

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

Form 10-Q

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

For the quarterly period ended March 31, 2016

OR

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

For the transition period from _____ to _____

Commission file number 1-35166

FORTUNE BRANDS HOME & SECURITY, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

520 Lake Cook Road, Deerfield, Illinois
(Address of principal executive offices)

62-1411546
(I.R.S. Employer
Identification No.)

60015-5611
(Zip Code)

Registrant's telephone number, including area code: **(847) 484-4400**

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

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

The number of shares outstanding of the registrant's common stock, par value \$0.01 per share, at April 22, 2016 was 153,376,002.

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS.

FORTUNE BRANDS HOME & SECURITY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three Months Ended March 31, 2016 and 2015
(In millions, except per share amounts)
(Unaudited)

	<u>2016</u>	<u>2015</u>
Net sales	\$1,106.5	\$950.8
Cost of products sold	728.7	633.9
Selling, general and administrative expenses	270.2	241.4
Amortization of intangible assets	6.5	3.5
Restructuring charges	<u>5.6</u>	<u>4.7</u>
Operating income	95.5	67.3
Interest expense	11.8	3.4
Other (income) expense, net	<u>(0.3)</u>	<u>1.7</u>
Income from continuing operations before income taxes	84.0	62.2
Income tax	<u>28.3</u>	<u>21.3</u>
Income from continuing operations, net of tax	55.7	40.9
Loss from discontinued operations, net of tax	<u>—</u>	<u>(0.6)</u>
Net income	55.7	40.3
Less: Noncontrolling interests	<u>—</u>	<u>0.3</u>
Net income attributable to Fortune Brands	<u>\$ 55.7</u>	<u>\$ 40.0</u>
Basic earnings per common share		
Continuing operations	\$ 0.36	\$ 0.26
Discontinued operations	<u>—</u>	<u>(0.01)</u>
Net income attributable to Fortune Brands common shareholders	\$ 0.36	\$ 0.25
Diluted earnings per common share		
Continuing operations	\$ 0.35	\$ 0.25
Discontinued operations	<u>—</u>	<u>—</u>
Net income attributable to Fortune Brands common shareholders	\$ 0.35	\$ 0.25
Comprehensive income	\$ 69.3	\$ 20.9

See notes to condensed consolidated financial statements.

FORTUNE BRANDS HOME & SECURITY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)
(Unaudited)

	March 31, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 253.6	\$ 238.5
Accounts receivable, net	525.5	502.6
Inventories	597.9	555.6
Other current assets	104.3	121.3
Total current assets	1,481.3	1,418.0
Property, plant and equipment, net of accumulated depreciation	635.7	627.9
Goodwill	1,757.8	1,755.3
Other intangible assets, net of accumulated amortization	993.3	996.7
Other assets	74.7	77.8
Total assets	<u>\$4,942.8</u>	<u>\$ 4,875.7</u>
Liabilities and equity		
Current liabilities		
Notes payable to banks	\$ 2.8	\$ 0.8
Accounts payable	364.1	344.2
Other current liabilities	318.0	412.9
Total current liabilities	684.9	757.9
Long-term debt	1,619.2	1,168.7
Deferred income taxes	177.6	201.7
Accrued defined benefit plans	208.6	218.4
Other non-current liabilities	82.7	75.2
Total liabilities	2,773.0	2,421.9
Commitments and contingencies (see Note 17)		
Equity		
Fortune Brands stockholders' equity		
Common stock ^(a)	1.7	1.7
Paid-in capital	2,620.1	2,602.2
Accumulated other comprehensive loss	(38.9)	(52.5)
Retained earnings	558.5	501.6
Treasury stock	(973.3)	(602.1)
Total Fortune Brands stockholders' equity	2,168.1	2,450.9
Noncontrolling interests	1.7	2.9
Total equity	<u>2,169.8</u>	<u>2,453.8</u>
Total liabilities and equity	<u>\$4,942.8</u>	<u>\$ 4,875.7</u>

^(a) Common stock, par value \$0.01 per share; 176.1 million shares and 175.2 million shares issued at March 31, 2016 and December 31, 2015, respectively.

See notes to condensed consolidated financial statements.

FORTUNE BRANDS HOME & SECURITY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2016 and 2015

(In millions)
(Unaudited)

	2016	2015
Operating activities		
Net income	\$ 55.7	\$ 40.3
Non-cash pre-tax expense:		
Depreciation	24.3	20.5
Amortization	6.5	3.5
Stock-based compensation	7.4	5.6
Recognition of actuarial losses	0.9	—
Deferred income taxes	(25.1)	7.5
Restructuring charges	—	1.0
Amortization of deferred financing fees	0.4	—
Changes in assets and liabilities:		
Increase in accounts receivable	(20.5)	(1.4)
Increase in inventories	(40.5)	(44.5)
Increase (decrease) in accounts payable	31.9	(8.6)
Decrease (increase) in other assets	16.8	(23.9)
Decrease in accrued expenses and other liabilities	(92.2)	(68.8)
Increase in accrued taxes	14.0	2.1
Net cash used in operating activities	<u>(20.4)</u>	<u>(66.7)</u>
Investing activities		
Capital expenditures	(43.8)	(24.6)
Cost of acquisition, net of cash acquired	—	(6.3)
Proceeds from the disposition of assets	—	0.3
Net cash used in investing activities	<u>(43.8)</u>	<u>(30.6)</u>
Financing activities		
Increase in short-term debt, net	2.0	—
Issuance of long-term debt	450.0	155.0
Repayment of long-term debt	(0.9)	(65.0)
Proceeds from the exercise of stock options	4.9	8.9
Treasury stock purchases	(362.7)	(0.4)
Excess tax benefit from the exercise of stock-based compensation	5.8	14.2
Dividends to stockholders	(24.4)	(22.3)
Other financing, net	(1.2)	—
Net cash provided by financing activities	<u>73.5</u>	<u>90.4</u>
Effect of foreign exchange rate changes on cash	5.8	(5.6)
Net increase (decrease) in cash and cash equivalents	<u>\$ 15.1</u>	<u>\$ (12.5)</u>
Cash and cash equivalents at beginning of period	\$ 238.5	\$ 191.9
Cash and cash equivalents at end of period	\$ 253.6	\$ 179.4

See notes to condensed consolidated financial statements.

FORTUNE BRANDS HOME & SECURITY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
For the Three Months Ended March 31, 2016 and 2015

(In millions)
(Unaudited)

	Common Stock	Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Non- controlling Interests	Total Equity
Balance at December 31, 2014	\$ 1.7	\$2,517.3	\$ (6.7)	\$279.5	\$(532.3)	\$ 3.6	\$2,263.1
Comprehensive income:							
Net income	—	—	—	40.0	—	0.3	40.3
Other comprehensive income	—	—	(19.4)	—	—	—	(19.4)
Stock options exercised	—	8.9	—	—	—	—	8.9
Stock-based compensation	—	5.5	—	—	(13.5)	—	(8.0)
Tax benefit on exercise of stock options	—	14.1	—	—	—	—	14.1
Treasury stock purchase	—	—	—	—	(0.4)	—	(0.4)
Balance at March 31, 2015	<u>\$ 1.7</u>	<u>\$2,545.8</u>	<u>\$ (26.1)</u>	<u>\$319.5</u>	<u>\$(546.2)</u>	<u>\$ 3.9</u>	<u>\$2,298.6</u>
Balance at December 31, 2015	\$ 1.7	\$2,602.2	\$ (52.5)	\$501.6	\$(602.1)	\$ 2.9	\$2,453.8
Comprehensive income:							
Net income	—	—	—	55.7	—	—	55.7
Other comprehensive income	—	—	13.6	—	—	—	13.6
Stock options exercised	—	4.9	—	—	—	—	4.9
Stock-based compensation	—	7.4	—	—	(8.5)	—	(1.1)
Tax benefit on exercise of stock options	—	5.6	—	—	—	—	5.6
Treasury stock purchase	—	—	—	—	(362.7)	—	(362.7)
Other	—	—	—	1.2	—	—	1.2
Dividends paid to noncontrolling interests	—	—	—	—	—	(1.2)	(1.2)
Balance at March 31, 2016	<u>\$ 1.7</u>	<u>\$2,620.1</u>	<u>\$ (38.9)</u>	<u>\$558.5</u>	<u>\$(973.3)</u>	<u>\$ 1.7</u>	<u>\$2,169.8</u>

See notes to condensed consolidated financial statements.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Principles of Consolidation

References to “Fortune Brands,” “the Company,” “we,” “our” and “us” refer to Fortune Brands Home & Security, Inc. and its consolidated subsidiaries as a whole, unless the context otherwise requires.

The Company is a leading home and security products company with a portfolio of leading branded products used for residential home repair, remodeling, new construction and security applications.

The condensed consolidated balance sheet as of March 31, 2016, the related condensed consolidated statements of comprehensive income for the three-month periods ended March 31, 2016 and 2015 and the related condensed consolidated statements of cash flows and equity for the three-month periods ended March 31, 2016 and 2015 are unaudited. In the opinion of management, all adjustments necessary for a fair statement of the financial statements have been included. Interim results may not be indicative of results for a full year.

The condensed consolidated financial statements and notes are presented pursuant to the rules and regulations of the Securities and Exchange Commission and do not contain certain information included in our annual consolidated financial statements and notes. The December 31, 2015 condensed consolidated balance sheet was derived from the audited financial statements, but does not include all disclosures required by U.S. generally accepted accounting principles (“GAAP”). This Quarterly Report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2015.

The condensed consolidated financial statements included in this Quarterly Report on Form 10-Q were derived principally from the consolidated financial statements of the Company. In May 2015, we acquired Norcraft Companies, Inc. (“Norcraft”). The financial results of Norcraft were included in the Company’s condensed consolidated statements of comprehensive income and statements of cash flow for the three months ended March 31, 2016 and the condensed consolidated balance sheets as of March 31, 2016 and December 31, 2015. In September 2015, we completed the sale of Waterloo Industries, Inc. (“Waterloo”), our tool storage business. In accordance with Accounting Standards Codification (“ASC”) requirements, the results of operations of Waterloo, were classified and separately stated as discontinued operations in the accompanying condensed consolidated statements of comprehensive income for the three months ended March 31, 2015. The cash flows from discontinued operations for the three months ending March 31, 2015 were not separately classified on the accompanying condensed consolidated statements of cash flows. Information on Business Segments was revised to exclude these discontinued operations.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Recently Issued Accounting Standards

Improvements to Employee Share-Based Payment Accounting

In March 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-09 that requires entities to recognize the income tax effects of awards in the income statement when the awards vest or are settled. The new standard also allows entities to withhold an amount up to an employee’s maximum individual tax rate in the relevant jurisdiction without resulting in liability classification of the award. The new standard is effective for annual and interim periods beginning January 1, 2017. Early adoption is permitted, but all of the guidance must be adopted in the same period. We are assessing the impact the adoption of this standard will have on our financial statements.

Simplifying the Transition to the Equity Method of Accounting

In March 2016, the FASB issued ASU 2016-07, which eliminates the requirement to apply the equity method of accounting retrospectively when an entity obtains significant influence over a previously held investment. Previously, entities were required to retrospectively apply the equity method of accounting when obtaining significant influence over an investment (for example due to an increase in ownership). The new standard is effective beginning January 1, 2017. Earlier application is permitted, however we elected not to early adopt. We do not expect this standard to have a material effect on our financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02, “Leases” that requires lessees to recognize almost all leases on their balance sheet as a “right-of-use” asset and lease liability but recognize related expenses in a manner similar to current accounting. The guidance also eliminates current real estate-specific provisions for all entities. The new standard is effective for annual periods beginning after December 15, 2018 (calendar year 2019 for Fortune Brands) and earlier application is permitted. We are assessing the impact the adoption of this standard will have on our financial statements.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued final guidance ASU 2016-01 that requires entities to measure investments in unconsolidated entities (other than those accounted for using the equity method of accounting) at fair value through the income statement. There will no longer be an available-for-sale classification (with changes in fair value reported in Other Comprehensive Income). In addition, the cost method is eliminated for equity investments without readily determinable fair values. The new standard is effective beginning January 1, 2018. Earlier application is permitted for certain provisions of the standard, however we elected not to early adopt. We do not expect this standard to have a material effect on our financial statements.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Recently Issued Accounting Standards (Continued)

Simplifying Subsequent Measurement of Inventory

In July 2015, the FASB issued a final standard that simplifies the subsequent measurement of inventory by replacing the current standard of lower of cost or market test. Under the current guidance the subsequent measurement of inventory is measured at the lower of cost or market, where “market” may have multiple possible outcomes. The new guidance requires subsequent measurement of inventory at the lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs to sell (completion, disposal, and transportation). This new standard is effective for the annual period beginning January 1, 2017 (calendar year 2017 for Fortune Brands). Earlier application is permitted, however we elected not to early adopt. We do not expect this standard to have a material effect on our financial statements.

Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern

In August 2014, the FASB issued ASU 2014-15, “Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern.” This ASU provides guidance about management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. This amendment is effective for the annual period ending after December 15, 2016 (calendar year 2017 for Fortune Brands), and for annual periods and interim periods thereafter. Early application is permitted, however we elected not to early adopt. We do not expect this standard to have a material effect on our financial statements.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers.” This ASU clarifies the accounting for revenue arising from contracts with customers and specifies the disclosures that an entity should include in its financial statements. The standard is effective for annual reporting periods beginning after December 15, 2017 (calendar year 2018 for Fortune Brands). Further, in March 2016, the FASB issued the final guidance to clarify the principal versus agent guidance (i.e., whether an entity should report revenue gross or net) in its new revenue recognition standard. We are assessing the impact the adoption of this standard will have on our financial statements.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Balance Sheet Information

Supplemental information on our balance sheets is as follows:

(In millions)	March 31, 2016	December 31, 2015
Inventories:		
Raw materials and supplies	\$ 249.5	\$ 237.8
Work in process	60.8	60.2
Finished products	287.6	257.6
Total inventories	<u>\$ 597.9</u>	<u>\$ 555.6</u>
Property, plant and equipment, gross	\$1,577.4	\$ 1,551.7
Less: accumulated depreciation	941.7	923.8
Property, plant and equipment, net	<u>\$ 635.7</u>	<u>\$ 627.9</u>

4. Acquisitions

In May 2015, we completed our tender offer to purchase all of the outstanding shares of common stock of Norcraft, a leading publicly-owned manufacturer of kitchen and bathroom cabinetry, for a total purchase price of \$648.6 million in cash. We financed the transaction using cash on hand and borrowings under our existing credit facilities. Net sales and operating income for this acquired business in the three months ended March 31, 2016 were approximately \$89 million and \$3 million (net of severance costs), respectively. The results of operations of Norcraft are included in the Cabinets segment from the date of acquisition. We incurred \$15.2 million of Norcraft acquisition-related transaction costs. The goodwill expected to be deductible for income tax purposes is approximately \$60.1 million.

The following table summarizes the preliminary allocation of the purchase price to the fair value of assets acquired and liabilities assumed as of the date of the acquisition.

(In millions)	
Accounts receivable	\$ 31.0
Inventories	28.7
Property, plant and equipment	45.7
Goodwill	304.9
Identifiable intangible assets	360.0
Other assets	9.3
Total assets	<u>779.6</u>
Deferred tax liabilities	101.3
Other liabilities and accruals	29.7
Net assets acquired ^(a)	<u>\$648.6</u>

^(a) Net assets exclude \$15.5 million of cash transferred to the Company as the result of the Norcraft acquisition.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Acquisitions (Continued)

The preceding purchase price allocation has been determined provisionally and is subject to revision as additional information about the fair value of individual assets and liabilities becomes available within the measurement period. Any change in the acquisition date fair value of the acquired assets and liabilities will change the amount of the purchase price allocable to goodwill.

Goodwill includes expected sales and cost synergies. Identifiable intangible assets consist of an indefinite-lived tradename of \$150 million and customer relationships of \$210 million. The useful life of the customer relationships identifiable intangible asset is estimated to be 20 years.

The following unaudited pro forma summary presents consolidated financial information as if Norcraft had been acquired on January 1, 2014. The unaudited pro forma financial information is based on historical results of operations and financial position of the Company and Norcraft. The pro forma results include:

- the effect of certain transactions recorded in historical financial statements of Norcraft (reflected in pro forma 2014),
- estimated amortization of a definite-lived customer relationship intangible asset,
- the estimated cost of the inventory adjustment to fair value (reflected in pro forma 2014),
- interest expense associated with debt that would have been incurred in connection with the acquisition,
- the reclassification of Norcraft transaction costs from 2015 to the first quarter of 2014, and
- adjustments to conform accounting policies.

The unaudited pro forma financial information does not necessarily represent the results that would have occurred had the acquisition occurred on January 1, 2014. In addition, the unaudited pro forma information should not be deemed to be indicative of future results.

(In millions, except per share amounts)	Three Months Ended March 31, 2015
Net sales	\$ 1,045.2
Income from continuing operations	44.8
Basic earnings per common share	\$ 0.28
Diluted earnings per common share	\$ 0.27

In March 2015, we acquired a company for approximately \$6 million in cash. This acquisition did not have a material impact on our financial statements.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Discontinued Operations

In September 2015, we completed the sale of Waterloo for approximately \$14 million in cash, subject to certain post-closing adjustments. We recorded a pre-tax loss of \$16.7 million as the result of this sale. Transaction and other sale-related costs were approximately \$2.8 million. The estimated tax benefit on the sale was \$26.5 million with the after-tax gain of \$7.0 million recorded within discontinued operations. The estimated tax benefit resulted primarily from a tax loss in excess of the financial reporting loss as a result of prior period nondeductible asset impairments. Waterloo is presented as a discontinued operation in our financial statements beginning January 1, 2015 and through the date of sale in accordance with ASC 205 requirements. Prior to classifying Waterloo as a discontinued operation, it was reported in the Security segment.

The condensed consolidated statements of comprehensive income and condensed consolidated balance sheets for all prior periods have been adjusted to reflect the presentation of Waterloo as discontinued operations.

The following table summarizes the results of discontinued operations for the three months ended March 31, 2015.

(in millions)	Three Months Ended March 31, 2015
Net sales	\$ 22.9
Loss from discontinued operations before income taxes	\$ (0.8)
Income taxes	(0.2)
Loss from discontinued operations, net of tax	\$ (0.6)

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Goodwill and Identifiable Intangible Assets

We had goodwill of \$1,757.8 million and \$1,755.3 million as of March 31, 2016 and December 31, 2015. The \$2.5 million increase was primarily due to foreign exchange adjustments. The change in the net carrying amount of goodwill by segment was as follows:

(In millions)	Cabinets	Plumbing	Doors	Security	Total Goodwill
Goodwill at December 31, 2015 (a)	\$937.7	\$ 578.6	\$143.0	\$ 96.0	\$1,755.3
Year-to-date translation adjustments	1.2	—	—	1.0	2.2
Acquisition-related adjustments	0.3	—	—	—	0.3
Goodwill at March 31, 2016 (a)	\$939.2	\$ 578.6	\$143.0	\$ 97.0	\$1,757.8

(a) Net of accumulated impairment losses of \$399.5 million in the Doors segment.

We also had identifiable intangible assets, principally tradenames, of \$993.3 million and \$996.7 million as of March 31, 2016 and December 31, 2015, respectively. The \$3.4 million decrease in gross identifiable intangible assets was due to the amortization of intangible assets, partially offset by foreign exchange adjustments.

The gross carrying value and accumulated amortization by class of identifiable intangible assets as of March 31, 2016 and December 31, 2015 were as follows:

(In millions)	As of March 31, 2016			As of December 31, 2015		
	Gross Carrying Amounts	Accumulated Amortization	Net Book Value	Gross Carrying Amounts	Accumulated Amortization	Net Book Value
Indefinite-lived tradenames	\$ 641.3	\$ —	\$641.3	\$ 638.6	\$ —	\$638.6
Amortizable intangible assets						
Tradenames	16.4	(7.1)	9.3	19.1	(8.6)	10.5
Customer and contractual relationships	512.7	(184.4)	328.3	511.2	(177.4)	333.8
Patents/proprietary technology	57.9	(43.5)	14.4	54.7	(40.9)	13.8
Total	587.0	(235.0)	352.0	585.0	(226.9)	358.1
Total identifiable intangibles	\$1,228.3	\$ (235.0)	\$993.3	\$1,223.6	\$ (226.9)	\$996.7

Amortizable identifiable intangible assets, principally tradenames and customer relationships, are subject to amortization over their estimated useful life, ranging from 3 to 30 years, based on the assessment of a number of factors that may impact useful life. These factors include historical and tradename performance with respect to consumer name recognition, geographic market presence, market share, plans for ongoing tradename support and promotion, customer attrition rates and other relevant factors.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Goodwill and Identifiable Intangible Assets (Continued)

In the first quarter of 2016, no events or circumstances occurred that would have required us to perform interim impairment tests of goodwill or indefinite-lived intangible assets.

7. External Debt and Financing Arrangements

In June 2015, we issued \$900 million of unsecured senior notes (“Senior Notes”) in a registered public offering. The Senior Notes consist of two tranches: \$400 million of five-year notes due 2020 with a coupon of 3% and \$500 million of ten-year notes due 2025 with a coupon of 4%. We used the proceeds from the Senior Notes offering to pay down our revolving credit facility and for general corporate purposes. On March 31, 2016 and December 31, 2015, the net carrying value of the Senior Notes, net of underwriting commissions, price discounts and debt issuance costs, was \$890.1 million and \$889.7 million, respectively.

We have a \$975 million committed revolving credit facility, as well as a term loan in the initial amount of \$525 million, both of which expire in July 2018. Both facilities can be used for general corporate purposes. On March 31, 2016 and December 31, 2015, our outstanding borrowings under the revolving credit facility were \$450.0 million and zero, respectively; the amounts outstanding under the term loan, net of debt issuance costs, were \$279.1 million and \$279.0 million, respectively. At March 31, 2016 and December 31, 2015, the current portion of long-term debt was zero. The interest rates under all of these facilities are variable based on LIBOR at the time of the borrowing and the Company’s leverage as measured by a debt to Adjusted EBITDA ratio. Based upon the Company’s debt to Adjusted EBITDA ratio at March 31, 2016, the Company’s borrowing rate could range from LIBOR + 1.0% to LIBOR + 2.0%. At March 31, 2016, we were in compliance with all covenants under these facilities. We retrospectively adopted ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs,” on January 1, 2016, resulting in the reclassification of approximately \$3 million of debt issuance costs from other current assets and other assets to long-term debt as of December 31, 2015. Adoption of this new guidance did not impact the Company’s equity, results of operations or cash flows.

We currently have uncommitted bank lines of credit in China, which provide for unsecured borrowings for working capital of up to \$25.7 million in aggregate, of which \$2.8 million and \$0.8 million were outstanding, as of March 31, 2016 and December 31, 2015. The weighted-average interest rates on these borrowings were 1.4% and zero in the three-month periods ended March 31, 2016 and March 31, 2015, respectively.

8. Financial Instruments

We do not enter into financial instruments for trading or speculative purposes. We principally use financial instruments to reduce the impact of changes in foreign currency exchange rates and commodities used as raw materials in our products. The principal derivative financial instruments we enter into on a routine basis are foreign exchange contracts. Derivative financial instruments are recorded at fair value. The counterparties to derivative contracts are major financial institutions. Management currently believes that the risk of incurring material losses is unlikely and that the losses, if any, would be immaterial to the Company. In addition, from time to time, we enter into commodity swaps.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Financial Instruments (Continued)

Our primary foreign currency hedge contracts pertain to the Canadian dollar, the Mexican peso and the Chinese yuan. The gross U.S. dollar equivalent notional amount of all foreign currency derivative hedges outstanding at March 31, 2016 was \$189.6 million, representing a net settlement liability of \$2.1 million. Based on foreign exchange rates as of March 31, 2016, we estimate that \$2.3 million of net foreign currency derivative losses included in other comprehensive income as of March 31, 2016 will be reclassified to earnings within the next twelve months.

