax Sharing Agreement is to indemnify us for 69% of certain liabilities settled in cash by us with respect to unresolved pre-separation tax matters. Pursuant to that indemnification, we have made similar indemnifications to Tyco International and Covidien with respect to 31% of certain liabilities settled in cash by the companies relating to unresolved pre-separation tax matters. All costs and expenses associated with the management of these shared tax liabilities are shared equally among the parties.

All of the tax liabilities that are associated with our businesses, including liabilities that arose prior to our separation from Tyco International, became our tax liabilities. Although we have agreed to share certain of these tax liabilities with Tyco International and Covidien, we remain primarily liable for all of these liabilities. If Tyco International and Covidien default on their obligations to us, we would be liable for the entire amount of these liabilities.

If any party to the Tax Sharing Agreement were to default in its obligation to another party to pay its share of the distribution taxes that arise as a result of no party's fault, each non-defaulting party would be required to pay, equally with any other non-defaulting party, the amounts in default. In addition, if another party to the Tax Sharing Agreement that is responsible for all or a portion of an income tax liability were to default in its payment of such liability to a taxing authority, we could be legally liable under applicable tax law for such liabilities and required to make additional tax payments. Accordingly, under certain circumstances, we may be obligated to pay amounts in excess of our agreed-upon share of our, Tyco International's, and Covidien's tax liabilities.

Indemnification

Our indemnification created under the Tax Sharing Agreement qualifies as a guarantee of a third party entity's debt under ASC 460, *Guarantees*. In the event that we are required, due to bankruptcy or other business interruption on the part of Tyco International or Covidien, to pay more than the contractually determined 31%, we retain the right to seek payment from the effected entity. At September 25, 2015 and September 26, 2014, we had a liability representing the indemnifications made to Tyco International and Covidien pursuant to the Tax Sharing Agreement of $17 million and $21 million, respectively. See additional information in Note 13.

Other Matters

In disposing of assets or businesses, we often provide representations, warranties, and/or indemnities to cover various risks including unknown damage to assets, environmental risks involved in the sale of real estate, liability for investigation and remediation of environmental contamination at waste disposal sites and manufacturing facilities, and unidentified tax liabilities and legal fees related to periods prior to disposition. We do not expect that these uncertainties will have a material adverse effect on our results of operations, financial position, or cash flows.

At September 25, 2015, we had outstanding letters of credit, letters of guarantee, and surety bonds in the amount of $360 million.

In the normal course of business, we are liable for contract completion and product performance. In the opinion of management, such obligations will not significantly affect our results of operations, financial position, or cash flows.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Guarantees (Continued)

We generally record estimated product warranty costs when contract revenues are recognized under the percentage-of-completion method for construction related contracts; other warranty reserves are not significant. The estimation is based primarily on historical experience and actual warranty claims. Amounts accrued for warranty claims at fiscal year end 2015 and 2014 were $35 million and $29 million, respectively.

13. Commitments and Contingencies

General Matters

We have facility, land, vehicle, and equipment leases that expire at various dates. Rental expense under these leases was $141 million, $130 million, and $133 million for fiscal 2015, 2014, and 2013, respectively. At fiscal year end 2015, the minimum lease payment obligations under non-cancelable lease obligations were as follows:

		(in millions)
Fiscal 2016	$	98
Fiscal 2017		76
Fiscal 2018		59
Fiscal 2019		44
Fiscal 2020		30
Thereafter		37
Total	$	344

Legal Proceedings

In the ordinary course of business, we are subject to various legal proceedings and claims, including patent infringement claims, product liability matters, employment disputes, disputes on agreements, other commercial disputes, environmental matters, antitrust claims, and tax matters, including non-income tax matters such as value added tax, sales and use tax, real estate tax, and transfer tax. Although it is not feasible to predict the outcome of these proceedings, based upon our experience, current information, and applicable law, we do not expect that the outcome of these proceedings, either individually or in the aggregate, will have a material effect on our results of operations, financial position, or cash flows. However, the proceedings discussed below in "Income Tax Matters" could have a material effect on our results of operations, financial position, or cash flows.

As previously reported, we had a contingent purchase price commitment of $80 million related to our fiscal 2001 acquisition of Com-Net. This represented the maximum amount payable to the former shareholders of Com-Net only after the construction and installation of a communications system was completed for and approved by the State of Florida in accordance with guidelines set forth in the contract. Under the terms of the purchase and sale agreement, we did not believe we had any obligation to the sellers. However, the sellers contested our position and initiated a lawsuit in June 2006 in the Court of Common Pleas in Allegheny County, Pennsylvania. Trial began in March 2015 and culminated in the entry of final judgment on October 8, 2015, in favor of the sellers and against us for $127 million plus costs. The judgment represents the $80 million contingent purchase price plus pre-judgment interest, which will continue to accrue until the judgment is paid in full. We are

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Commitments and Contingencies (Continued)

proceeding with an appeal. In connection with this case, we recorded a reserve and pre-tax charges of $127 million in fiscal 2015. These charges are reflected in income from discontinued operations on the Consolidated Statement of Operations as the Com-Net case was associated with our former Wireless Systems business which was sold in fiscal 2009.

Income Tax Matters

Pursuant to the Tax Sharing Agreement, we entered into certain guarantee commitments and indemnifications with Tyco International and Covidien. See Note 12 for additional information regarding the Tax Sharing Agreement.

Prior to separation, certain of our subsidiaries filed combined income tax returns with Tyco International. Those and other of our subsidiaries' income tax returns are examined periodically by various tax authorities. In connection with these examinations, tax authorities, including the Internal Revenue Service ("IRS"), have raised issues and proposed tax adjustments. Tyco International, as the U.S. income tax audit controlling party under the Tax Sharing Agreement, is reviewing and contesting certain of the proposed tax adjustments. Amounts related to these tax adjustments and other tax contingencies and related interest that management has assessed under the uncertain tax position provisions of ASC 740, *Income Taxes,* which relate specifically to our entities have been recorded on the Consolidated Financial Statements. In addition, we may be required to fund portions of Tyco International's and Covidien's tax obligations. Estimates of these guarantees have also been recognized on the Consolidated Financial Statements.

In October 2012, the IRS issued special agreement Forms 870-AD, effectively settling its audit of all tax matters for the years 1997 through 2000, excluding one issue that remains in dispute as described below. As a result of these developments, in fiscal 2013, we recognized an income tax benefit of $331 million, representing a reduction in tax reserves for the matters that were effectively settled, and other expense of $231 million, representing a reduction of associated indemnification receivables, pursuant to the Tax Sharing Agreement with Tyco International and Covidien.

The disputed issue involves the tax treatment of certain intercompany debt transactions. The IRS field examination asserted that certain intercompany loans originated during the years 1997 through 2000 did not constitute debt for U.S. federal income tax purposes and disallowed approximately $2.7 billion of related interest deductions recognized during the period on Tyco International's U.S. income tax returns. In addition, if the IRS is ultimately successful in asserting its claim, it is likely to disallow an additional $6.6 billion of interest deductions reflected on U.S. income tax returns in years subsequent to fiscal 2000. Tyco International contends that the intercompany financing qualified as debt for U.S. income tax purposes and that the interest deductions reflected on the income tax returns were appropriate. The IRS and Tyco International were unable to resolve this matter through the IRS appeals process. On June 20, 2013, Tyco International advised us that it had received Notices of Deficiency from the IRS for certain former U.S. subsidiaries of Tyco International increasing taxable income by approximately $2.9 billion in connection with the audit of Tyco International's fiscal years 1997 through 2000. The Notices of Deficiency assert that Tyco International owes additional taxes totaling $778 million, associated penalties of $154 million, and withholding taxes of $105 million. In addition, Tyco International received Final Partnership Administrative Adjustments for certain U.S. partnerships owned by former U.S. subsidiaries with respect to which Tyco International estimates an additional tax deficiency of approximately $30 million will be asserted. The amounts asserted by the

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Commitments and Contingencies (Continued)

IRS exclude any applicable deficiency interest, and do not reflect any impact to subsequent period tax liabilities in the event that the IRS were to prevail on some or all of its assertions. We understand that Tyco International strongly disagrees with the IRS position and has filed petitions in the U.S. Tax Court contesting the IRS's proposed adjustments. Tyco International has advised us that it believes there are meritorious defenses for the tax filings in question and that the IRS position with regard to this matter is inconsistent with the applicable tax laws and existing U.S. Treasury regulations.

The previously set U.S. Tax Court trial date of February 29, 2016 has been delayed at the request of the IRS, and trial is expected to commence during October 2016. The parties remain engaged in discovery. We do not expect any payments to the IRS with respect to this matter until it is fully and finally resolved. In accordance with the Tax Sharing Agreement, we, Tyco International, and Covidien would share 31%, 27%, and 42%, respectively, of any payments made in connection with this matter.

If the IRS were to prevail on its assertions, our share of the assessed tax, deficiency interest, and applicable withholding taxes and penalties could have a material adverse impact on our results of operations, financial position, and cash flows. We have reviewed the Notices of Deficiency, the relevant facts surrounding the intercompany debt transactions, relevant tax regulations, and applicable case law, and we continue to believe that we are appropriately reserved for this matter.

During fiscal 2015, the IRS issued general agreement Forms 870, effectively settling its audits of tax matters for the years 2001 through 2007, excluding the disputed issue discussed above. As a result of these developments, we recognized an income tax benefit of $201 million, representing a reduction in tax reserves for the matters that were effectively settled, and other expense of $84 million, representing a reduction of associated indemnification receivables, pursuant to the Tax Sharing Agreement with Tyco International and Covidien.

Also during fiscal 2015, the IRS issued general agreement Forms 870, effectively settling its audits of tax matters for the years 2008 through 2010, excluding the disputed issue discussed above. As of result of these developments, we recognized an income tax benefit of $63 million, representing a reduction in tax reserves for the matters that were effectively settled.

We made net payments of $40 million, $179 million, and $28 million related to pre-separation U.S. tax matters during fiscal 2015, 2014, and 2013, respectively.

At September 25, 2015 and September 26, 2014, we have reflected $17 million and $51 million, respectively, of income tax liabilities related to the audits of Tyco International's and our income tax returns in accrued and other current liabilities as certain of these matters could be resolved within the next twelve months.

We believe that the amounts recorded on the Consolidated Financial Statements relating to the matters discussed above are appropriate. However, the ultimate resolution is uncertain and could result in a material impact to our results of operations, financial position, or cash flows.

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Commitments and Contingencies (Continued)

Environmental Matters

We are involved in various stages of investigation and cleanup related to environmental remediation matters at a number of sites. The ultimate cost of site cleanup is difficult to predict given the uncertainties regarding the extent of the required cleanup, the interpretation of applicable laws and regulations, and alternative cleanup methods. As of fiscal year end 2015, we concluded that it was probable that we would incur remedial costs in the range of $16 million to $38 million, and that the best estimate within this range was $19 million. We believe that any potential payment of such estimated amounts will not have a material adverse effect on our results of operations, financial position, or cash flows.

14. Financial Instruments and Fair Value Measurements

We use derivative and non-derivative financial instruments to manage certain exposures to foreign currency, interest rate, investment, and commodity risks.

The effects of derivative instruments on the Consolidated Statements of Operations were immaterial for fiscal 2015, 2014, and 2013.

Foreign Exchange Risks and Hedges of Net Investment

As part of managing the exposure to changes in foreign currency exchange rates, we utilize cross-currency swap contracts, foreign currency forward contracts, and foreign currency swap contracts, a portion of which are designated as cash flow hedges. The objective of these contracts is to minimize impacts to cash flows and profitability due to changes in foreign currency exchange rates on intercompany and other cash transactions. We expect that significantly all of the balance in accumulated other comprehensive income (loss) associated with the cash flow hedge-designated instruments addressing foreign exchange risks will be reclassified into the Consolidated Statements of Operations within the next twelve months.

During fiscal 2015, we entered into cross-currency swap contracts with an aggregate notional value of €1,000 million to reduce our exposure to foreign currency exchange risk associated with certain intercompany loans. Under the terms of these contracts, which have been designated as cash flow hedges, we will make quarterly interest payments in euros at 3.50% per annum and receive interest in U.S. dollars at a weighted-average rate of 5.33% per annum. Upon the maturities of these contracts in fiscal 2022, we will pay the principal amount of the loans in euros and receive U.S. dollars from our counterparties.

We hedge our net investment in certain foreign operations using intercompany non-derivative financial instruments denominated in the same currencies. The aggregate notional value of these hedges was $3,880 million and $2,893 million at September 25, 2015 and September 26, 2014, respectively. Foreign exchange gains of $353 million and $156 million in fiscal 2015 and 2014, respectively, were recorded as currency translation, a component of accumulated other comprehensive income (loss), offsetting foreign exchange losses attributable to the translation of the net investment. Foreign exchange gains and losses recorded as currency translation in fiscal 2013 were immaterial. See Note 20 for additional information.

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Financial Instruments and Fair Value Measurements (Continued)

Interest Rate and Investment Risk Management

We issue debt, as needed, to fund our operations and capital requirements. Such borrowings can result in interest rate exposure. To manage the interest rate exposure, we use interest rate swaps to convert a portion of fixed-rate debt into variable-rate debt. We use forward starting interest rate swaps and options to enter into interest rate swaps to manage interest rate exposure in periods prior to the anticipated issuance of fixed-rate debt. We also utilize investment swaps to manage earnings exposure on certain nonqualified deferred compensation liabilities.

Commodity Hedges

As part of managing the exposure to certain commodity price fluctuations, we utilize commodity swap contracts designated as cash flow hedges. The objective of these contracts is to minimize impacts to cash flows and profitability due to changes in prices of commodities used in production.

At September 25, 2015 and September 26, 2014, our commodity hedges had notional values of $260 million and $307 million, respectively. We expect that significantly all of the balance in accumulated other comprehensive income (loss) associated with the commodity hedges will be reclassified into the Consolidated Statements of Operations within the next twelve months.

Fair Value Measurements

Financial instruments recorded at fair value on a recurring basis, which consist of derivative instruments and marketable securities, were immaterial at September 25, 2015 and September 26, 2014.

15. Retirement Plans

Defined Benefit Pension Plans

We have a number of contributory and noncontributory defined benefit retirement plans covering certain of our U.S. and non-U.S. employees, designed in accordance with local customs and practice.

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Retirement Plans (Continued)

The net periodic pension benefit cost for all U.S. and non-U.S. defined benefit pension plans was as follows:

	U.S. Plans			Non-U.S. Plans		
	Fiscal			Fiscal		
	2015	2014	2013	2015	2014	2013
	($ in millions)					
Service cost	$ 9	$ 7	$ 6	$ 45	$ 46	$ 50
Interest cost	48	50	46	58	71	68
Expected return on plan assets	(67)	(63)	(60)	(72)	(67)	(65)
Amortization of net actuarial loss	25	25	36	33	23	32
Other				(5)	(3)	(18)
Net periodic pension benefit cost	$ 15	$ 19	$ 28	$ 59	$ 70	$ 67

Weighted-average assumptions used to determine net pension benefit cost during the fiscal year:						
Discount rate	4.34%	4.84%	3.98%	2.77%	3.38%	3.27%
Expected return on plan assets	7.20%	7.16%	6.65%	6.46%	5.96%	6.29%
Rate of compensation increase	%	%	%	2.86%	2.84%	2.86%

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Retirement Plans (Continued)

The following table represents the changes in benefit obligation and plan assets and the net amount recognized on the Consolidated Balance Sheets for all U.S. and non-U.S. defined benefit pension plans:

	U.S. Plans		Non-U.S. Plans	
	Fiscal		Fiscal	
	2015	2014	2015	2014
	($ in millions)			
Change in benefit obligation:				
Benefit obligation at beginning of fiscal year	$ 1,143	$ 1,074	$ 2,276	$ 2,106
Service cost	9	7	45	46
Interest cost	48	50	58	71
Actuarial loss	42	90	87	256
Benefits and administrative expenses paid	(74)	(77)	(71)	(75)
Currency translation			(213)	(94)
Other	2	(1)	6	(34)
Benefit obligation at end of fiscal year	1,170	1,143	2,188	2,276
Change in plan assets:				
Fair value of plan assets at beginning of fiscal year	978	931	1,177	1,113
Actual return on plan assets	(26)	123	72	97
Employer contributions	1	2	65	85
Benefits and administrative expenses paid	(74)	(77)	(71)	(75)
Currency translation			(90)	(32)
Other		(1)	14	(11)
Fair value of plan assets at end of fiscal year	879	978	1,167	1,177
Funded status	$ (291)	$ (165)	$ (1,021)	$ (1,099)
Amounts recognized on the Consolidated Balance Sheets:				
Accrued and other current liabilities	$ (5)	$ (4)	$ (19)	$ (21)
Long-term pension and postretirement liabilities	(286)	(161)	(1,002)	(1,078)
Net amount recognized	$ (291)	$ (165)	$ (1,021)	$ (1,099)

Weighted-average assumptions used to determine pension benefit obligation at fiscal year end:				
Discount rate	4.38%	4.34%	2.50%	2.77%
Rate of compensation increase	%	%	2.81%	2.86%

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Retirement Plans (Continued)

The pre-tax amounts recognized in accumulated other comprehensive income (loss) for all U.S. and non-U.S. defined benefit pension plans were as follows:

	U.S. Plans Fiscal		Non-U.S. Plans Fiscal	
	2015	2014	2015	2014
	(in millions)			
Change in net loss:				
Unrecognized net loss at beginning of fiscal year	$ 325	$ 320	$ 748	$ 592
Current year change recorded in accumulated other comprehensive income (loss)	136	30	18	180
Amortization reclassified to earnings	(25)	(25)	(55)	(24)
Unrecognized net loss at end of fiscal year	$ 436	$ 325	$ 711	$ 748
Change in prior service credit:				
Unrecognized prior service credit at beginning of fiscal year	$	$	$ (67)	$ (68)
Current year change recorded in accumulated other comprehensive income (loss)			(4)	(4)
Amortization reclassified to earnings			5	5
Unrecognized prior service credit at end of fiscal year	$	$	$ (66)	$ (67)

In fiscal 2015, unrecognized actuarial losses recorded in accumulated other comprehensive income (loss) for U.S. defined benefit pension plans are due primarily to a change in the mortality assumption and lower than expected asset performance. Unrecognized actuarial losses recorded in accumulated other comprehensive income (loss) for non-U.S. defined benefit pension plans in fiscal 2015 are principally the result of lower discount rates as compared to fiscal 2014. In fiscal 2014, unrecognized actuarial losses recorded in accumulated other comprehensive income (loss) are primarily the result of changes in mortality assumptions and decreasing discount rates for U.S. defined benefit pension plans and attributable primarily to lower discount rates for non-U.S. defined benefit pension plans as compared to fiscal 2013. Amortization of prior service credit is included in other in the above table summarizing the components of net periodic pension benefit cost.

The estimated amortization of actuarial losses from accumulated other comprehensive income (loss) into net periodic pension benefit cost for U.S. and non-U.S. defined benefit pension plans in fiscal 2016 is expected to be $40 million and $36 million, respectively. The estimated amortization of prior service credit from accumulated other comprehensive income (loss) into net periodic pension benefit cost for non-U.S. defined benefit pension plans in fiscal 2016 is expected to be $6 million.

In determining the expected return on plan assets, we consider the relative weighting of plan assets by class and individual asset class performance expectations.