The fair values of derivative instruments on the consolidated balance sheets as of March 31, 2016 and December 31, 2015 were:

(In millions)	Location	Fair Value	
		March 31, 2016	December 31, 2015
Assets			
Foreign exchange contracts	Other current assets	\$ 1.6	\$ 6.7
Net investment hedges	Other current assets	—	0.1
	Total assets	\$ 1.6	\$ 6.8
Liabilities			
Foreign exchange contracts	Other current liabilities	\$ 3.6	\$ 3.1
Net investment hedges	Other current liabilities	0.1	—
	Total current liabilities	\$ 3.7	\$ 3.1

The effects of derivative financial instruments on the statements of comprehensive income for the three months ended March 31, 2016 and 2015 were:

(In millions)	Type of hedge	Location	Gain Recognized in Income	
			March 31, 2016	March 31, 2015
Cash flow	Cost of products sold		\$ 0.7	\$ 1.0
Fair value	Other (income) expense, net		0.5	1.0
Total			\$ 1.2	\$ 2.0

The effective portion of cash flow hedges recognized in other comprehensive income were net (losses) gains of \$(4.6) million and \$3.9 million at March 31, 2016 and 2015, respectively. In the three months ended March 31, 2016 and 2015, the ineffective portion of cash flow hedges recognized in other (income) expense, net, was insignificant.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Fair Value Measurements

ASC requirements for Fair Value Measurements and Disclosures establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs, the highest priority, are quoted prices in active markets for identical assets or liabilities. Level 2 inputs reflect inputs other than quoted prices included in level 1 that are either observable directly or through corroboration with observable market data. Level 3 inputs are unobservable inputs, due to little or no market activity for the asset or liability, such as internally-developed valuation models. We do not have any assets or liabilities measured at fair value on a recurring basis that are level 3.

The carrying value, net of underwriting commissions, price discounts, and debt issuance costs and fair value of debt as of March 31, 2016 and December 31, 2015 were as follows:

(In millions)	March 31, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Revolving credit facility	\$450.0	\$450.0	\$ —	\$ —
Notes payable to bank	2.8	2.8	0.8	0.8
Term loan	279.1	280.0	279.0	280.0
Senior Notes	890.1	909.4	889.7	894.1

The estimated fair value of our term loan, revolving credit facility and notes payable to bank are determined primarily using broker quotes, which are level 2 inputs. The estimated fair value of our Senior Notes is determined by using quoted market prices of our debt securities, which are level 1 inputs.

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2016 and December 31, 2015 were as follows:

(In millions)	Fair Value	
	March 31, 2016	December 31, 2015
Assets		
Derivative financial instruments (level 2)	\$ 1.6	\$ 6.8
Deferred compensation program assets (level 2)	2.9	3.1
Total assets	\$ 4.5	\$ 9.9
Liabilities		
Derivative financial instruments (level 2)	\$ 3.7	\$ 3.1

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Accumulated Other Comprehensive Loss

Total accumulated other comprehensive loss consists of net income and other changes in business equity from transactions and other events from sources other than shareholders. It includes currency translation gains and losses, unrealized gains and losses from derivative instruments designated as cash flow hedges, and defined benefit plan adjustments. The components of and changes in accumulated other comprehensive loss, net of tax, were as follows:

(In millions)	Foreign Currency Adjustments	Derivative Hedging Gains	Defined Benefit Plan Adjustments ^(a)	Accumulated Other Comprehensive Loss
Balance at December 31, 2015	\$ (13.3)	\$ 2.1	\$ (41.3)	\$ (52.5)
Amounts classified into accumulated other comprehensive loss	11.4	(3.9)	7.2	14.7
Amounts reclassified from accumulated other comprehensive loss	—	(0.2)	(0.9)	(1.1)
Net current-period other comprehensive income (loss)	11.4	(4.1)	6.3	13.6
Balance at March 31, 2016	\$ (1.9)	\$ (2.0)	\$ (35.0)	\$ (38.9)

^(a) See Note 11, “Defined Benefit Plans,” for further information on the adjustments related to defined benefit plans.

The reclassifications out of accumulated other comprehensive loss for the three months ended March 31, 2016 and 2015 were as follows:

(In millions)	Amount Reclassified from Accumulated Other Comprehensive Loss Three Months Ended March 31,		Affected Line Item in the Statement of Comprehensive Income
Details about Accumulated Other Comprehensive Loss Components	2016	2015	
<u>Gains on cash flow hedges</u>			
Foreign exchange contracts	\$ 0.6	\$ 1.0	Cost of products sold
	(0.4)	(0.5)	Tax expense
	\$ 0.2	\$ 0.5	Net of tax
<u>Defined benefit plan items</u>			
Recognition of prior service cost	\$ 2.3	\$ 3.5	(a)
Recognition of actuarial losses	(0.9)	—	(a)
	1.4	3.5	Total before tax
	(0.5)	(1.4)	Tax expense
	\$ 0.9	\$ 2.1	Net of tax
Total reclassifications for the period	\$ 1.1	\$ 2.6	Net of tax

^(a) These accumulated other comprehensive loss components are included in the computation of net periodic benefit cost. Refer to Note 11, “Defined Benefit Plans,” for additional information.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Defined Benefit Plans

The components of net periodic benefit cost for pension and postretirement benefits for the three months ended March 31, 2016 and 2015 were as follows:

(In millions)

	Three Months Ended March 31,			
	Pension Benefits		Postretirement Benefits	
	2016	2015	2016	2015
Service cost	\$ 2.8	\$ 3.2	\$ —	\$ —
Interest cost	8.7	8.5	0.1	0.2
Expected return on plan assets	(9.5)	(10.2)	—	—
Recognition of prior service credits	—	—	(2.3)	(3.5)
Recognition of actuarial losses	—	—	0.9	—
Net periodic benefit cost	\$ 2.0	\$ 1.5	\$ (1.3)	\$ (3.3)

In the first quarter of 2013, the Company communicated a plan amendment to reduce health benefits to certain retired employees. Due to the risk of litigation at the time of the initial communication, the Company elected to defer the full recognition of the benefit arising from the plan amendment. Following a favorable court decision in the first quarter of 2016, the Company determined that it was now probable that it would realize the benefit from the plan amendment. As a result, the Company performed a re-measurement of the affected retiree plan liability as of March 31, 2016. This remeasurement resulted in a \$10.7 million reduction of accrued retiree benefit plan liabilities and a corresponding increase in prior service credits. These prior service credits will be amortized over the next 14 months. In addition, we recorded a \$0.9 million actuarial loss during the first quarter of 2016. See Note 10, "Accumulated Other Comprehensive Loss," for information on the impact of the remeasurement on other comprehensive loss.

12. Income Taxes

The effective income tax rates for the three months ended March 31, 2016 and 2015 were 33.7% and 34.2%, respectively. The effective income tax rates in 2016 and 2015 were favorably impacted by the tax benefit attributable to the Domestic Production Activity (Internal Revenue Code Section 199) Deduction, favorable tax rates in foreign jurisdictions, and a benefit associated with the U.S. research and development credit, offset by state and local taxes and increases to uncertain tax positions.

It is reasonably possible that, within the next 12 months, total unrecognized tax benefits may decrease in the range of \$1 million to \$6 million, primarily as a result of the conclusion of pending U.S. federal, state and foreign income tax proceedings.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Product Warranties

We generally record warranty expense at the time of sale. We offer our customers various warranty terms based on the type of product that is sold. Warranty expense is determined based on historic claim experience and the nature of the product category. The following table summarizes activity related to our product warranty liability for the three months ended March 31, 2016 and 2015, respectively.

(In millions)	Three Months Ended March 31,	
	2016	2015
Reserve balance at January 1,	\$ 16.0	\$ 13.0
Provision for warranties issued	7.1	7.1
Settlements made (in cash or in kind)	(6.7)	(6.6)
Reserve balance at March 31,	\$ 16.4	\$ 13.5

The increase of \$2.9 million in product warranty liability as of March 31, 2016 compared to the same period of 2015 is primarily due to Norcraft acquisition.

14. Information on Business Segments

Net sales and operating income for the three months ended March 31, 2016 and 2015 by segment were as follows:

(In millions)	Three Months Ended March 31,		
	2016	2015	% Change vs. Prior Year
Net Sales			
Cabinets	\$ 550.0	\$411.1	33.8%
Plumbing	338.6	333.6	1.5
Doors	94.3	83.2	13.3
Security	123.6	122.9	0.6
Net sales	\$1,106.5	\$950.8	16.4%
Operating Income (Loss)			
Cabinets	\$ 35.7	\$ 13.0	174.6%
Plumbing	71.5	63.8	12.1
Doors	4.2	(1.2)	nm
Security	5.6	8.0	(30.0)
Less: Corporate expenses	(21.5)	(16.3)	(31.9)
Operating income	\$ 95.5	\$ 67.3	41.9%
Corporate expenses			
General and administrative expense	\$ (21.4)	\$ (17.9)	
Defined benefit plan costs	0.8	1.6	
Recognition of defined benefit plan actuarial losses	(0.9)	—	
Total Corporate expenses	\$ (21.5)	\$ (16.3)	(31.9)%

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Restructuring and Other Charges

Pre-tax restructuring and other charges for the three months ended March 31, 2016 and 2015 are shown below.

(In millions)	Three Months Ended March 31, 2016		
	Restructuring Charges	Other Charges (a)	Total Charges
Cabinets	\$ 1.8	\$ —	\$ 1.8
Plumbing	0.4	—	0.4
Security	3.4	2.5	5.9
Total	\$ 5.6	\$ 2.5	\$ 8.1

Restructuring and other charges in the first quarter of 2016 largely related to severance costs and accelerated depreciation to relocate a manufacturing facility within our Security segment and severance costs within our Cabinets segment.

(In millions)	Three Months Ended March 31, 2015		
	Restructuring Charges	Other Charges (a)	Total Charges
Cabinets	\$ 0.9	\$ —	\$ 0.9
Plumbing	1.0	0.1	1.1
Security	1.9	—	1.9
Corporate	0.9	—	0.9
Total	\$ 4.7	\$ 0.1	\$ 4.8

(a) "Other Charges" represent charges directly related to restructuring initiatives that cannot be reported as restructuring under U.S. GAAP. Such costs may include losses on disposal of inventories, trade receivables allowances from exiting product lines, accelerated depreciation resulting from the closure of facilities and gains or losses on the sale of previously closed facilities.

Restructuring and other charges in the first quarter of 2015 related to severance and supply chain initiatives.

Reconciliation of Restructuring Liability

(In millions)	Balance at 12/31/15	2016 Provision	Cash Expenditures (a)	Non-Cash Write-offs (b)	Balance at 3/31/16
Workforce reduction costs	\$ 10.4	\$ 5.4	\$ (1.8)	\$ —	\$ 14.0
Other	0.5	0.2	(0.3)	(0.1)	0.3
	\$ 10.9	\$ 5.6	\$ (2.1)	\$ (0.1)	\$ 14.3

(a) Cash expenditures primarily related to severance charges.

(b) Non-cash write-offs include long-lived asset impairment charges attributable to restructuring actions

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Earnings Per Share

The computations of earnings per common share were as follows:

(In millions, except per share data)	Three Months Ended March 31,	
	2016	2015
Income from continuing operations, net of tax	\$ 55.7	\$ 40.9
Less: Noncontrolling interest	—	0.3
Income from continuing operations for EPS	55.7	40.6
Loss from discontinued operations	—	(0.6)
Net income attributable to Fortune Brands	\$ 55.7	\$ 40.0
Earnings (loss) per common share		
Basic		
Continuing operations	\$ 0.36	\$ 0.26
Discontinued operations	—	(0.01)
Net income attributable to Fortune Brands common stockholders	\$ 0.36	\$ 0.25
Diluted		
Continuing operations	\$ 0.35	\$ 0.25
Discontinued operations	—	—
Net income attributable to Fortune Brands common stockholders	\$ 0.35	\$ 0.25
Basic average shares outstanding	155.7	158.8
Stock-based awards	2.8	3.8
Diluted average shares outstanding	158.5	162.6
Antidilutive stock-based awards excluded from weighted-average number of shares outstanding for diluted earnings per share	0.6	0.8

17. Contingencies

Litigation

We are defendants in lawsuits associated with the normal conduct of our businesses and operations. It is not possible to predict the outcome of the pending actions, and, as with any litigation, it is possible that these actions could be decided unfavorably to the Company. The Company believes that there are meritorious defenses to these actions and that these actions will not have a material adverse effect upon our results of operations, cash flows or financial condition, and where appropriate, these actions are being vigorously contested.