The investment strategy for the U.S. pension plans is governed by our investment committee; investment strategies for non-U.S. pension plans are governed locally. Our investment strategy for our pension plans is to manage the plans on a going concern basis. Current investment policy is to achieve a reasonable return on assets, subject to a prudent level of portfolio risk, for the purpose of enhancing the security of benefits for participants. Projected returns are based primarily on pro forma asset

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Retirement Plans (Continued)

allocation, expected long-term returns, and forward-looking estimates of active portfolio and investment management.

The long-term target asset allocation in our U.S. plans' master trust is 10% equity and 90% fixed income. Asset re-allocation to meet that target is occurring over a multi-year period based on the funded status, as defined by the Pension Protection Act of 2006 (the "Pension Act Funded Status"), of the U.S. plans' master trust and market conditions. We expect to reach our target allocation when the Pension Act Funded Status exceeds 105%. Based on the Pension Act Funded Status as of September 25, 2015, our target asset allocation is 45% equity and 55% fixed income.

Target weighted-average asset allocation and weighted-average asset allocation for U.S. and non-U.S. pension plans were as follows:

	U.S. Plans			Non-U.S. Plans		
	Target	Fiscal Year End 2015	Fiscal Year End 2014	Target	Fiscal Year End 2015	Fiscal Year End 2014
Asset category:						
Equity securities	45%	45%	45%	45%	45%	45%
Debt securities	55	55	55	29	29	30
Insurance contracts and other investments				24	24	23
Real estate investments				2	2	2
Total	100%	100%	100%	100%	100%	100%

Our common shares are not a direct investment of our pension funds; however, the pension funds may indirectly include our shares. The aggregate amount of our common shares would not be considered material relative to the total pension fund assets.

Our funding policy is to make contributions in accordance with the laws and customs of the various countries in which we operate as well as to make discretionary voluntary contributions from time to time. We expect to make the minimum required contributions of $5 million and $68 million to our U.S. and non-U.S. pension plans, respectively, in fiscal 2016. We may also make voluntary contributions at our discretion.

Benefit payments, which reflect future expected service, as appropriate, are expected to be paid as follows:

	U.S. Plans	Non-U.S. Plans
	(in millions)	
Fiscal 2016	$ 71	$ 67
Fiscal 2017	69	70
Fiscal 2018	70	72
Fiscal 2019	71	77
Fiscal 2020	72	80

Fiscal 2021-2025	375	104	464

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Retirement Plans (Continued)

Set forth below is the accumulated benefit obligation for all U.S. and non-U.S. pension plans as well as additional information related to plans with an accumulated benefit obligation in excess of plan assets and plans with a projected benefit obligation in excess of plan assets.

	U.S. Plans Fiscal Year End		Non-U.S. Plans Fiscal Year End	
	2015	2014	2015	2014
	(in millions)			
Accumulated benefit obligation	$ 1,170	$ 1,143	$ 2,041	$ 2,121
Pension plans with accumulated benefit obligations in excess of plan assets:				
Accumulated benefit obligation	1,170	1,143	1,994	2,120
Fair value of plan assets	879	978	1,119	1,177
Pension plans with projected benefit obligations in excess of plan assets:				
Projected benefit obligation	1,170	1,143	2,188	2,276
Fair value of plan assets	879	978	1,167	1,177

We value our pension assets based on the fair value hierarchy of ASC 820, *Fair Value Measurements and Disclosures*. Details of the fair value hierarchy are described in Note 2. The following table presents our defined benefit pension plans' asset categories and their associated fair value within the fair value hierarchy:

	Fiscal Year End 2015							
	U.S. Plans				Non-U.S. Plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	T
	(in millions)							
Equity:								
U.S. equity securities(1)	$ 245	$	$	$ 245	$ 60	$	$	$
Non-U.S. equity securities(1)	149			149	54			
Commingled equity funds(2)						421		
Fixed income:								
Government bonds(3)		64		64		202		
Corporate bonds(4)		404		404		13		
Commingled bond funds(5)						171		
Other(6)		3		3		142	84	
Subtotal	$ 394	$ 471	$	865	$ 114	$ 949	$ 84	
Items to reconcile to fair value of plan assets(7)				14				
Fair value of plan assets				$ 879				$

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Retirement Plans (Continued)

	Fiscal Year End 2014							
	U.S. Plans				Non-U.S. Plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	T
				(in millions)				
Equity:								
U.S. equity securities[1]	$ 210	$	$	$ 210	$ 54	$	$	$
Non-U.S. equity securities[1]	209			209	65			
Commingled equity funds[2]						434		
Fixed income:								
Government bonds[3]		87		87		211		
Corporate bonds[4]		445		445		19		
Commingled bond funds[5]						203		
Other[6]		13		13		85	78	
Subtotal	$ 419	$ 545	$	964	$ 119	$ 952	$ 78	
Items to reconcile to fair value of plan assets[7]				14				
Fair value of plan assets				$ 978				$

(1) U.S. and non-U.S. equity securities are valued at the closing price reported on the stock exchange on which the individual securities are traded.

(2) Commingled equity funds are pooled investments in multiple equity-type securities. Fair value is calculated as the closing price of the underlying investments, an observable market condition, divided by the number of shares of the fund outstanding.

(3) Government bonds are marked to fair value based on quoted market prices or market approach valuation models using observable market data such as quotes, spreads, and data points for yield curves.

(4) Corporate bonds are marked to fair value based on quoted market prices or market approach valuation models using observable market data such as quotes, spreads, and data points for yield curves.

(5) Commingled bond funds are pooled investments in multiple debt-type securities. Fair value is calculated as the closing price of the underlying investments, an observable market condition,

divided by the number of shares of the fund outstanding.

(6) Other investments are composed of insurance contracts, derivatives, short-term investments, structured products such as collateralized obligations and mortgage- and asset-backed securities, real estate investments, and hedge funds. Insurance contracts are valued using cash surrender value, or face value of the contract if a cash surrender value is unavailable (level 2), as these values represent the amount that the plan would receive on termination of the underlying contract. Derivatives, short-term investments, and structured products are marked to fair value using models that are supported by observable market based data (level 2). Real estate investments include investments in commingled real estate funds and are valued at net asset value which is calculated using unobservable inputs that are supported by little or no market activity (level 3). Hedge funds are valued at their net asset value which is calculated using unobservable inputs that are supported by little or no market activity (level 3).

(7) Items to reconcile to fair value of plan assets include amounts receivable for securities sold, amounts payable for securities purchased, and any cash balances, considered to be carried at book value, that are held in the plans.

Changes in Level 3 assets in non-U.S. plans were primarily the result of purchases in fiscal 2015 and positive returns in fiscal 2014.

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Retirement Plans (Continued)

Defined Contribution Retirement Plans

We maintain several defined contribution retirement plans, the most significant of which is located in the U.S. These plans include 401(k) matching programs, as well as qualified and nonqualified profit sharing and share bonus retirement plans. Expense for the defined contribution plans is computed as a percentage of participants' compensation and was $60 million, $61 million, and $61 million for fiscal 2015, 2014, and 2013, respectively.

Deferred Compensation Plans

We maintain nonqualified deferred compensation plans, which permit eligible employees to defer a portion of their compensation. A record keeping account is set up for each participant and the participant chooses from a variety of measurement funds for the deemed investment of their accounts. The measurement funds correspond to a number of funds in our 401(k) plans and the account balance fluctuates with the investment returns on those funds. Total deferred compensation liabilities were $118 million and $108 million at fiscal year end 2015 and 2014, respectively. See Note 14 for additional information regarding our risk management strategy related to deferred compensation liabilities.

Postretirement Benefit Plans

In addition to providing pension and 401(k) benefits, we also provide certain health care coverage continuation for qualifying retirees from the date of retirement to age 65. The accumulated postretirement benefit obligation was $40 million and $44 million at fiscal year end 2015 and 2014, respectively, and the underfunded status of the postretirement benefit plans was included primarily in long-term pension and postretirement liabilities on the Consolidated Balance Sheets. Activity during fiscal 2015, 2014, and 2013 was not significant.

16. Income Taxes

Our operations are conducted through our various subsidiaries in a number of countries throughout the world. We have provided for income taxes based upon the tax laws and rates in the countries in which our operations are conducted and income and loss from operations is subject to taxation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Income Taxes (Continued)

Significant components of the income tax provision (benefit) were as follows:

	Fiscal 2015	Fiscal 2014	Fiscal 2013
	(in millions)		
Current income tax provision (benefit):			
U.S.:			
Federal	$ (67)	$ 128	$ (296)
State	12	(3)	(85)
Non-U.S.	352	302	292
	297	427	(89)
Deferred income tax provision (benefit):			
U.S.:			
Federal	87	(311)	31
State	5	(3)	(4)
Non-U.S.	(52)	33	(13)
	40	(281)	14
Provision (benefit) for income taxes	$ 337	$ 146	$ (75)

The U.S. and non-U.S. components of income from continuing operations before income taxes were as follows:

	Fiscal 2015	Fiscal 2014	Fiscal 2013
	(in millions)		
U.S.	$ (31)	$ (133)	$ (354)
Non-U.S.	1,606	1,893	1,434
Income from continuing operations before income taxes	$ 1,575	$ 1,760	$ 1,080

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Income Taxes (Continued)

The reconciliation between U.S. federal income taxes at the statutory rate and provision (benefit) for income taxes on continuing operations was as follows:

	Fiscal		
	2015	2014	2013
	(in millions)		
Notional U.S. federal income tax provision at the statutory rate	$ 551	$ 616	$ 378
Adjustments to reconcile to the income tax provision (benefit):			
U.S. state income tax provision (benefit), net	11	(4)	(58)
Other (income) expense Tax Sharing Agreement	18	(23)	64
Tax law changes	10	(1)	
Tax credits	(9)	(8)	(10)
Non-U.S. net earnings[(1)]	(275)	(287)	(256)
Nondeductible charges	2	3	
Change in accrued income tax liabilities	(183)	112	(164)
Valuation allowance	(3)	(239)	(30)
Legal entity restructuring	211		
Other	4	(23)	1
Provision (benefit) for income taxes	$ 337	$ 146	$ (75)

(1) Excludes nondeductible charges and other items which are broken out separately in the table.

The tax provision for fiscal 2015 reflects an income tax benefit of $264 million related to the effective settlement of all undisputed tax matters for the years 2001 through 2010, partially offset by $216 million of income tax charges associated with the tax impacts of certain intercompany legal entity restructurings made in connection with our integration of Measurement Specialties. Also, the tax provision for fiscal 2015 reflects an income tax charge of $29 million associated with the tax impacts of certain intercompany dividends related to the restructuring and sale of BNS.

The tax provision for fiscal 2014 reflects income tax benefits of $282 million recognized in connection with a reduction in the valuation allowance associated with certain tax loss carryforwards relating to ADC Telecommunications, Inc. ("ADC"), partially offset by an income tax charge related to adjustments to prior year income tax returns.

In fiscal 2014, we acquired SEACON, and its U.S. operations were combined with our ADC U.S. federal consolidated tax group. In addition, the ADC U.S. tax group was combined with other U.S. legal entities and assets. We reassessed the realization of the revised ADC U.S. tax group's tax loss and credit carryforwards. Based upon management's review of forecasted future taxable income of the reorganized combined tax group, we believed it was more likely than not that a tax benefit would be realized on additional U.S. federal and state net operating losses. Accordingly, we reduced the valuation allowance and recorded a tax benefit of $282 million.

The tax benefit for fiscal 2013 reflects an income tax benefit of $331 million related to the effective settlement of all undisputed tax matters for the years 1997 through 2000. In addition, the tax benefit for fiscal 2013 reflects $23 million of net tax benefits consisting primarily of income tax benefits recognized in connection with a reduction in the valuation allowance associated with certain ADC tax loss carryforwards and income tax benefits recognized in connection with the lapse of statutes of

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Income Taxes (Continued)

limitations for examinations of prior year income tax returns, partially offset by income tax expense related to adjustments to prior year income tax returns.

Deferred income taxes result from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes. The components of the net deferred income tax asset were as follows:

	Fiscal Year End	
	2015	2014
	(in millions)	
Deferred tax assets:		
Accrued liabilities and reserves	$ 262	$ 262
Tax loss and credit carryforwards	4,856	3,356
Inventories	57	52
Pension and postretirement benefits	295	282
Deferred revenue	17	12
Interest	394	358
Unrecognized income tax benefits	378	391
Other	4	27
	6,263	4,740
Deferred tax liabilities:		
Intangible assets	(809)	(835)
Property, plant, and equipment	(1)	(10)
Other	(89)	(73)
	(899)	(918)
Net deferred tax asset before valuation allowance	5,364	3,822
Valuation allowance	(3,237)	(1,706)
Net deferred tax asset	$ 2,127	$ 2,116

During fiscal 2015, tax loss and credit carryforwards increased due primarily to tax losses of $1,381 million (tax effected) generated in connection with the write-down of investments in subsidiaries in certain jurisdictions. The valuation allowance was increased by a corresponding amount due to the uncertainty of the future realization of these tax losses.

At fiscal year end 2015, we had approximately $1,363 million of U.S. federal and $125 million of U.S. state net operating loss carryforwards (tax effected) which will expire in future years through 2035. In addition, at fiscal year end 2015, we had approximately $194 million of U.S. federal tax credit carryforwards, of which $63 million have no expiration and $131 million will expire in future years through 2035, and $40 million of U.S. state tax credits carryforwards which will expire in future years through 2030. Also, at fiscal year end 2015, we had were $20 million of U.S federal capital loss carryforwards (tax effected) which will expire in future years through 2020.

At fiscal year end 2015, we had approximately $3,068 million of net operating loss carryforwards (tax effected) in certain non-U.S. jurisdictions, of which $3,005 million have no expiration and $63 million will expire in future years through 2035. Also, at fiscal year end 2015, there were $1 million

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Income Taxes (Continued)

of non-U.S. tax credit carryforwards which have no expiration. In addition, we had approximately $45 million of non-U.S. capital loss carryforwards (tax effected), of which $38 million have no expiration and $7 million will expire in future years through 2020.

The valuation allowance for deferred tax assets of $3,237 million and $1,706 million at fiscal year end 2015 and 2014, respectively, relates principally to the uncertainty of the utilization of certain deferred tax assets, primarily tax loss, capital loss, and credit carryforwards in various jurisdictions. We believe that we will generate sufficient future taxable income to realize the income tax benefits related to the remaining net deferred tax assets on the Consolidated Balance Sheet. At fiscal year end 2015, approximately $151 million of the valuation allowance relates to share-based compensation and will be recorded to equity if certain net operating losses and tax credit carryforwards are utilized.

We have provided income taxes for earnings that are currently distributed as well as the taxes associated with several subsidiaries' earnings that are expected to be distributed in the future. No additional provision has been made for Swiss or non-Swiss income taxes on the undistributed earnings of subsidiaries or for unrecognized deferred tax liabilities for temporary differences related to basis differences in investments in subsidiaries, as such earnings are expected to be permanently reinvested, the investments are essentially permanent in duration, or we have concluded that no additional tax liability will arise as a result of the distribution of such earnings. As of September 25, 2015, certain subsidiaries had approximately $19 billion of cumulative undistributed earnings that have been retained indefinitely and reinvested in our global manufacturing operations, including working capital; property, plant, and equipment; intangible assets; and research and development activities. A liability could arise if our intention to permanently reinvest such earnings were to change and amounts are distributed by such subsidiaries or if such subsidiaries are ultimately disposed. It is not practicable to estimate the additional income taxes related to permanently reinvested earnings or the basis differences related to investments in subsidiaries. As of September 25, 2015, we had approximately $5.2 billion of cash, cash equivalents, and intercompany deposits, principally in our subsidiaries, that we have the ability to distribute to TEGSA, our Luxembourg subsidiary, which is the obligor of substantially all of our debt, and to TE Connectivity Ltd., our Swiss parent company, but we consider to be permanently reinvested. We estimate that up to approximately $1.7 billion of tax expense would be recognized on the Consolidated Financial Statements if our intention to permanently reinvest these amounts were to change. Our current plans do not demonstrate a need to repatriate cash, cash equivalents, and intercompany deposits that are designated as permanently reinvested in order to fund our operations, including investing and financing activities.

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Income Taxes (Continued)

Uncertain Tax Position Provisions of ASC 740

As of September 25, 2015, we had total unrecognized income tax benefits of $1,368 million. If recognized in future years, $1,291 million of these currently unrecognized income tax benefits would impact the income tax provision and effective tax rate. As of September 26, 2014, we had total unrecognized income tax benefits of $1,595 million. If recognized in future years, $1,450 million of these unrecognized income tax benefits would impact the income tax provision and effective tax rate. The following table summarizes the activity related to unrecognized income tax benefits:

	Fiscal		
	2015	2014	2013
	(in millions)		
Balance at beginning of fiscal year	$ 1,595	$ 1,617	$ 1,794
Additions related to prior periods tax positions	24	22	88
Reductions related to prior periods tax positions	(291)	(57)	(271)
Additions related to current period tax positions	97	32	87
Acquisitions		7	
Settlements	(29)	(14)	(8)
Reductions due to lapse of applicable statute of limitations	(28)	(12)	(73)
Balance at end of fiscal year	$ 1,368	$ 1,595	$ 1,617

We record accrued interest as well as penalties related to uncertain tax positions as part of the provision for income taxes. As of September 25, 2015, we had recorded $1,076 million of accrued interest and penalties related to uncertain tax positions on the Consolidated Balance Sheet, of which $1,073 million was recorded in income taxes and the remainder was recorded in accrued and other current liabilities. As of September 26, 2014, the balance of accrued interest and penalties was $1,136 million, of which $1,115 million was recorded in income taxes and the remainder was recorded in accrued and other current liabilities. During fiscal 2015, 2014, and 2013, we recognized expense of $7 million, expense of $99 million, and benefits of $247 million, respectively, related to interest and penalties on the Consolidated Statements of Operations.

We file income tax returns on a unitary, consolidated, or stand-alone basis in multiple state and local jurisdictions, which generally have statutes of limitations ranging from 3 to 4 years. Various state and local income tax returns are currently in the process of examination or administrative appeal.

Our non-U.S. subsidiaries file income tax returns in the countries in which they have operations. Generally, these countries have statutes of limitations ranging from 3 to 10 years. Various non-U.S. subsidiary income tax returns are currently in the process of examination by taxing authorities.

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Income Taxes (Continued)

As of September 25, 2015, under applicable statutes, the following tax years remained subject to examination in the major tax jurisdictions indicated:

Jurisdiction	Open Years
Belgium	2014 through 2015
Brazil	2010 through 2015
Canada	2008 through 2015
China	2005 through 2015
Czech Republic	2010 through 2015
France	2012 through 2015
Germany	2008 through 2015
Hong Kong	2009 through 2015
Hungary	2009 through 2015
India	2008 through 2015
Italy	2009 through 2015
Japan	2009 through 2015
Korea	2007 through 2015
Luxembourg	2010 through 2015
Mexico	2009 through 2015
Netherlands	2011 through 2015
Portugal	2012 through 2015
Singapore	2010 through 2015
Spain	2011 through 2015
Switzerland	2010 through 2015
United Kingdom	2013 through 2015
U.S. federal and state and local	1997 through 2015

In most jurisdictions, taxing authorities retain the ability to review prior tax years and to adjust any net operating loss and tax credit carryforwards from these years that are utilized in a subsequent period.

Although it is difficult to predict the timing or results of our worldwide examinations, we estimate that up to approximately $60 million of unrecognized income tax benefits, excluding the impact relating to accrued interest and penalties, could be resolved within the next twelve months. See Note 13 for additional information regarding the status of IRS examinations.

We are not aware of any other matters that would result in significant changes to the amount of unrecognized income tax benefits reflected on the Consolidated Balance Sheet as of September 25, 2015.