Environmental

Compliance with federal, state and local laws regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, did not have a material effect on capital expenditures, earnings or the competitive position of Fortune Brands during the three months ended March 31, 2016 and 2015. We are involved in remediation activities to clean up hazardous wastes as required by federal and state laws. Liabilities for remediation costs of each site are based on our best estimate of undiscounted future costs, excluding possible insurance recoveries or recoveries from other third parties. We believe, compliance with current environmental protection laws (before taking into account estimated recoveries from third parties) will not have a material adverse effect upon our results of operations, cash flows or financial condition. Uncertainties about the status of laws, regulations, technology and information related to individual sites make it difficult to develop estimates of environmental remediation exposures.

FORTUNE BRANDS HOME & SECURITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the notes thereto, which are included in this report, as well as our audited consolidated financial statements for the year ended December 31, 2015, which are included in our Annual Report on Form 10-K for the year ended December 31, 2015.

This discussion contains forward-looking statements that are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Act of 1934, as amended (the "Exchange Act"), regarding business strategies, market potential, future financial performance, pension contributions, impact of acquisitions and other matters. Statements preceded by, followed by or that otherwise include the words "believes," "expects," "anticipates," "intends," "projects," "estimates," "plans" and similar expressions or future or conditional verbs such as "will," "should," "would," "may" and "could" are generally forward-looking in nature and not historical facts. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief based on current expectations, estimates, assumptions and projections about our industry, business and future financial results, based on information available at the time this report is filed with the Securities and Exchange Commission. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including but not limited to: (i) by our reliance on the North American home improvement, repair and new home construction activity levels, (ii) the North American and global economies, (iii) risk associated with entering into potential strategic acquisitions and integrating acquired property, (iv) our ability to remain competitive, innovative and protect our intellectual property, (v) our reliance on key customers and suppliers, (vi) the cost and availability associated with our supply chains and the availability of raw materials, (vii) risk of increases in our postretirement benefit-related costs and funding requirements, (viii) compliance with tax, environmental and federal, state and international laws and industry regulatory standards and (ix) the risk of doing business internationally. These and other factors are discussed in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2015. We undertake no obligation to, and expressly disclaim any such obligation to, update or clarify any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events, new information or changes to future results over time or otherwise, except as required by law.

OVERVIEW

References to "Fortune Brands," "the Company," "we," "our" and "us" refer to Fortune Brands Home & Security, Inc. and its consolidated subsidiaries as a whole, unless the context otherwise requires. The Company is a leader in home and security products focused on the design, manufacture and sale of market-leading branded products in the following categories: kitchen and bath cabinetry, plumbing and accessories, entry door systems and security products.

OVERVIEW (Continued)

We believe the Company has certain competitive advantages including market-leading brands, a diversified mix of channels, and lean and flexible supply chains, as well as a tradition of strong innovation and customer service. We are focused on outperforming our markets in growth, profitability and returns in order to drive increased shareholder value. We believe the Company's track record reflects the long-term attractiveness and potential of our categories and our leading brands. As consumer demand and the housing market grow, we expect the benefits of operating leverage and strategic spending will help us continue to achieve profitable organic growth.

We believe our most attractive opportunities are to invest in profitable organic growth initiatives. We also believe that as the market recovers, we have the potential to generate additional growth from leveraging our cash flow and balance sheet strength by pursuing accretive strategic acquisitions and joint ventures, and returning cash to shareholders through a combination of dividends and common stock repurchases under our share repurchase programs as explained in further detail under "Liquidity and Capital Resources" below.

The U.S. market for our home products consists of spending on both new home construction and repair and remodel activities within existing homes, with the substantial majority of the markets we serve consisting of repair and remodel spending. We believe that the U.S. market for our home products is in the midst of a multi-year recovery from the U.S. economic recession that ended in mid-2009 and that a continued recovery will largely depend on consumer confidence, employment, home prices, stable mortgage rates and credit availability. Over the long term, we believe that the U.S. home products market will benefit from favorable population and immigration trends, which will drive demand for new housing units, and from aging existing housing stock that will continue to need to be repaired and remodeled.

We may be impacted by fluctuations in raw material and transportation costs, changes in foreign exchange and promotional activity among our competitors. We strive to offset the potential unfavorable impact of these items with productivity initiatives and price increases.

In September 2015, we completed the sale of Waterloo Industries, Inc. ("Waterloo") for approximately \$14 million in cash, subject to certain post-closing adjustments.

In June 2015, we issued \$900 million of unsecured senior notes ("Senior Notes") in a registered public offering. We used the proceeds from the Senior Notes offering to pay down our revolving credit facility and for general purposes.

OVERVIEW (Continued)

In May 2015, we acquired Norcraft, a leading publicly-owned manufacturer of kitchen and bathroom cabinetry, for a total purchase price of \$648.6 million. We financed the transaction using cash on hand and borrowings under our existing credit facilities. This acquisition is expected to strengthen our overall product offering, round out our regional market penetration and enhance our frameless cabinetry capabilities.

In March 2015, we acquired a company for approximately \$6 million in cash. This acquisition did not have a material impact on our financial statements.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2016 Compared To Three Months Ended March 31, 2015

(In millions)	Net Sales		
	2016	2015	% Change vs. Prior Year
Cabinets	\$ 550.0	\$411.1	33.8%
Plumbing	338.6	333.6	1.5
Doors	94.3	83.2	13.3
Security	123.6	122.9	0.6
Net sales	\$1,106.5	\$950.8	16.4%

	Operating Income (Loss)		
	2016	2015	% Change vs. Prior Year
Cabinets	\$ 35.7	\$ 13.0	174.6%
Plumbing	71.5	63.8	12.1
Doors	4.2	(1.2)	nm
Security	5.6	8.0	(30.0)
Less: Corporate expenses	(21.5)	(16.3)	(31.9)
Operating income	\$ 95.5	\$ 67.3	41.9%

The following discussion of consolidated results of operations and segment results refers to the three months ended March 31, 2016 compared to the three months ended March 31, 2015. Consolidated results of operations should be read in conjunction with segment results of operations.

Net sales

Net sales increased \$155.7 million, or 16%. The increase was due to the benefit of the acquisition of Norcraft (approximately \$89 million), higher sales volume primarily from the continuing improvement in U.S. market conditions for home products, price increases to help mitigate cumulative raw material cost increases and favorable mix. These benefits were partially offset by an \$11 million unfavorable impact of foreign exchange and higher sales rebates.

Cost of products sold

Cost of products sold increased \$94.8 million, or 15%, due to the acquisition of Norcraft (approximately \$62 million) and higher sales volume, partially offset by the benefit of productivity improvements.

Selling, general and administrative expenses

Selling, general and administrative expenses increased \$28.8 million, or 12%, due to the acquisition of Norcraft (approximately \$19 million) and higher employee-related costs.

RESULTS OF OPERATIONS (Continued)

Amortization of intangible assets

Amortization of intangible assets increased \$3.0 million due to the acquisition of Norcraft.

Restructuring charges

Restructuring charges of \$5.6 million in the three months ended March 31, 2016 primarily related to severance within our Security and Cabinets segments. Restructuring charges in the three months ended March 31, 2015 were \$4.7 million.

Operating income

Operating income increased \$28.2 million, or 42%, primarily due to higher net sales, productivity improvements, favorable mix and a \$3 million benefit from the Norcraft acquisition (net of severance costs).

Interest expense

Interest expense increased \$8.4 million to \$11.8 million due to higher average borrowings and higher average interest rates.

Other (income) expense, net

Other (income) expense, net, was income of \$0.3 million in the three months ended March 31, 2016, compared to expense of \$1.7 million in the three months ended March 31, 2015 due to favorable foreign currency adjustments.

Income taxes

The effective income tax rates for the three months ended March 31, 2016 and 2015 were 33.7% and 34.2%, respectively. The effective income tax rates in 2016 and 2015 were favorably impacted by the tax benefit attributable to the Domestic Production Activity (Internal Revenue Code Section 199) Deduction, favorable tax rates in foreign jurisdictions, and a benefit associated with the U.S. research and development credit, offset by state and local taxes and increases to uncertain tax positions.

Noncontrolling interests

Noncontrolling interest was zero and \$0.3 million in the three months ended March 31, 2016 and 2015, respectively.

Net income from continuing operations

Net income from continuing operations was \$55.7 million in the three months ended March 31, 2016 compared to \$40.9 million in the three months ended March 31, 2015. The increase of \$14.8 million was due to higher operating income, partially offset by higher interest expense.

Loss from discontinued operations

The loss from discontinued operations improved to zero in the three months ended March 31, 2016 from \$0.6 million in the three months ended March 31, 2015.

RESULTS OF OPERATIONS (Continued)

Results By Segment

Cabinets

Net sales increased \$138.9 million or 34%, due to the benefit of Norcraft acquisition (approximately \$89 million), higher sales volume including the benefit from new product introductions, price increases to help mitigate cumulative raw material cost increases and favorable mix. These benefits were partially offset by a higher sales rebates and approximately \$4 million of unfavorable foreign exchange.

Operating income of \$35.7 million increased by \$22.7 million compared to the same period of 2015 due to the increase in net sales including a \$3 million benefit from the acquisition of Norcraft (net of severance costs) and favorable mix. These benefits were partially offset by a higher sales rebates and employee-related costs.

Plumbing

Net sales increased \$5 million, or 2%, due to higher sales volume in the U.S. driven by improving U.S. market conditions and price increases to help mitigate cumulative raw material cost increases. These benefits were partially offset by unfavorable foreign exchange of approximately \$6 million and higher sales rebates.

Operating income increased \$7.7 million, or 12%, due to an increase in net sales and productivity improvements.

Doors

Net sales increased \$11.1 million, or 13%, due to higher sales volume driven primarily by improved conditions in the U.S. home products market, favorable mix and price increases to help mitigate cumulative raw material cost increases.

Operating income of \$4.2 million increased by \$5.4 million compared to the operating loss of \$1.2 million for the same period of 2015. The increase was principally due to higher net sales and productivity improvements.

RESULTS OF OPERATIONS (Continued)

Results By Segment

Security

Net sales of \$123.6 million increased by \$0.7 million compared to the same period in 2015. During the quarter, net sales increased due to higher sales volume and price increases to help mitigate cumulative raw material cost increases. These benefits were offset by the impact of exiting certain product lines and unfavorable foreign exchange of approximately \$1 million.

Operating income decreased \$2.4 million, or 30%, due to \$4 million of higher restructuring and other charges primarily relating to the relocation of a manufacturing facility, partially offset by an increase in net sales.

Corporate

Corporate expenses increased \$5.2 million principally due to higher employee-related costs, lower defined benefit plan income and defined benefit plan actuarial losses in the current year period.

(In millions)	Three Months Ended	
	March 31,	
	2016	2015
General and administrative expense	\$ (21.4)	\$ (17.9)
Defined benefit plan income	0.8	1.6
Defined benefit plan recognition of actuarial losses	(0.9)	—
Total Corporate expenses	\$ (21.5)	\$ (16.3)

In future periods the Company may record, in the Corporate segment, material expense or income associated with actuarial gains and losses arising from periodic remeasurement of our liabilities for defined benefit plans. At a minimum the Company will remeasure its defined benefit plan liabilities in the fourth quarter of each year. Remeasurements due to plan amendments and settlements may also occur in interim periods during the year. Remeasurement of these liabilities attributable to updating our liability discount rates and expected return on assets may, in particular, result in material income or expense recognition.