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Other Income (Expense), Net

In fiscal 2015, 2014, and 2013, we recorded net other expense of $55 million, net other income of $63 million, and net other expense of $183 million, respectively, primarily pursuant to the Tax Sharing Agreement with Tyco International and Covidien. See Note 12 for further information regarding the Tax Sharing Agreement. The net other expense in fiscal 2015 included $84 million related to the effective settlement of undisputed tax matters for the years 2001 through 2007. The net other income in fiscal 2014 included $18 million of income related to our share of a settlement agreement entered into by Tyco International with a former subsidiary, CIT Group Inc., which arose from a pre-separation claim for which we were entitled to 31% once resolved. The net other expense in fiscal 2013 included $231 million related to the effective settlement of all undisputed tax matters for the years 1997 through 2000. See Note 13 for additional information regarding the effective settlement of undisputed tax matters.

18. Earnings Per Share

The weighted-average number of shares outstanding used in the computation of basic and diluted earnings per share was as follows:

	Fiscal		
	2015	**2014**	**2013**
	(in millions)		
Basic	405	410	418
Dilutive impact of share-based compensation arrangements	6	7	5
Diluted	411	417	423

There were one million and three million share options that were not included in the computation of diluted earnings per share for fiscal 2015 and 2013, respectively, because the instruments' underlying exercise prices were greater than the average market prices of our common shares and inclusion would be antidilutive.

19. Equity

Common Shares

We are organized under the laws of Switzerland. The rights of holders of our shares are governed by Swiss law, our Swiss articles of association, and our Swiss organizational regulations. Accordingly, the par value of our common shares is stated in Swiss francs ("CHF"). We continue to use the U.S. dollar, however, as our reporting currency on the Consolidated Financial Statements.

Subject to certain conditions specified in our articles of association, we are authorized to increase our conditional share capital by issuing new shares in aggregate not exceeding 50% of our authorized shares.

Common Shares Held in Treasury

At September 25, 2015, approximately 20 million common shares were held in treasury, of which 6 million were owned by one of our subsidiaries. At September 26, 2014, approximately 11 million common shares were held in treasury, of which 9 million were owned by one of our subsidiaries. Shares

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Equity (Continued)

held both directly by us and by our subsidiary are presented as treasury shares on the Consolidated Balance Sheets.

In fiscal 2015, 2014, and 2013, our shareholders approved the cancellation of five million, ten million, and ten million shares, respectively, purchased under our share repurchase program. These capital reductions by cancellation of shares were subject to a notice period and filing with the commercial register in Switzerland.

Contributed Surplus

Contributed surplus established for Swiss tax and statutory purposes ("Swiss Contributed Surplus"), subject to certain conditions, is a freely distributable reserve. Distributions to shareholders from Swiss Contributed Surplus are free from withholding tax. As of September 25, 2015 and September 26, 2014, Swiss Contributed Surplus was CHF 8,392 million and CHF 8,907 million, respectively (equivalent to $7,505 million and $8,036 million, respectively).

Dividends and Distributions to Shareholders

Under Swiss law, subject to certain conditions, distributions to shareholders made in the form of a reduction of registered share capital or from reserves from capital contributions (equivalent to Swiss Contributed Surplus) are exempt from Swiss withholding tax. See "Contributed Surplus" for additional information regarding our ability to make distributions free from withholding tax from contributed surplus. Distributions or dividends on our shares must be approved by our shareholders.

Our shareholders approved the following dividends and cash distributions on our common shares:

Approval Date	Payment Type	Annual Payment Per Share	Payment Dates
March 2012	Cash distribution[1]	CHF 0.80 (equivalent to $0.84), payable in four quarterly installments of $0.21	Third quarter of fiscal 2012 Fourth quarter of fiscal 2012 First quarter of fiscal 2013 Second quarter of fiscal 2013
March 2013	Dividend payment out of contributed surplus	CHF 0.96 (equivalent to $1.00), payable in four quarterly installments of $0.25	Third quarter of fiscal 2013 Fourth quarter of fiscal 2013 First quarter of fiscal 2014 Second quarter of fiscal 2014
March 2014	Dividend payment out of contributed surplus	CHF 1.04 (equivalent to $1.16), payable in four quarterly installments of $0.29	Third quarter of fiscal 2014 Fourth quarter of fiscal 2014 First quarter of fiscal 2015 Second quarter of fiscal 2015

March 2015	Dividend payment out of contributed surplus	$1.32 (equivalent to CHF 1.27), payable in four quarterly installments of $0.33	Third quarter of fiscal 2015 Fourth quarter of fiscal 2015 First quarter of fiscal 2016 Second quarter of fiscal 2016

(1) The cash distribution in the form of a capital reduction reduced the par value of our common shares from CHF 1.37 (equivalent to $1.28) to CHF 0.57 (equivalent to $0.44).

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Equity (Continued)

Upon approval by the shareholders of a dividend payment or cash distribution in the form of a capital reduction, we record a liability with a corresponding charge to contributed surplus or common shares. At September 25, 2015 and September 26, 2014, the unpaid portion of the dividends recorded in accrued and other current liabilities on the Consolidated Balance Sheets totaled $260 million and $236 million, respectively.

Share Repurchase Program

During fiscal 2015, our board of directors authorized an increase of $3.0 billion in the share repurchase program. Common shares repurchased under the share repurchase program were as follows:

	Fiscal		
	2015	**2014**	**2013**
	(in millions)		
Number of common shares repurchased	18	11	20
Amount repurchased	$ 1,163	$ 604	$ 829

At September 25, 2015, we had $2.7 billion of availability remaining under our share repurchase authorization.

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Accumulated Other Comprehensive Income (Loss)

The changes in each component of accumulated other comprehensive income (loss) were as follows:

	Currency Translation[1]	Unrecognized Pension and Postretirement Benefit Costs	Gains (Losses) on Cash Flow Hedges	Accumulated Other Comprehensive Income (Loss)
		(in millions)		
Balance at September 28, 2012	$ 959	$ (700)	$ (30)	$ 229
Net other comprehensive income (loss)	(28)	204	(36)	140
Income tax (expense) benefit		(73)	7	(66)
Net other comprehensive income (loss), net of tax	(28)	131	(29)	74
Balance at September 27, 2013	931	(569)	(59)	303
Other comprehensive loss before reclassifications	(216)	(211)	(35)	(462)
Amounts reclassified from accumulated other comprehensive income (loss)	5	44	49	98
Income tax benefit		44		44
Net other comprehensive income (loss), net of tax	(211)	(123)	14	(320)
Balance at September 26, 2014	720	(692)	(45)	(17)
Other comprehensive loss before reclassifications	(536)	(147)	(44)	(727)
Amounts reclassified from accumulated other	224[2]	75	45	344

comprehensive income (loss)				
Income tax benefit		26	1	27
Net other comprehensive income (loss), net of tax	(312)	(46)	2	(356)
Balance at September 25, 2015	$ 408	$ (738)	$ (43)	$ (373)

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(1) Includes hedges of net investment foreign exchange gains or losses which offset foreign exchange gains or losses attributable to the translation of the net investments.

(2) Represents net currency translation reclassified as a result of the sale of BNS. This net loss is included in income from discontinued operations on the Consolidated Statement of Operations. See Note 4 for additional information regarding the divestiture of BNS.

21. Share Plans

Equity awards (primarily restricted share awards, performance share awards, and share options) granted by us are administered by the management development and compensation committee of our board of directors, which consists exclusively of independent directors. Our plans, of which the TE Connectivity Ltd. 2007 Stock and Incentive Plan, as amended and restated, is the primary plan, provide for the award of annual performance bonuses and long-term performance awards, including share options, restricted and performance units, deferred stock units, and other share-based awards

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Share Plans (Continued)

(collectively, "Awards") and allow for the use of unissued shares or treasury shares to be used to satisfy such Awards. As of September 25, 2015, our plans provided for a maximum of 67 million shares to be issued as Awards, subject to adjustment as provided under the terms of the plans. A total of 19 million shares remained available for issuance under our plans as of September 25, 2015.

Share-Based Compensation Expense

Total share-based compensation expense, which was included primarily in selling, general, and administrative expenses on the Consolidated Statements of Operations, was as follows:

	Fiscal		
	2015	2014	2013
	(in millions)		
Share-based compensation expense	$ 89	$ 77	$ 71

We recognized a related tax benefit associated with our share-based compensation arrangements of $29 million, $24 million, and $22 million in fiscal 2015, 2014, and 2013, respectively.

Restricted Share Awards

Restricted share awards, which are generally in the form of restricted share units, are granted subject to certain restrictions. Conditions of vesting are determined at the time of grant. All restrictions on an award will lapse upon death or disability of the employee. If the employee satisfies retirement requirements, a portion of the award may vest, depending on the terms and conditions of the particular grant. Recipients of restricted units have no voting rights, but do receive dividend equivalents. For grants that vest through passage of time, the fair value of the award at the time of the grant is amortized to expense over the period of vesting. The fair value of restricted share awards is determined based on the closing value of our shares on the grant date. Restricted share awards generally vest in increments over a period of four years as determined by the management development and compensation committee.

A summary of restricted share award activity is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at September 26, 2014	3,397,828	$ 40.79
Granted	1,359,144	62.45
Vested	(1,485,763)	38.80
Forfeited	(480,275)	48.43
Nonvested at September 25, 2015	2,790,934	$ 51.01

The weighted-average grant-date fair value of restricted share awards granted during fiscal 2015, 2014, and 2013 was $62.45, $52.21, and $34.69, respectively.

The total fair value of restricted share awards that vested during fiscal 2015, 2014, and 2013 was $58 million, $52 million, and $51 million, respectively.

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Share Plans (Continued)

As of September 25, 2015, there was $87 million of unrecognized compensation cost related to nonvested restricted share awards. The cost is expected to be recognized over a weighted-average period of 1.6 years.

Performance Share Awards

Performance share awards, which are generally in the form of performance share units, are granted with pay-out subject to vesting requirements and certain performance conditions that are determined at the time of grant. Based on our performance, the pay-out of performance share units can range from 0% to 200% of the number of units originally granted. The grant-date fair value of performance share awards is expensed over the period of performance once achievement of the performance criteria is deemed probable. Recipients of performance share units have no voting rights but do receive dividend equivalents. Performance share awards generally vest after a period of three years as determined by the management development and compensation committee.

A summary of performance share award activity is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Outstanding at September 26, 2014	510,488	$ 41.53
Granted	220,272	61.65
Vested	(1,285)	34.05
Forfeited	(28,647)	42.63
Outstanding at September 25, 2015	700,828	$ 47.32

The weighted-average grant-date fair value of performance share awards granted during fiscal 2015, 2014, and 2013 was $61.65, $51.63, and $34.16, respectively.

As of September 25, 2015, there was $15 million of unrecognized compensation cost related to nonvested performance share awards. The cost is expected to be recognized over a weighted-average period of 1.0 years.

Share Options

Share options are granted to purchase our common shares at prices which are equal to or greater than the market price of the common shares on the date the option is granted. Conditions of vesting are determined at the time of grant. All restrictions on the award will lapse upon death or disability of the employee. If the employee satisfies retirement requirements, a portion of the award may vest, depending on the terms and conditions of the particular grant. Options generally vest and become exercisable in equal annual installments over a period of four years and expire ten years after the date of grant.

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Share Plans (Continued)

A summary of share option award activity is presented below:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
			(in years)	(in millions)
Outstanding at September 26, 2014	11,948,584	$ 35.41		
Granted	1,735,750	61.70		
Exercised	(3,072,275)	32.84		
Expired	(91,021)	52.93		
Forfeited	(396,163)	46.10		
Outstanding at September 25, 2015	10,124,875	$ 40.05	6.0	$ 192
Vested and expected to vest at September 25, 2015	9,822,310	$ 39.79	6.0	$ 188
Exercisable at September 25, 2015	5,758,402	$ 33.71	4.6	$ 142

The weighted-average exercise price of share option awards granted during fiscal 2015, 2014, and 2013 were $61.70, $51.78, and $34.27, respectively.

The total intrinsic value of options exercised during fiscal 2015, 2014, and 2013 was $107 million, $136 million, and $69 million, respectively. We received cash related to the exercise of options of $103 million, $156 million, and $214 million in fiscal 2015, 2014, and 2013, respectively. The related excess cash tax benefit classified as a financing cash inflow on the Consolidated Statements of Cash Flows for fiscal 2015, 2014, and 2013 was not material.

As of September 25, 2015, there was $39 million of unrecognized compensation cost related to nonvested share options granted under our share option plans. The cost is expected to be recognized over a weighted-average period of 1.4 years.

Share-Based Compensation Assumptions

The grant-date fair value of each share option grant was estimated using the Black-Scholes-Merton option pricing model. Use of a valuation model requires management to make certain assumptions with respect to selected model inputs. We employ our historical share volatility when calculating the grant-date fair value of our share option grants using the Black-Scholes-Merton option pricing model. Currently, we do not have exchange-traded options of sufficient duration to employ an implied volatility assumption in the calculation and therefore rely solely on the historical volatility calculation. For fiscal 2013, we calculated the grant-date fair value of our share option awards utilizing the historical share volatility of a composite of our peers and implied volatility derived from exchange-traded options on that same composite of peers since we did not have historical share price information for a period of time equal to our expected option life assumption. The change in methodology did not have a significant impact on share-based compensation expense during fiscal 2015 or 2014. The average expected life was based on the contractual term of the option and expected employee exercise and post-vesting employment termination behavior. The risk-free interest rate was based on U.S. Treasury zero-coupon issues with a remaining term that approximated the expected life assumed at the date of grant. The expected annual dividend per share was based on our expected dividend rate. The recognized share-based compensation expense was net of estimated forfeitures, which are based on voluntary termination behavior as well as an analysis of actual option forfeitures.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Share Plans (Continued)

The weighted-average grant-date fair value of options granted and the weighted-average assumptions we used in the Black-Scholes-Merton option pricing model were as follows:

	Fiscal		
	2015	2014	2013
Weighted-average grant-date fair value	$ 18.77	$ 16.81	$ 8.62
Assumptions:			
Expected share price volatility	36%	39%	34%
Risk free interest rate	2.0%	1.8%	0.9%
Expected annual dividend per share	$ 1.16	$ 1.00	$ 0.84
Expected life of options (in years)	6.0	6.0	6.0

22. Segment and Geographic Data

During fiscal 2015, we reorganized our management structure and segments to better align the organization around our strategy. Our businesses in the former Consumer Solutions segment and our continuing businesses in the former Network Solutions segment have been moved into the newly created Communications Solutions segment. (See Note 4 for information regarding discontinued operations.) In addition, the former Data Communications and Consumer Devices businesses have been combined to form the Data and Devices business. We now operate through three reportable segments: Transportation Solutions, Industrial Solutions, and Communications Solutions. See Note 1 for a description of the segments in which we operate. We aggregate our operating segments into reportable segments based upon similar economic characteristics and business groupings of products, services, and customers.

Segment performance is evaluated based on net sales and operating income. Generally, we consider all expenses to be of an operating nature and, accordingly, allocate them to each reportable segment. Costs specific to a segment are charged to the segment. Corporate expenses, such as headquarters administrative costs, are allocated to the segments based on segment operating income. Intersegment sales were not material and were recorded at selling prices that approximate market prices. Corporate assets are allocated to the segments based on segment assets.

The following segment information reflects our current segment reporting structure. Prior period segment results have been restated to conform to the current segment reporting structure.

Net sales and operating income by segment were as follows:

	Net Sales			Operating Income		
	Fiscal			Fiscal		
	2015	2014	2013	2015	2014	2013
	(in millions)					
Transportation Solutions	$ 6,351	$ 6,090	$ 5,485	$ 1,193	$ 1,245	$ 934
Industrial Solutions	3,179	3,302	3,100	352	431	344
Communications Solutions	2,703	2,581	2,805	204	129	107
Total	$ 12,233	$ 11,973	$ 11,390	$ 1,749	$ 1,805	$ 1,385

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Segment and Geographic Data (Continued)

No single customer accounted for a significant amount of our net sales in fiscal 2015, 2014, and 2013.

As we are not organized by product or service, it is not practicable to disclose net sales by product or service.

Depreciation and amortization and capital expenditures were as follows:

	Depreciation and Amortization			Capital Expenditures		
	Fiscal			Fiscal		
	2015	2014	2013	2015	2014	2013
	(in millions)					
Transportation Solutions	$ 347	$ 285	$ 294	$ 400	$ 379	$ 325
Industrial Solutions	123	102	92	104	143	111
Communications Solutions	146	164	150	96	113	145
Total	$ 616	$ 551	$ 536	$ 600	$ 635	$ 581

Segment assets and a reconciliation of segment assets to total assets were as follows:

	Segment Assets		
	Fiscal Year End		
	2015	2014	2013
	(in millions)		
Transportation Solutions	$ 3,310	$ 3,062	$ 2,983
Industrial Solutions	1,720	1,735	1,640
Communications Solutions	1,625	1,689	1,764
Total segment assets[(1)]	6,655	6,486	6,387
Other current assets	4,152	5,313	4,243
Other non-current assets	9,801	8,353	7,831
Total assets	$ 20,608	$ 20,152	$ 18,461

(1) Segment assets are composed of accounts receivable, inventories, and property, plant, and equipment.

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Segment and Geographic Data (Continued)

Net sales and net property, plant, and equipment by geographic region were as follows:

	Net Sales[(1)]			Property, Plant, and Equipment, Net		
	Fiscal			Fiscal Year End		
	2015	2014	2013	2015	2014	2013
	(in millions)					
Americas:						
U.S.	$ 3,817	$ 3,119	$ 3,042	$ 887	$ 837	$ 867
Other Americas	321	396	414	87	97	49
Total Americas	4,138	3,515	3,456	974	934	916
Asia Pacific:						
China	2,367	2,331	2,072	529	492	495
Other Asia Pacific	1,736	1,903	1,914	461	468	490
Total Asia Pacific	4,103	4,234	3,986	990	960	985
Europe/Middle East/Africa:						
Switzerland	2,992	3,483	3,216	55	54	54
Germany	117	126	123	313	330	346
Other Europe/Middle East/Africa	883	615	609	588	642	650
Total Europe/Middle East/Africa	3,992	4,224	3,948	956	1,026	1,050
Total	$ 12,233	$ 11,973	$ 11,390	$ 2,920	$ 2,920	$ 2,951

(1) Net sales to external customers is attributed to individual countries based on the legal entity that records the sale.

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Quarterly Financial Data (unaudited)

Summarized quarterly financial data was as follows:

	Fiscal							
	2015				2014			
	First Quarter[1]	Second Quarter	Third Quarter	Fourth Quarter[2]	First Quarter	Second Quarter	Third Quarter	Fourth Quarter[3]
	(in millions, except per share data)							
Net sales	$ 3,049	$ 3,082	$ 3,118	$ 2,984	$ 2,862	$ 2,964	$ 3,075	$ 3,072
Gross margin	1,020	1,051	1,048	968	945	995	1,018	1,014
Acquisition and integration costs	24	14	8	9		1	1	29
Restructuring and other charges (credits), net	25	38	19	70	6	(1)	10	4
Amounts attributable to TE Connectivity Ltd.:								
Income from continuing operations	435	316	351	136	313	340	347	614
Income (loss) from discontinued operations, net of income taxes	37	283	(42)	904	40	22	56	49
Net income	$ 472	$ 599	$ 309	$ 1,040	$ 353	$ 362	$ 403	$ 663
Basic earnings per share attributable to TE Connectivity Ltd.:								
Income from continuing operations	$ 1.07	$ 0.78	$ 0.86	$ 0.34	$ 0.76	$ 0.83	$ 0.85	$ 1.50
Net income	1.16	1.47	0.76	2.60	0.86	0.88	0.99	1.62
Diluted earnings per share attributable to TE Connectivity Ltd.:								
Income from continuing operations	$ 1.05	$ 0.77	$ 0.85	$ 0.34	$ 0.75	$ 0.82	$ 0.83	$ 1.48
Net income	1.14	1.45	0.75	2.57	0.84	0.87	0.97	1.59

(1) Results for the first quarter of fiscal 2015 include $27 million of charges from the amortization of acquisition-related fair value adjustments to acquired inventories and customer order backlog associated primarily with Measurement Specialties. Results for the first quarter of fiscal 2015 also include $189 million of income tax benefits associated with the effective settlement of all undisputed tax matters for the years 2001 through 2007 and the related impact of $83 million to other expense pursuant to the Tax Sharing Agreement with Tyco International and Covidien.