LIQUIDITY AND CAPITAL RESOURCES

Our primary liquidity needs are to support working capital requirements, fund capital expenditures and service indebtedness, as well as to finance acquisitions, repurchase shares of our common stock and pay dividends to stockholders, as deemed appropriate. Our principal sources of liquidity have been cash on hand, cash flows from operating activities and availability under our credit facilities. Our operating income is generated by our subsidiaries. There are no restrictions on the ability of our subsidiaries to pay dividends or make other distributions to Fortune Brands. In December 2015, our Board of Directors increased the quarterly cash dividend by 14% to \$0.16 per share of our outstanding common stock.

In the first quarter of 2016, we repurchased 7.6 million shares of our outstanding common stock under the Company's share repurchase programs for \$362.7 million. As of March 31, 2016, the Company's total remaining share repurchase authorization under the remaining program was approximately \$285 million. The share repurchase program does not obligate the Company to repurchase any specific dollar amount or number of shares and may be suspended or discontinued at any time.

We periodically review our portfolio of brands and evaluate potential strategic transactions and other capital initiatives to increase shareholder value. However, we cannot predict whether or when we may enter into acquisitions, joint ventures or dispositions, make any purchases of shares of our common stock under our share repurchase programs, or pay dividends, or what impact any such transactions could have on our results of operations, cash flows or financial condition, whether as a result of the issuance of debt or equity securities, or otherwise. Our cash flows from operations, borrowing availability and overall liquidity are subject to certain risks and uncertainties, including those described in the section of our Annual Report on Form 10-K for the year-ended December 31, 2015 entitled "Item 1A. Risk Factors."

Acquisitions and divestitures in 2015 included:

- In September 2015, we completed the sale of the Waterloo tool storage business for approximately \$14 million in cash, subject to certain post-closing adjustments.
- In May 2015, we acquired Norcraft, a leading manufacturer of kitchen and bathroom cabinetry, for a purchase price of \$648.6 million. We financed this transaction using cash on hand and borrowings under our existing credit facilities.

On March 31, 2016, we had cash and cash equivalents of \$253.6 million, of which \$202.5 million was held at non-U.S. subsidiaries. We manage our global cash requirements considering (i) available funds among the subsidiaries through which we conduct business, (ii) the geographic location of our liquidity needs, and (iii) the cost to access international cash balances. The repatriation of non-U.S. cash balances from certain subsidiaries could have adverse tax consequences as we may be required to pay and record income tax expense on those funds to the extent they were previously considered indefinitely reinvested.

In June 2015, we issued \$900 million of Senior Notes in a registered public offering. The Senior Notes consist of two tranches: \$400 million of five-year notes due 2020 with a coupon of 3% and \$500 million of ten-year notes due 2025 with a coupon of 4%. We used the proceeds from the Senior Notes offering to pay down our revolving credit facility and for general purposes. On March 31, 2016, the carrying value of the Senior Notes, net of underwriting commissions, price discounts and debt issuance costs, was \$890.1 million.

LIQUIDITY AND CAPITAL RESOURCES (Continued)

We have a \$975 million committed revolving credit facility, as well as \$280 million term loan (gross carrying amount), both of which expire in July 2018. Both facilities can be used for general corporate purposes. On March 31, 2016 and December 31, 2015, net carrying value of our borrowings in aggregate under the revolving credit facilities and term loan were \$729.1 million and \$279.0 million, respectively. The interest rates under all of these facilities are variable based on LIBOR at the time of the borrowing and the Company's leverage as measured by a debt to Adjusted EBITDA ratio. Based upon the Company's debt to Adjusted EBITDA ratio at March 31, 2016, the Company's borrowing rate could range from LIBOR + 1.0% to LIBOR + 2.0%. At March 31, 2016, we were in compliance with all covenants under these facilities.

Our operating cash flows are significantly impacted by the seasonality of our business. We typically generate most of our operating cash flow in the third and fourth quarters of each year. We use operating cash in the first half of the year, particularly in the first quarter.

Cash Flows

Below is a summary of cash flows for the three months ended March 31, 2016 and 2015.

(In millions)	Three Months Ended March 31,	
	2016	2015
Net cash used in operating activities	\$ (20.4)	\$ (66.7)
Net cash used in investing activities	(43.8)	(30.6)
Net cash provided by financing activities	73.5	90.4
Effect of foreign exchange rate changes on cash	5.8	(5.6)
Net increase (decrease) in cash and cash equivalents	\$ 15.1	\$ (12.5)

Net cash used in operating activities was \$20.4 million in the three months ended March 31, 2016 compared to \$66.7 million in the three months ended March 31, 2015. The decrease in cash used of \$46.3 million was primarily due to smaller build in working capital in 2016 compared to 2015 and higher net income.

Net cash used in investing activities was \$43.8 million in the three months ended March 31, 2016 compared to \$30.6 million in the three months ended March 31, 2015. The increase in cash used of \$13.2 million was due to \$19.2 million of higher capital spending partially offset by the cost of acquisitions of \$6.3 million in 2015.

Net cash provided by financing activities was \$73.5 million in the three months ended March 31, 2016 compared to \$90.4 million in the three months ended March 31, 2015. The decrease in cash provided of \$16.9 million was primarily due to higher share repurchases in 2016 compared to 2015 (\$362.3 million), partially offset by higher net borrowings of \$361.1 million.

Pension Plans

Subsidiaries of Fortune Brands sponsor their respective defined benefit pension plans that are funded by a portfolio of investments maintained within our benefit plan trust. As of December 31, 2015, the fair value of our total pension plan assets was \$561.9 million, representing 74% of the accumulated benefit obligation liability. In 2016, we expect to make pension contributions of approximately \$1 million. For the foreseeable future, we believe that we have sufficient liquidity to meet the minimum funding that may be required by the Pension Protection Act of 2006.

Foreign Exchange

We have investments in various foreign countries, principally Canada, Mexico, China and France. Therefore, changes in the value of the related currencies affect our financial statements when translated into U.S. dollars.

RECENTLY ISSUED ACCOUNTING STANDARDS

Improvements to Employee Share-Based Payment Accounting

In March 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-09 that requires entities to recognize the income tax effects of awards in the income statement when the awards vest or are settled. The new standard also allows entities to withhold an amount up to an employee’s maximum individual tax rate in the relevant jurisdiction without resulting in liability classification of the award. The new standard is effective for annual and interim periods beginning January 1, 2017. Early adoption is permitted, but all of the guidance must be adopted in the same period. We are assessing the impact the adoption of this standard will have on our financial statements.

Simplifying the Transition to the Equity Method of Accounting

In March 2016, the FASB issued ASU 2016-07, which eliminates the requirement to apply the equity method of accounting retrospectively when an entity obtains significant influence over a previously held investment. Previously, entities were required to retrospectively apply the equity method of accounting when obtaining significant influence over an investment (for example due to an increase in ownership). The new standard is effective beginning January 1, 2017. Earlier application is permitted, however we elected not to early adopt. We do not expect this standard to have a material effect on our financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02, “Leases” that requires lessees to recognize almost all leases on their balance sheet as a “right-of-use” asset and lease liability but recognize related expenses in a manner similar to current accounting. The guidance also eliminates current real estate-specific provisions for all entities. The new standard is effective for annual periods beginning after December 15, 2018 (calendar year 2019 for Fortune Brands) and earlier application is permitted. We are assessing the impact the adoption of this standard will have on our financial statements.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued final guidance ASU 2016-01 that requires entities to measure investments in unconsolidated entities (other than those accounted for using the equity method of accounting) at fair value through the income statement. There will no longer be an available-for-sale classification (with changes in fair value reported in Other Comprehensive Income). In addition, the cost method is eliminated for equity investments without readily determinable fair values. The new standard is effective beginning January 1, 2018. Earlier application is permitted for certain provisions of the standard, however we elected not to early adopt. We do not expect this standard to have a material effect on our financial statements.

RECENTLY ISSUED ACCOUNTING STANDARDS (Continued)

Simplifying Subsequent Measurement of Inventory

In July 2015, the FASB issued a final standard that simplifies the subsequent measurement of inventory by replacing the current standard of lower of cost or market test. Under the current guidance the subsequent measurement of inventory is measured at the lower of cost or market, where “market” may have multiple possible outcomes. The new guidance requires subsequent measurement of inventory at the lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs to sell (completion, disposal, and transportation). This new standard is effective for the annual period beginning January 1, 2017 (calendar year 2017 for Fortune Brands). Earlier application is permitted, however we elected not to early adopt. We do not expect this standard to have a material effect on our financial statements.

Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern

In August 2014, the FASB issued ASU 2014-15, “Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern.” This ASU provides guidance about management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. This amendment is effective for the annual period ending after December 15, 2016 (calendar year 2017 for Fortune Brands), and for annual periods and interim periods thereafter. Early application is permitted, however we elected not to early adopt. We do not expect this standard to have a material effect on our financial statements.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers.” This ASU clarifies the accounting for revenue arising from contracts with customers and specifies the disclosures that an entity should include in its financial statements. The standard is effective for annual reporting periods beginning after December 15, 2017 (calendar year 2018 for Fortune Brands). Further, in March 2016, the FASB issued the final guidance to clarify the principal versus agent guidance (i.e., whether an entity should report revenue gross or net) in its new revenue recognition standard. We are assessing the impact the adoption of this standard will have on our financial statements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There have been no material changes in the information provided in the section entitled “Quantitative and Qualitative Disclosures about Market Risk” in our Annual Report on Form 10-K for the year ended December 31, 2015.

Item 4. CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure Controls and Procedures.

The Company’s management has evaluated, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company’s disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) Changes in Internal Control Over Financial Reporting.

There have not been any changes in the Company’s internal control over financial reporting that occurred during the Company’s fiscal quarter ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting. The Company is in the process of reviewing the internal control structure of acquired businesses and, if necessary, will make appropriate changes as we incorporate our controls and procedures into those recently acquired businesses.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS.

(a) Other Litigation.

The Company is a defendant in lawsuits associated with the normal conduct of its businesses and operations. It is not possible to predict the outcome of the pending actions, and, as with any litigation, it is possible that these actions could be decided unfavorably to the Company. The Company believes that there are meritorious defenses to these actions and that these actions will not have a material adverse effect upon the Company's results of operations, cash flows or financial condition, and, where appropriate, these actions are being vigorously contested.

(b) Environmental Matters.

Compliance with federal, state and local laws regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, did not have a material effect on capital expenditures, earnings or the competitive position of Fortune Brands during the three months ended March 31, 2016 and 2015. We are involved in remediation activities to clean up hazardous wastes as required by federal and state laws. Liabilities for remediation costs of each site are based on our best estimate of undiscounted future costs, excluding possible insurance recoveries or recoveries from other third parties. We believe, compliance with current environmental protection laws (before taking into account estimated recoveries from third parties) will not have a material adverse effect upon our results of operations, cash flows or financial condition. Uncertainties about the status of laws, regulations, technology and information related to individual sites make it difficult to develop estimates of environmental remediation exposures.

Item 1A. RISK FACTORS.

There have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015 in the section entitled "Risk Factors."