(2) Results for the fourth quarter of fiscal 2015 include $216 million of income tax charges associated with the tax impacts of certain intercompany legal entity restructurings made in connection with our integration of Measurement Specialties and $63 million of income tax

benefits associated with the effective settlement of all undisputed tax matters for the years 2008 through 2010. In addition, in the fourth quarter of fiscal 2015, income from discontinued operations, net of income taxes includes the gain on the sale of our BNS business.

(3) Results for the fourth quarter of fiscal 2014 include $282 million of income tax benefits recognized in connection with a reduction in the valuation allowance associated with certain ADC tax loss carryforwards.

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Subsequent Event

On November 7, 2015, we entered into a definitive agreement to sell our Circuit Protection Devices ("CPD") business for $350 million in cash, subject to a final working capital adjustment. The transaction is expected to close during the second quarter of fiscal 2016 pending customary closing conditions and regulatory approvals. The net assets of the CPD business were approximately $200 million at September 25, 2015. The CPD business is currently reported in our Communications Solutions segment.

25. Tyco Electronics Group S.A.

Tyco Electronics Group S.A. ("TEGSA"), a Luxembourg company and our 100%-owned subsidiary, is a holding company that owns, directly or indirectly, all of our operating subsidiaries. TEGSA is the obligor under our senior notes, commercial paper, and Credit Facility, which are fully and unconditionally guaranteed by its parent, TE Connectivity Ltd. The following tables present condensed consolidating financial information for TE Connectivity Ltd., TEGSA, and all other subsidiaries that are not providing a guarantee of debt but which represent assets of TEGSA, using the equity method of accounting.

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Tyco Electronics Group S.A. (Continued)

Condensed Consolidating Statement of Operations
For the Fiscal Year Ended September 25, 2015

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Net sales	$	$	$ 12,233	$	$ 12,233
Cost of sales			8,146		8,146
Gross margin			4,087		4,087
Selling, general, and administrative expenses, net[1]	163	835	506		1,504
Research, development, and engineering expenses			627		627
Acquisition and integration costs			55		55
Restructuring and other charges, net			152		152
Operating income (loss)	(163)	(835)	2,747		1,749
Interest income			17		17
Interest expense		(135)	(1)		(136)
Other expense, net			(55)		(55)
Equity in net income of subsidiaries	1,398	2,318		(3,716)	
Equity in net income of subsidiaries of discontinued operations	1,182	365		(1,547)	
Intercompany interest income (expense), net	3	50	(53)		
Income from continuing operations before income taxes	2,420	1,763	2,655	(5,263)	1,575
Income tax expense			(337)		(337)
Income from continuing operations	2,420	1,763	2,318	(5,263)	1,238
Income from discontinued operations, net of income taxes		817	365		1,182
Net income attributable to TE Connectivity Ltd., TEGSA, or Other	2,420	2,580	2,683	(5,263)	2,420

Subsidiaries									
Other comprehensive loss		(356)		(356)		(368)		724	(356)
Comprehensive income attributable to TE Connectivity Ltd., TEGSA, or Other Subsidiaries	$	2,064	$	2,224	$	2,315	$	(4,539)	$ 2,064

(1) TEGSA selling, general, and administrative expenses include losses of $846 million related to intercompany transactions. These losses are offset by corresponding gains recorded by Other Subsidiaries.

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Tyco Electronics Group S.A. (Continued)

Condensed Consolidating Statement of Operations
For the Fiscal Year Ended September 26, 2014

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Net sales	$	$	$ 11,973	$	$ 11,973
Cost of sales			8,001		8,001
Gross margin			3,972		3,972
Selling, general, and administrative expenses, net[1]	131	1,877	(474)		1,534
Research, development, and engineering expenses			583		583
Acquisition and integration costs			31		31
Restructuring and other charges, net			19		19
Operating income (loss)	(131)	(1,877)	3,813		1,805
Interest income			19		19
Interest expense		(126)	(1)		(127)
Other income (expense), net	18	(3)	48		63
Equity in net income of subsidiaries	1,729	3,672		(5,401)	
Equity in net income of subsidiaries of discontinued operations	167	167		(334)	
Intercompany interest income (expense), net	(2)	63	(61)		
Income from continuing operations before income taxes	1,781	1,896	3,818	(5,735)	1,760
Income tax expense			(146)		(146)
Income from continuing operations	1,781	1,896	3,672	(5,735)	1,614
Income from discontinued operations, net of income taxes			167		167

Net income attributable to TE Connectivity Ltd., TEGSA, or Other Subsidiaries	1,781	1,896	3,839	(5,735)	1,781
Other comprehensive loss	(320)	(320)	(328)	648	(320)
Comprehensive income attributable to TE Connectivity Ltd., TEGSA, or Other Subsidiaries	$ 1,461	$ 1,576	$ 3,511	$ (5,087)	$ 1,461

(1) TEGSA selling, general, and administrative expenses include losses of $1,874 million related to intercompany transactions. These losses are offset by corresponding gains recorded by Other Subsidiaries.

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Tyco Electronics Group S.A. (Continued)

Condensed Consolidating Statement of Operations
For the Fiscal Year Ended September 27, 2013

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Net sales	$	$	$ 11,390	$	$ 11,390
Cost of sales			7,739		7,739
Gross margin			3,651		3,651
Selling, general, and administrative expenses	156	3	1,281		1,440
Research, development, and engineering expenses			590		590
Acquisition and integration costs			14		14
Restructuring and other charges, net			222		222
Operating income (loss)	(156)	(3)	1,544		1,385
Interest income			17		17
Interest expense		(135)	(4)		(139)
Other expense, net			(183)		(183)
Equity in net income of subsidiaries	1,323	1,411		(2,734)	
Equity in net income of subsidiaries of discontinued operations	122	122		(244)	
Intercompany interest income (expense), net	(13)	54	(41)		
Income from continuing operations before income taxes	1,276	1,449	1,333	(2,978)	1,080
Income tax (expense) benefit		(4)	79		75
Income from continuing operations	1,276	1,445	1,412	(2,978)	1,155
Income from discontinued operations, net of income taxes			122		122
Net income	1,276	1,445	1,534	(2,978)	1,277
Less: net income attributable to			(1)		(1)

noncontrolling interests

Net income attributable to TE Connectivity Ltd., TEGSA, or Other Subsidiaries		1,276		1,445		1,533		(2,978)		1,276
Other comprehensive income		74		74		64		(138)		74
Comprehensive income attributable to TE Connectivity Ltd., TEGSA, or Other Subsidiaries	$	1,350	$	1,519	$	1,597	$	(3,116)	$	1,350

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Tyco Electronics Group S.A. (Continued)

Condensed Consolidating Balance Sheet
As of September 25, 2015

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Assets					
Current assets:					
Cash and cash equivalents	$	$	$ 3,329	$	$ 3,329
Accounts receivable, net			2,120		2,120
Inventories			1,615		1,615
Intercompany receivables	813	389	66	(1,268)	
Prepaid expenses and other current assets	4	6	468		478
Deferred income taxes			345		345
Total current assets	817	395	7,943	(1,268)	7,887
Property, plant, and equipment, net			2,920		2,920
Goodwill			4,824		4,824
Intangible assets, net			1,555		1,555
Deferred income taxes			2,144		2,144
Investment in subsidiaries	9,505	19,645		(29,150)	
Intercompany loans receivable	22	2,328	8,110	(10,460)	
Receivable from Tyco International plc and Covidien plc			964		964
Other assets		44	270		314
Total Assets	$ 10,344	$ 22,412	$ 28,730	$ (40,878)	$ 20,608

Liabilities and Equity					
Current liabilities:					
Current maturities of long-term debt	$	$ 500	$	$	$ 500
Accounts payable	2		1,141		1,143
Accrued and other current liabilities	442	75	1,232		1,749
Deferred revenue			185		185
Intercompany payables	311	824	133	(1,268)	

Total current liabilities		755		1,399		2,691		(1,268)	3,577
Long-term debt				3,402		1			3,403
Intercompany loans payable		4		8,106		2,350		(10,460)	
Long-term pension and postretirement liabilities						1,327			1,327
Deferred income taxes						329			329
Income taxes						1,954			1,954
Other liabilities						433			433
Total Liabilities		759		12,907		9,085		(11,728)	11,023
Total Equity		9,585		9,505		19,645		(29,150)	9,585
Total Liabilities and Equity	$	10,344	$	22,412	$	28,730	$	(40,878)	$ 20,608

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Tyco Electronics Group S.A. (Continued)

Condensed Consolidating Balance Sheet
As of September 26, 2014

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Assets					
Current assets:					
Cash and cash equivalents	$	$ 1	$ 2,456	$	$ 2,457
Accounts receivable, net			2,057		2,057
Inventories			1,509		1,509
Intercompany receivables	932	230	30	(1,192)	
Prepaid expenses and other current assets	6	3	510		519
Deferred income taxes			324		324
Assets held for sale			2,013		2,013
Total current assets	938	234	8,899	(1,192)	8,879
Property, plant, and equipment, net			2,920		2,920
Goodwill			3,726		3,726
Intangible assets, net			1,087		1,087
Deferred income taxes			2,047		2,047
Investment in subsidiaries	8,602	19,966		(28,568)	
Intercompany loans receivable	20	2,160	9,883	(12,063)	
Receivable from Tyco International plc and Covidien plc			1,037		1,037
Other assets		30	426		456
Total Assets	$ 9,560	$ 22,390	$ 30,025	$ (41,823)	$ 20,152
Liabilities and Equity					
Current liabilities:					
Current maturities of long-term debt	$	$ 577	$	$	$ 577
Accounts payable	1		1,229		1,230
Accrued and other current liabilities	282	50	1,262		1,594
Deferred revenue			176		176
Intercompany payables	260		932	(1,192)	
Liabilities held for sale			416		416

Total current liabilities		543		627		4,015		(1,192)		3,993
Long-term debt				3,281						3,281
Intercompany loans payable		4		9,880		2,179		(12,063)		
Long-term pension and postretirement liabilities						1,280				1,280
Deferred income taxes						229				229
Income taxes						2,044				2,044
Other liabilities						312				312
Total Liabilities		547		13,788		10,059		(13,255)		11,139
Total Equity		9,013		8,602		19,966		(28,568)		9,013
Total Liabilities and Equity	$	9,560	$	22,390	$	30,025	$	(41,823)	$	20,152

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Tyco Electronics Group S.A. (Continued)

Condensed Consolidating Statement of Cash Flows
For the Fiscal Year Ended September 25, 2015

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Cash Flows From Operating Activities:					
Net cash provided by continuing operating activities[1]	$ 1,186	$ 1,270	$ 1,824	$ (2,661)	$ 1,619
Net cash provided by discontinued operating activities			294		294
Net cash provided by operating activities	1,186	1,270	2,118	(2,661)	1,913
Cash Flows From Investing Activities:					
Capital expenditures			(600)		(600)
Proceeds from sale of property, plant, and equipment			17		17
Acquisition of business, net of cash acquired			(1,725)		(1,725)
Proceeds from divestiture of discontinued operations, net of cash retained by sold operations		709	2,248		2,957
Change in intercompany loans		(1,304)		1,304	
Other			12		12
Net cash provided by (used in) continuing investing activities		(595)	(48)	1,304	661
Net cash used in discontinued investing activities			(25)		(25)

Net cash provided by (used in) investing activities		(595)	(73)	1,304	636
Cash Flows From Financing Activities:					
Changes in parent company equity(2)	80	624	(704)		
Net decrease in commercial paper		(328)			(328)
Proceeds from issuance of long-term debt		617			617
Repayment of long-term debt		(250)	(223)		(473)
Proceeds from exercise of share options			103		103
Repurchase of common shares	(916)		(107)		(1,023)
Payment of common share dividends to shareholders	(515)		13		(502)
Intercompany distributions(1)		(1,335)	(1,326)	2,661	
Loan activity with parent	165		1,139	(1,304)	
Transfers from discontinued operations			269		269
Other		(4)	4		
Net cash used in continuing financing activities	(1,186)	(676)	(832)	1,357	(1,337)
Net cash used in discontinued financing activities			(269)		(269)
Net cash used in financing activities	(1,186)	(676)	(1,101)	1,357	(1,606)
Effect of currency translation on cash			(71)		(71)
Net increase (decrease) in cash and cash equivalents		(1)	873		872
Cash and cash equivalents at beginning of fiscal year		1	2,456		2,457
Cash and cash equivalents at end of fiscal year	$	$	$ 3,329	$	$ 3,329

(1) During fiscal 2015, other subsidiaries made distributions to TEGSA in the amount of $1,326 million and TEGSA made distributions to TE Connectivity Ltd. in the amount of $1,335 million. Cash flows are presented based upon the nature of the distributions.

(2) Changes in parent company equity includes cash flows related to certain intercompany equity and funding transactions, and other intercompany activity.

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Tyco Electronics Group S.A. (Continued)

Condensed Consolidating Statement of Cash Flows
For the Fiscal Year Ended September 26, 2014

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Cash Flows From Operating Activities:					
Net cash provided by (used in) continuing operating activities[1]	$ (296)	$ 1,829	$ 2,153	$ (1,882)	$ 1,804
Net cash provided by discontinued operating activities			279		279
Net cash provided by (used in) operating activities	(296)	1,829	2,432	(1,882)	2,083
Cash Flows From Investing Activities:					
Capital expenditures			(635)		(635)
Proceeds from sale of property, plant, and equipment			129		129
Acquisition of business, net of cash acquired			(522)		(522)
Intercompany distribution receipts[1]		99		(99)	
Change in intercompany loans		347		(347)	
Other			(10)		(10)
Net cash provided by (used in) continuing investing activities		446	(1,038)	(446)	(1,038)
Net cash used in discontinued investing activities			(37)		(37)
		446	(1,075)	(446)	(1,075)

Net cash provided by (used in) investing activities					
Cash Flows From Financing Activities:					
Changes in parent company equity[2]	67	(3,259)	3,192		
Net decrease in commercial paper		(23)			(23)
Proceeds from issuance of long-term debt		1,322			1,322
Repayment of long-term debt		(303)	(57)		(360)
Proceeds from exercise of share options			156		156
Repurchase of common shares	(127)		(451)		(578)
Payment of common share dividends to shareholders	(452)		9		(443)
Intercompany distributions[1]			(1,981)	1,981	
Loan activity with parent	808		(1,155)	347	
Transfers from discontinued operations			242		242
Other		(11)	2		(9)
Net cash provided by (used in) continuing financing activities	296	(2,274)	(43)	2,328	307
Net cash used in discontinued financing activities			(242)		(242)
Net cash provided by (used in) financing activities	296	(2,274)	(285)	2,328	65
Effect of currency translation on cash			(19)		(19)
Net increase in cash and cash equivalents		1	1,053		1,054
Cash and cash equivalents at beginning of fiscal year			1,403		1,403
Cash and cash equivalents at end of fiscal year	$	$ 1	$ 2,456	$	$ 2,457

(1) During fiscal 2014, other subsidiaries made distributions to TEGSA in the amount of $1,981 million. Cash flows are presented based upon the nature of the distributions.

(2) Changes in parent company equity includes cash flows related to certain intercompany equity and funding transactions, and other intercompany activity.

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TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Tyco Electronics Group S.A. (Continued)

Condensed Consolidating Statement of Cash Flows
For the Fiscal Year Ended September 27, 2013

	TE Connectivity Ltd.	TEGSA	Other Subsidiaries	Consolidating Adjustments	Total
			(in millions)		
Cash Flows From Operating Activities:					
Net cash provided by continuing operating activities[(1)]	$ 3,621	$ 1,972	$ 2,058	$ (5,876)	$ 1,775
Net cash provided by discontinued operating activities			271		271
Net cash provided by operating activities	3,621	1,972	2,329	(5,876)	2,046
Cash Flows From Investing Activities:					
Capital expenditures			(581)		(581)
Proceeds from sale of property, plant, and equipment	1		21		22
Acquisition of business, net of cash acquired			(6)		(6)
Proceeds from divestiture of discontinued operations, net of cash retained by sold operations			14		14
Intercompany distribution receipts[(1)]		1,100		(1,100)	
Change in intercompany loans		1,566		(1,566)	
Other	(3)		26		23
Net cash provided by (used in) continuing investing activities	(2)	2,666	(526)	(2,666)	(528)
			(17)		(17)

Net cash used in discontinued investing activities					
Net cash provided by (used in) investing activities	(2)	2,666	(543)	(2,666)	(545)
Cash Flows From Financing Activities:					
Changes in parent company equity[2]	(826)	(174)	1,000		
Net increase in commercial paper		50			50
Repayment of long-term debt		(714)			(714)
Proceeds from exercise of share options			214		214
Repurchase of common shares	(602)		(242)		(844)
Payment of common share dividends and cash distributions to shareholders	(391)		7		(384)
Intercompany distributions[1]		(3,800)	(3,176)	6,976	
Loan activity with parent	(1,800)		234	1,566	
Transfers from discontinued operations			254		254
Net cash used in continuing financing activities	(3,619)	(4,638)	(1,709)	8,542	(1,424)
Net cash used in discontinued financing activities			(254)		(254)
Net cash used in financing activities	(3,619)	(4,638)	(1,963)	8,542	(1,678)
Effect of currency translation on cash			(9)		(9)
Net decrease in cash and cash equivalents			(186)		(186)
Cash and cash equivalents at beginning of fiscal year			1,589		1,589
Cash and cash equivalents at end of fiscal year	$	$	$ 1,403	$	$ 1,403

(1) During fiscal 2013, other subsidiaries made distributions to TEGSA in the amount of $3,176 million and TEGSA made distributions to TE Connectivity Ltd. in the amount of $3,800 million. Cash flows are presented based upon the nature of the distributions.

(2) Changes in parent company equity includes cash flows related to certain intercompany equity and funding transactions, and other intercompany activity.

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TE CONNECTIVITY LTD.

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

Fiscal Years Ended September 25, 2015, September 26, 2014, and September 27, 2013

Description	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Acquisitions, Divestitures, and Other	Deductions	Balance at End of Yea
			(in millions)		
Fiscal 2015:					
Allowance for doubtful accounts receivable	$ 14	$ 2	$ 3	$ (1)	$ 1
Valuation allowance on deferred tax assets	1,706	1,627	1	(97)	3,23
Fiscal 2014:					
Allowance for doubtful accounts receivable	$ 29	$ 2	$	$ (17)	$ 1
Valuation allowance on deferred tax assets	1,801	285		(380)	1,70
Fiscal 2013:					
Allowance for doubtful accounts receivable	$ 26	$ 3	$	$	$ 2
Valuation allowance on deferred tax assets	1,700	323		(222)	1,80