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

Below are the repurchases of common stock by the Company or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act) for the three months ended March 31, 2016:

Issuer Purchases of Equity Securities

Three Months Ended March 31, 2016	Total number of shares purchased (a)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (a)	Maximum dollar amount that may yet be purchased under the plans or programs (a)
January 1 – January 31	2,094,611	\$ 47.74	2,094,611	\$ 147,562,038
February 1 – February 29	5,553,059	47.30	5,553,059	284,870,273
March 1 – March 31	—	—	—	284,870,273
Total	7,647,670	\$ 47.43	7,647,670	

(a) Information on the Company's share repurchase programs follows:

<u>Authorization date</u>	<u>Announcement date</u>	<u>Authorization amount of shares of outstanding common stock</u>	<u>Expiration date</u>
September 30, 2014	September 30, 2014	\$ 250 million	September 30, 2016 (program completed during February 2016)
February 16, 2016	February 22, 2016	\$ 400 million	February 16, 2018

Item 6. **EXHIBITS**

- 3(i). Restated Certificate of Incorporation of Fortune Brands Home & Security, Inc. (incorporated herein by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 5, 2012, Commission file number 1-35166).
- 3(ii). Amended and Restated By-laws of Fortune Brands Home & Security, Inc., as adopted September 27, 2011 (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on September 30, 2011, Commission file number 1-35166).
- 10.1* Form of Stock Option Award Notice and Agreement for awards under the Fortune Brands Home & Security, Inc. 2013 Long-Term Incentive Plan.+
- 10.2* Form of Restricted Stock Unit Award Notice and Agreement for awards under the Fortune Brands Home & Security, Inc. 2013 Long-Term Incentive Plan.+
- 10.3* Form of Performance Share Award Notice and Agreement for awards under the Fortune Brands Home & Security, Inc. 2013 Long-Term Incentive Plan.+
- 31.1.* Certificate of Chief Executive Officer Required Under Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2.* Certificate of Chief Financial Officer Required Under Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.* Joint CEO/CFO Certificate Required Under Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.* The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 formatted in eXtensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Comprehensive Income, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Cash Flows, (iv) the Condensed Consolidated Statements of Equity, and (v) the Notes to the Condensed Consolidated Financial Statements.

* Filed herewith.

+ Indicates the exhibit is a management contract or compensatory plan or arrangement.

SIGNATURE

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

FORTUNE BRANDS HOME & SECURITY, INC.
(Registrant)

Date: April 28, 2016

/s/ E. Lee Wyatt, Jr.
E. Lee Wyatt, Jr.
Senior Vice President and Chief Financial Officer
(Duly authorized officer and principal financial officer of the Registrant)

EXHIBIT INDEX

Exhibit

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* Filed herewith.

+ Indicates the exhibit is a management contract or compensatory plan or arrangement.

**FORTUNE BRANDS HOME & SECURITY, INC.
2013 LONG-TERM INCENTIVE PLAN**

Form of Stock Option Award Notice (the “Notice”)

You have been awarded an option to purchase shares of Common Stock of Fortune Brands Home & Security, Inc. (the “Company”), pursuant to the terms and conditions of the Fortune Brands Home & Security, Inc. 2013 Long-Term Incentive Plan (the “Plan”) and the Stock Option Award Agreement (together with this Notice, the “Agreement”). Copies of the Plan and the Stock Option Agreement are available on the UBS website (www.ubs.com/onesource/fbhs). In exchange for accepting the Stock Options, you will be required to agree to the restrictive covenant language contained in the agreement. Capitalized terms not defined in this Notice have the meanings specified in the Plan or the Agreement.

Option: You have been awarded a Nonqualified Stock Option to purchase from the Company shares of its Common Stock, par value \$0.01 per share, subject to adjustment as provided in Section 11 of the Award Agreement.

Exercise Price: \$xx

Vesting Schedule: Except as otherwise provided in and subject to the Plan, the Agreement or any other agreement between the Company and Optionee, the Option will vest in the following increments on the following dates:

One-third of the Option	February 28, 20xx
One-third of the Option	February 28, 20xx
One-third of the Option	February 28, 20xx

Expiration Date: Except to the extent earlier terminated or exercised pursuant to the terms of the Agreement or the Plan, the Option will terminate at 3:00 p.m., Eastern time, on the tenth anniversary of the Award Date.

**FORTUNE BRANDS HOME & SECURITY, INC.
2013 LONG-TERM INCENTIVE PLAN**

Form of [Date] Stock Option Agreement (the “Agreement”)

Fortune Brands Home & Security, Inc., a Delaware corporation (the “Company”), grants to the undersigned “Optionee” an option to purchase shares of Common Stock from the Company subject to the terms and conditions of the Fortune Brands Home & Security, Inc. 2013 Long-Term Incentive Plan (the “Plan”), the Award Notice (“Award Notice”), and this Agreement (collectively, the “Award”). Capitalized terms not defined in this Agreement have the meanings specified in the Plan.

1. Option Subject to Acceptance of Agreement. The date of grant (the “Award Date”), the number and class of shares of Common Stock subject to the Option and the purchase price per share (the “Exercise Price”) are set forth in the Award Notice and in the Plan’s online administrative system. The Option will be null and void unless Optionee accepts this Agreement in a timely manner through the acceptance process prescribed by the Company.

The Option will terminate on the expiration date set forth in the Award Notice (the “Expiration Date”) except as otherwise provided in Section 2 or if exercised pursuant to Section 3. Upon the termination of the Option, the Option will no longer be exercisable and will immediately become null and void.

2. Time and Manner of Exercise of Option.

(a) Maximum Term of Option. Except as specifically provided in Section 2(b) below, the Option may not be exercised, in whole or in part, after the Expiration Date.

(b) Vesting and Exercise of Option. The Option will vest and become exercisable in accordance with the vesting schedule specified in the Award Notice (the “Vesting Schedule”), subject to Section 3 below. If Optionee’s employment terminates before the Option is fully vested, the Option will vest and be exercisable as follows:

- (i) Notwithstanding the provisions of Section 5 below, in the event of Optionee’s death while the Award is outstanding, the Option will immediately become fully exercisable (to the extent not exercisable on the date of death) and will continue to be exercisable by Optionee’s beneficiary, executor, administrator or legal representative through the earlier of: (A) the date which is three (3) years after the date of Optionee’s death, and (B) the Expiration Date; provided, however, that the Option will continue to be exercisable for at least one (1) year following the date of Optionee’s death, even if this one-year period extends beyond the Expiration Date.
- (ii) In the event of Optionee’s Disability (as defined below) while the Award is outstanding, provided that Optionee has been continuously employed with the Company for at least one (1) year following the Award Date and

prior to the date of Disability, Optionee will be treated as continuing employment with the Company during the Disability for purposes of determining the vesting and exercisability of the Options. For purposes of this Award, Optionee will have a "Disability" if Optionee is receiving benefits under the long-term disability plan maintained by Optionee's employer.

- (iii) Notwithstanding the provisions of Section 5 below, in the event of Optionee's Retirement (as defined below) while the Award is outstanding at least one (1) year following the Award Date, any unvested Options will fully vest and become exercisable as of date of Optionee's Retirement and will remain exercisable through the Expiration Date, subject to Section 3 below. For purposes of this Award, "Retirement" means Optionee's termination of employment (other than for Cause as described in subsection (iv) below) on or after attaining age 55 and completing five (5) years of service with the Company or its predecessors or affiliates. In the event of a Change in Control (as defined in Section 5 below), Optionee will receive the treatment described in this Section 2(b)(iii) if Optionee terminates employment after qualifying for Retirement, even if Optionee does not have Good Reason (as defined below).
- (iv) If the Optionee's employer terminates Optionee's employment for Cause (as defined below) while the Award is outstanding, then all Options, whether or not vested, will terminate immediately upon such termination of employment. For purposes of this Award, "Cause" has the same meaning as specified in any employment or other written agreement between Optionee and Optionee's employer regarding benefits upon termination of employment ("Termination Agreement"), provided that if Optionee is not a party to a Termination Agreement that contains such definition, then Cause will have the same meaning provided for such term under the severance plan sponsored by Optionee's employer and under which Optionee is eligible to participate.
- (v) Except as provided in Section 5 below, if Optionee's employment with the Company terminates for any reason other than death, Disability, Retirement or Cause while the Option is outstanding, unvested Options will be cancelled as of Optionee's termination date and vested Options will remain exercisable for three (3) months following Optionee's termination and will then be cancelled.
- (vi) For the purposes of this Agreement, (i) a transfer of Optionee's employment from the Company to a Subsidiary or vice versa, or from one Subsidiary to another, without an intervening period, will not be deemed a termination of employment; and (ii) if Optionee is granted in writing a leave of absence, Optionee will be deemed to have remained in the employ of the Company or a Subsidiary during such leave of absence.

3. Method of Exercise. Subject to this Agreement, the Option may be exercised as follows:

(a) By specifying the number of whole shares of Common Stock to be purchased in the manner prescribed by the Company, accompanied by full payment (or by arranging for full payment to the Company's satisfaction) either:

- (i) in cash,
- (ii) by delivery to the Company (either actual delivery or by attestation procedures established by the Company) of shares of Common Stock having an aggregate "Fair Market Value" (as defined below), determined as of the date of exercise, equal to the aggregate purchase price payable pursuant to the Option,
- (iii) by authorizing the Company to sell shares of Common Stock subject to the option exercise and withhold from the proceeds an amount equal to the option exercise price, or
- (iv) by a combination of (i), (ii) and (iii); and

(b) By executing such documents as the Company may reasonably request.

For this purpose, "Fair Market Value" as of any date means the value determined by reference to the closing price of a share of Common Stock as finally reported on the New York Stock Exchange for the trading day immediately preceding such date. Any fraction of a share of Common Stock which would be required to pay such purchase price will be disregarded and the remaining amount due will be paid in cash by Optionee. No Common Stock will be issued or delivered until the full purchase price and any related withholding taxes, as described in Section 10 herein, have been paid.

4. Issuance or Delivery of Shares. Upon the exercise of the Option, in whole or in part, the Company will issue or deliver, subject to the conditions of this Agreement, the number of shares of Common Stock purchased. Such issuance will be evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company. The Company will pay all original issue or transfer taxes and all fees and expenses related to such issuance, except as otherwise provided in Section 10 herein.

5. Change in Control. In the event of a Change in Control (as defined in the Plan), the Award will become subject to Section 5.8 of the Plan. In the event that unvested Options remain outstanding following a Change in Control, and Optionee's employment is terminated on or after such Change in Control but while the Award is outstanding either: (i) by the Company other than for Cause, or (ii) by Optionee for Good Reason (as defined below), the Options will become fully vested, exercisable and nonforfeitable as of the date of Optionee's termination of employment and will remain exercisable through the Expiration Date, subject to Section 5.8 of the Plan. For purposes of this Award, "Good Reason" will have the same meaning as such term has under any Termination Agreement, provided that if Optionee is not a party to any Termination Agreement that contains such definition, then Good Reason includes any of the reasons allowing Optionee to terminate employment and remain eligible for severance benefits under the severance plan sponsored by Optionee's employer and under which Optionee is eligible to participate.

6. **No Stockholder Rights.** Optionee will not have any rights of a stockholder (including voting rights) or any other right, title or interest, with respect to any of the shares of Common Stock subject to the Option unless and until such shares of Common Stock have been recorded on the Company's official stockholder records as having been issued or transferred to Optionee.

7. **Compliance with Applicable Law.** The Award is subject to the condition that if the listing, registration or qualification of the shares subject to the Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the vesting of the Options or the delivery or issuance of shares, the shares of Common Stock subject to the Award may not be delivered, in whole or in part, unless such listing, registration, qualification, consent, approval or other action has been effected or obtained, free of any conditions not acceptable to the Company. The Company agrees to use reasonable efforts to obtain and maintain any such listing, registration, qualification, consent, approval or other action.

8. **Clawback Policy.** Notwithstanding any provision of the Plan or this Agreement to the contrary, outstanding Options may be cancelled, and the Company may require Optionee to return shares of Company Common Stock (or the value of such stock when originally issued to Optionee) issued under this Agreement and any other amount required by applicable law to be returned, in the event that such repayment is required in order to comply with any laws or regulations relating to restatements of the Company's publicly-reported financial results.

9. **Nontransferability.** The Award may not be transferred, assigned, pledged or hypothecated in any manner, by operation of law or otherwise by Optionee other than (a) by will or by the laws of descent and distribution; or (b) pursuant to an approved domestic relations order approved in writing by the Secretary of the Committee or the Secretary's designee. Except to the extent permitted by the foregoing sentence, the Award may not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the Award, the Award and all related rights will immediately become null and void.

10. **Tax Withholding.** As a condition to the delivery of shares of Common Stock upon the exercise of Options, Optionee must, upon request by the Company, pay to the Company such amount as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to the Award. If Optionee fails to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount payable by the Company to Optionee, including regular salary or bonus payments. No shares of Common Stock will be issued or delivered until the Required Tax Payments have been paid in full. Optionee may elect to satisfy his or her obligation to advance the Required Tax Payments by any of the following means: (a) a cash payment to the Company; (b) delivery to the Company (either actual delivery or by attestation procedures established by the Company) of previously owned whole shares of Common Stock having an aggregate Fair Market

Value (as defined in Section 3), determined as of the date on which such withholding obligation arises (the "Tax Date"), equal to the Required Tax Payments; (c) authorizing the Company to withhold whole shares of Common Stock which would otherwise be delivered to Optionee having an aggregate Fair Market Value, determined as of the Tax Date, equal to the Required Tax Payments; or (d) any combination of (a), (b) and (c). Shares of Common Stock to be delivered or withheld may not have a Fair Market Value in excess of the minimum amount of the Required Tax Payments. Any fraction of a share of Common Stock which would be required to satisfy any Required Tax Payment will be disregarded and the remaining amount due must be paid in cash by Optionee. No share of Common Stock will be issued or delivered until the Required Tax Payments have been satisfied in full.

11. Adjustment. In the event of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar change in capitalization or event, or any distribution to Optionees of Common Stock other than a regular cash dividend, the number and class of securities subject to the Option will be equitably adjusted by the Committee, such adjustment to be made in accordance with Section 409A of the Code, to the extent applicable. The decision of the Committee regarding any such adjustment is final and binding.

12. No Rights to Continued Employment. In no event will the granting of the Option or its acceptance by Optionee, or any provision of this Agreement or the Plan, give or be deemed to give Optionee any right to continued employment by the Company, any Subsidiary or any affiliate of the Company or affect in any manner the right of the Company, any Subsidiary or any affiliate of the Company to terminate the employment of any person at any time for any reason.

13. Restrictive Covenants. In exchange for accepting the Award and in consideration of the Confidential Information (defined below) the Company provides to Optionee, benefits Optionee is not otherwise entitled to, Optionee agrees to the following restrictive covenants:

(a) Confidential Information. Optionee acknowledges that he/she has access to highly confidential information of the Company and any Subsidiary that Optionee provides services to or is provided confidential information about, including but not limited to, information concerning: finances, supply and service, marketing, customers (including lists), operations, business and financial plans and strategies, and product costs, sourcing and pricing ("Confidential Information"). The Optionee agrees that during his/her employment and for three years following the end of Optionee's employment (for whatever reason), Optionee will protect the Confidential Information and only use it for business-related reasons; however, trade secrets will always remain protected for as long as the information qualifies as a trade secret under applicable law. The obligations of this Agreement (including, but not limited to the confidentiality obligations) do not prohibit Optionee from reporting any event that Optionee reasonably and in good faith believes is a violation of law to the relevant law-enforcement agency (such as the Securities and Exchange Commission, Equal Employment Opportunity Commission, or Department of Labor), cooperating in an investigation conducted by such a government agency, or disclosing to such a government agency any Confidential Information that is lawfully acquired by Optionee and that Optionee reasonably and in good faith believes is relevant to the matter at issue.

(b) Non-Competition. Optionee agrees that he/she will not, directly or indirectly, for a period of 12 months after the end of Optionee's employment (for whatever reason), engage in a Prohibited Capacity within the Restricted Area on behalf of a business that manufactures, distributes, offers, sells or provides any Competing Products. "Competing Products" means any products and/or services that are similar in function or purpose to those offered by the Company and its Subsidiaries and as to which Optionee had Involvement. "Involvement" means to have responsibilities, provide supervision, engage in dealings or receive Confidential Information about during the last two (2) years immediately preceding the end of Optionee's employment (the "Look Back Period"). "Prohibited Capacity" means to engage in the same or similar capacity or function that Optionee worked for the Company and/or its Subsidiaries at any time during the Look Back Period or in a capacity that would otherwise result in the use or disclosure of Confidential Information. "Restricted Area" means those geographic areas in which the Company and its Subsidiaries do business and as to which business Optionee had Involvement.

(c) Non-Solicitation of Customers. Optionee agrees that he/she will not, directly or indirectly, during his/her employment and for a period of 12 months after the end of his/her employment (for whatever reason), solicit, induce or attempt to induce (or assist others to solicit) any customers or prospective customers of the Company and its Subsidiaries to cease doing business with the Company and its Subsidiaries or to buy a Competing Product. The prohibition in this Section 13(c) only applies to customers and prospective customers with which Optionee had Involvement.

(d) Non-Solicitations of Employees. Optionee agrees that he/she will not, directly or indirectly, for a period of 12 months after the end of his/her employment (for whatever reason), solicit (or assist another in soliciting), induce, employ or seek to employ any individual employed by Company and/or its Subsidiaries. Where an additional restriction is required to enforce the foregoing, Optionee's non-solicitation obligation is limited to employees with whom Optionee had Involvement.

(e) Reasonableness of Restrictions. Optionee acknowledges that the temporal, activity and geographic limitations of Sections 13(a), (b), (c) and (d) above are reasonable in scope and narrowly constructed so as to protect only the Company and its Subsidiaries' legitimate protectable interests, and will not prohibit Optionee from obtaining meaningful employment following the end of Optionee's employment.

(f) Tolling of Restrictive Period. The periods described in Sections 13(a), (b), (c) and (d) above shall not run during any period of time in which the Optionee is in violation of this paragraph, and shall toll during any such period of violation. If Optionee resides in and is subject to the laws of Wisconsin, then this paragraph shall not apply.

(g) General. (i) Before accepting new employment, Optionee will advise any such future employer of the restrictions in this Agreement. Optionee agrees that the Company and its Subsidiaries may advise any such future employer or prospective

employer of this Agreement and their position on the potential application of this Agreement without such giving rise to any legal claim. (ii) The obligations in this Agreement shall survive the termination of Optionee's employment and shall, likewise, continue to apply and be valid notwithstanding any change in Optionee's employment terms (such as, without limitation, a change in duties, responsibilities, compensation, position or title). (iii) The Subsidiaries are third party beneficiaries of the Agreement and may enforce the Agreement without the need for further consent or agreement by the Optionee. (iv) If either party waives his, her, or its right to pursue a claim for the other's breach of any provision of the Agreement, the waiver will not extinguish that party's right to pursue a claim for a subsequent breach. (v) This Agreement shall not be construed to supersede or replace any prior agreements containing confidentiality, nondisclosure, non-competition and non-solicitation provisions. Rather, the restrictions in this Agreement shall be read together with such prior agreements to afford the Company and its Subsidiaries the broadest protections allowed by law. (vi) If a court finds any of the Agreement's restrictions unenforceable as written, the parties agree the court is authorized and expected under the terms of this Agreement to revise the restriction (for the jurisdiction covered by that court only) so as to make it enforceable, or if such revision is not permitted then to enforce the otherwise unreasonable or unenforceable restriction to such lesser extent as would be deemed reasonable and lawful within that jurisdiction.

14. Decisions of Board or Committee. The Board or the Committee has the right to resolve all questions which may arise in connection with the Option. Any interpretation, determination or other action made or taken by the Board or the Committee regarding the Plan or this Agreement is final and binding.

15. Successors. This Agreement is binding upon and will inure to the benefit of any successor or successors of the Company and any person or persons who, upon the death of Optionee, may acquire any rights in accordance with this Agreement or the Plan.

16. Notices. All notices, requests or other communications provided for in this Agreement will be made, if to the Company, to Fortune Brands Home & Security, Inc., Attn. Secretary of the Compensation Committee of the Board of Directors, 520 Lake Cook Road, Deerfield, Illinois 60015, and if to Optionee, to the last known mailing address of Optionee contained in the records of the Company. All notices, requests or other communications provided for in this Agreement will be made in writing either (a) by personal delivery; (b) by facsimile or electronic mail with confirmation of receipt; (c) by mailing in the United States mails; or (d) by express courier service. The notice, request or other communication will be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the intended party if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Company is not received during regular business hours, it will be deemed to be received on the next succeeding business day of the Company.

17. Partial Invalidity. The invalidity or unenforceability of any particular provision of this Agreement will not affect any other provisions of this Agreement and this Agreement will be construed in all respects as if such invalid or unenforceable provisions were omitted.

18. Governing Law. This Agreement, the Award and all determinations made and actions taken with respect to this Agreement or Award, to the extent not governed by the Code or the laws of the United States, will be governed by, and construed in accordance with, the laws of the State of Delaware without giving effect to principles of conflicts of laws.

19. Agreement Subject to the Plan. This Agreement is subject to, and will be interpreted in accordance with, the Plan. In the event of a conflict between this Agreement and the Plan, the terms of the Plan will apply. Optionee hereby acknowledges receipt of a copy of the Plan, and by accepting the Award in the manner specified by the Company, he or she agrees to be bound by the terms and conditions of this Agreement, the Award, the Plan, and if applicable to the Optionee, stock ownership guidelines established by the Company.

20. Section 409A. This Agreement and the Award are intended to be exempt from the requirements of Section 409A of the Code as a stock right pursuant to Treasury Regulation §1.409A-1(b)(5). However, if this Agreement and the Award are not so exempt, this Agreement and the Award are intended to comply with the requirements of Section 409A of the Code and will be interpreted and construed consistently with such intent. In the event the terms of this Agreement would subject Optionee to taxes or penalties under Section 409A of the Code ("409A Penalties"), Optionee and the Company will cooperate diligently to amend the terms of this Agreement to avoid such 409A Penalties, to the extent possible; provided that in no event will the Company be responsible for any 409A Penalties that arise in connection with any amounts payable under this Agreement. To the extent any amounts under this Agreement are payable by reference to Optionee's "termination of employment," such term will be deemed to refer to Optionee's "separation from service," within the meaning of Section 409A of the Code. Notwithstanding any other provision in this Agreement, if Optionee is a "specified employee," as defined in Section 409A of the Code, as of the date of Optionee's separation from service, then to the extent any amount payable to Optionee (a) is payable upon Optionee's separation from service, and (b) under the terms of this Agreement would be payable prior to the six-month anniversary of Optionee's separation from service, to the extent that payment under this Agreement is otherwise subject to the provisions of Section 409A of the Code, such payment will be delayed until the earlier to occur of: (x) the six-month anniversary of Optionee's separation from service and (y) the date of Optionee's death. If any applicable payment period begins in one calendar year and ends in the following calendar year, Optionee shall not have the right to designate the year of the payment.

21. Counterparts. This Agreement may be executed in one or more counterparts, all of which together will constitute but one Agreement.

**FORTUNE BRANDS HOME & SECURITY, INC.
2013 LONG-TERM INCENTIVE PLAN**

Form of Restricted Stock Unit Award Notice (the "Notice")

You have been awarded restricted stock units ("RSUs") that will be paid in shares of common stock of Fortune Brands Home & Security, Inc. (the "Company") when they vest, pursuant to the terms and conditions of the Fortune Brands Home & Security, Inc. 2013 Long-Term Incentive Plan (the "Plan") and the Restricted Stock Unit Award Agreement (together with this Notice, the "Agreement"). In exchange for accepting the RSUs, you will be required to agree to the restrictive covenant language contained in the agreement. Copies of the Plan and the Restricted Stock Unit Award Agreement are available on the UBS website (www.ubs.com/onesource/fbhs). Capitalized terms not defined in this Notice have the meanings specified in the Plan or the Agreement.

Award:	You have been awarded RSUs, which will be paid in shares of Company common stock (par value \$0.01), when the Award vests, subject to adjustment as provided under Section 11 of the Award Agreement.						
Award Date:	February xx, 20xx						
Vesting Schedule:	Except as otherwise provided in and subject to the Plan, the Agreement or any other agreement between the Company and the Holder, the RSUs will vest annually in the following increments on the following dates: <table border="0" style="margin-left: 20px;"> <tr> <td style="padding-right: 20px;">One-third of the RSUs</td> <td>February 28, 20xx</td> </tr> <tr> <td>One-third of the RSUs</td> <td>February 28, 20xx</td> </tr> <tr> <td>One-third of the RSUs</td> <td>February 28, 20xx</td> </tr> </table>	One-third of the RSUs	February 28, 20xx	One-third of the RSUs	February 28, 20xx	One-third of the RSUs	February 28, 20xx
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One-third of the RSUs	February 28, 20xx						
Performance Condition for 162(m) Officers	If you are an executive subject to Section 162(m) of the Internal Revenue Code at any time while the Award is outstanding, your RSUs will not vest unless the Company attains the performance goal of earnings per share of Company common stock (diluted, and before gains or charges) of \$xx for the period January 1, 20xx through December 31, 20xx. If the performance goal is attained, the RSUs will vest on the later of the date(s) set forth in this Award Notice and the date that the Compensation Committee of the Company's Board of Directors certifies attainment of the performance goal.						

**FORTUNE BRANDS HOME & SECURITY, INC.
2013 LONG-TERM INCENTIVE PLAN**

Form of [Date] Restricted Stock Unit Agreement (the “Agreement”)

Fortune Brands Home & Security, Inc., a Delaware corporation (the “Company”), grants to the undersigned “Holder” an award of restricted stock units (“RSUs”) subject to the terms and conditions of the Fortune Brands Home & Security, Inc. 2013 Long-Term Incentive Plan (the “Plan”), the Award Notice (“Award Notice”), and this Agreement (collectively, the “Award”). Capitalized terms not defined in this Agreement have the meanings specified in the Plan.

1. Number of RSUs. The date of the grant (the “Award Date”) and the number of RSUs granted to Holder under the Award are provided in the Award Notice and in the Plan’s online administrative system. Except as described below, this Award will become null and void unless Holder accepts this Agreement in a timely manner through the grant acceptance process prescribed by the Company.

2. Restriction Period and Vesting

(a) Subject to the terms and conditions of this Agreement and the Plan, the RSUs subject to the Award will vest in accordance with the vesting schedule described in the Award Notice (the “Restriction Period”), provided that the Holder remains employed with the Company through each applicable vesting date. Notwithstanding the foregoing, if, because the New York Stock Exchange (or such successor exchange on which shares of Company Common Stock are traded) is not open for trading on such date, the vesting date will be the next date on which the New York Stock Exchange (or such successor exchange) is open for trading.

(b) In the event of Holder’s death during the Restriction Period, the RSUs will fully vest on the date of such death and will become immediately eligible for distribution.

(c) Notwithstanding the provisions of Section 5 below, in the event of Holder’s Retirement (as defined below) during the Restriction Period and after the one-year anniversary of the Award Date, any unvested RSUs will fully vest as of date of Holder’s Retirement and all RSUs granted under this Award will become immediately eligible for distribution. For purposes of this Award, “Retirement” means Holder’s termination of employment (other than for Cause as described in subsection (e) below) on or after attaining age 55 and completing five (5) years of service with the Company or its predecessors or affiliates. In the event of a Change in Control (as defined in Section 5 below), Holder will receive the treatment described in this Section 2(c) if Holder terminates employment after qualifying for Retirement, even if Holder does not have Good Reason (as defined below).

(d) In the event of Holder’s Disability (as defined below) during the Restriction Period and after the one (1) year anniversary of the Award Date, Holder will be treated as continuing employment with the Company during the Disability for

purposes of determining the vesting of the Award, and RSUs will continue to vest and will be eligible for distribution in accordance with the vesting schedule described in Section 2(a) above. For purposes of this Award, Holder will have a "Disability" if Holder is receiving benefits under the long-term disability plan maintained by Holder's employer; provided that, if this Award is subject to the restrictions of Section 409A of the Code with respect to Holder, then such Disability must also satisfy the requirements of Section 22(e)(3) of the Code.

(e) If the Holder's employer terminates Holder's employment during the Restriction Period for Cause (as defined below), then the unvested RSUs outstanding under the Award will be cancelled upon such termination of employment. For purposes of this Award, "Cause" has the same meaning as specified in any employment or other written agreement between Holder and Holder's employer regarding benefits upon termination of employment ("Termination Agreement"), provided that if Holder is not a party to a Termination Agreement that contains such definition, then Cause will have the same meaning provided for such term under the severance plan sponsored by Holder's employer and under which Holder is eligible to participate.

(f) Except as provided in Section 5 below, if Holder's employment with the Company terminates during the Restriction Period for any reason other than death, Disability or Retirement, the Award, to the extent not vested on the effective date of such termination of employment, will not vest and will be cancelled as of Holder's termination date.

(g) Except as provided under Sections 2(b) and 2(c), if Holder is a "covered employee" for purposes of Section 162(m) (or any successor provision) of the Code at any time during the Restriction Period, any unvested RSUs will not vest unless and until the date on which the Committee certifies the attainment of the performance goals set forth in the Award Notice.

(h) For the purposes of this Agreement, (i) a transfer of Holder's employment from the Company to a Subsidiary or vice versa, or from one Subsidiary to another, without an intervening period, will not be deemed a termination of employment; and (ii) if Holder is granted in writing a leave of absence, Holder will be deemed to have remained in the employ of the Company or a Subsidiary during such leave of absence (but not beyond Holder's separation from service within the meaning of Section 409A of the Code if this Award is deemed to be subject to said Section).

(i) If Holder is eligible to participate in the Fortune Brands Home & Security, Inc. Deferred Compensation Plan ("NQDC Plan") and makes a timely election to defer receipt of a portion of the RSUs granted under this Award, any such deferred RSUs will also be subject to the terms and conditions of the NQDC Plan and deferral election, which shall govern the timing of the distribution of the award, the payment of any related tax obligations and the treatment of the deferred RSUs following a Change in Control (as defined in the NQDC Plan).

3. Delivery of Common Stock. During the Restriction Period, the RSUs will represent only an unfunded and unsecured obligation of the Company. Subject to Section 20 of this Agreement, within thirty (30) days following each applicable vesting date described in the Award Notice or any other applicable distribution date specified under this Agreement, unless Holder has elected to defer receipt of a portion of the RSUs under the NQDC Plan, the Company will deliver or cause to be delivered one share of Common Stock for each RSU that vests or becomes eligible for distribution on such date to Holder (or, in the event of Holder's death or termination due to Disability, Holder's appointed and qualified executor or other personal representative). No fractional shares will be delivered. Any RSUs deferred under the NQDC Plan that become vested, will continue to represent only an unfunded and unsecured obligation of the Company and will be distributed in accordance with the terms of the NQDC Plan and the applicable deferral election.

4. Dividend Equivalents. Holder will be entitled to receive dividend equivalents with respect to the Award, to the extent that the Company pays dividends on Company Common Stock during the Restriction Period. Such dividend equivalents will be equal to the cash dividends (if any) that would have been paid to Holder for the shares of Common Stock subject to the Award had such shares been issued and outstanding on the dividend record date occurring during the Restriction Period. Dividend equivalents (if any) will be subject to the same vesting conditions as the RSUs and will be paid to Holder in cash at the same time as the shares of Common Stock subject to the Award are delivered in accordance with Section 3. In the event that the Holder has elected to defer receipt of a portion of the RSUs, dividend equivalents will be credited at the time of vesting to the Holder's deferral account in accordance with the terms of the NQDC Plan.

5. Termination without Cause or for Good Reason Following Change in Control. In the event of a Change in Control (as defined in the Plan), the Award will become subject to Section 5.8 of the Plan. In the event that unvested RSUs remain outstanding following a Change in Control, and Holder's employment is terminated on or after such Change in Control but prior to the end of the Restriction Period either: (i) by the Company other than for Cause, or (ii) by Holder for Good Reason (as defined below), the RSUs will become fully vested and eligible for distribution as of the date of Holder's termination of employment, subject to Section 5.8 of the Plan. For purposes of this Award, "Good Reason" will have the same meaning as such term has under any Termination Agreement, provided that if Holder is not a party to any Termination Agreement that contains such definition, then Good Reason includes any of the reasons allowing Holder to terminate employment and remain eligible for severance benefits under the severance plan sponsored by Holder's employer and under which Holder is eligible to participate.

6. No Stockholder Rights. Holder will not have any rights of a stockholder (including voting rights) or any other right, title or interest, with respect to any of the shares of Common Stock subject to the Award unless and until such shares of Common Stock have been recorded on the Company's official stockholder records as having been issued or transferred to Holder.

7. Compliance with Applicable Law. The Award is subject to the condition that if the listing, registration or qualification of the shares subject to the Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking

of any other action is necessary or desirable as a condition of, or in connection with, the vesting of the RSUs or the delivery or issuance of shares, the shares of Common Stock subject to the Award may not be delivered, in whole or in part, unless such listing, registration, qualification, consent, approval or other action has been effected or obtained, free of any conditions not acceptable to the Company. The Company agrees to use reasonable efforts to obtain and maintain any such listing, registration, qualification, consent, approval or other action.

8. Clawback Policy. Notwithstanding any provision of the Plan or this Agreement to the contrary, outstanding RSUs may be cancelled, and the Company may require Holder to return shares of Company Common Stock (or the value of such stock when originally paid to Holder), dividend equivalents (if any) issued under this Agreement and any other amount required by applicable law to be returned, in the event that such repayment is required in order to comply with any laws or regulations relating to restatements of the Company's publicly-reported financial results.

9. Nontransferability. The Award may not be transferred, assigned, pledged or hypothecated in any manner, by operation of law or otherwise by Holder other than (a) by will or by the laws of descent and distribution; or (b) pursuant to an approved domestic relations order approved in writing by the Secretary of the Committee or the Secretary's designee. Except to the extent permitted by the foregoing sentence, the Award may not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the Award, the Award and all related rights will immediately become null and void.

10. Tax Withholding. As a condition to the delivery of shares of Common Stock upon vesting of any portion of the Award, Holder must, upon request by the Company, pay to the Company such amount as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to the Award. If Holder fails to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount payable by the Company to Holder, including regular salary or bonus payments. Holder may elect to satisfy his or her obligation to advance the Required Tax Payments by any of the following means: (a) a cash payment to the Company; (b) delivery to the Company (either actual delivery or by attestation procedures established by the Company) of previously owned whole shares of Common Stock having an aggregate Fair Market Value (as defined below), determined as of the date on which such withholding obligation arises (the "Tax Date"), equal to the Required Tax Payments; (c) authorizing the Company to withhold whole shares of Common Stock which would otherwise be delivered to Holder having an aggregate Fair Market Value, determined as of the Tax Date, equal to the Required Tax Payments; or (d) any combination of (a), (b) and (c). Shares of Common Stock to be delivered or withheld may not have a Fair Market Value in excess of the minimum amount of the Required Tax Payments. For purposes of this Award, "Fair Market Value" as of any date means the value determined by reference to the closing price of a share of Common Stock as finally reported on the New York Stock Exchange for the trading day immediately preceding such date. Any fraction of a share of Common Stock which would be required to satisfy any Required Tax Payment will be disregarded and the remaining amount due must be paid in cash

by Holder. No share of Common Stock will be issued or delivered until the Required Tax Payments have been satisfied in full. In accordance with terms of the NQDC Plan, any tax obligations that arise upon vesting under this Agreement with respect to deferred RSUs credited to the NQDC shall not be deducted from the deferred RSUs and instead shall be deducted from any amount payable by the Company to the Holder, including the portion of this Award that has not been deferred into the NQDC Plan, subject in all instances to compliance with Section 409A of the Code.

11. Adjustment. In the event of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar change in capitalization or event, or any distribution to holders of Common Stock other than a regular cash dividend, the number and class of securities subject to the RSUs will be equitably adjusted by the Committee, such adjustment to be made in accordance with Section 409A of the Code, to the extent applicable. The decision of the Committee regarding any such adjustment is final and binding.

12. No Rights to Continued Employment. In no event will the granting of the Award or its acceptance by Holder, or any provision of this Agreement or the Plan, give or be deemed to give Holder any right to continued employment by the Company, any Subsidiary or any affiliate of the Company or affect in any manner the right of the Company, any Subsidiary or any affiliate of the Company to terminate the employment of any person at any time for any reason.

13. Restrictive Covenants. In exchange for accepting the Award and in consideration of the Confidential Information (defined below) the Company provides to Holder, benefits Holder is not otherwise entitled to, Holder agrees to the following restrictive covenants:

(a) Confidential Information. Holder acknowledges that he/she has access to highly confidential information of the Company and any Subsidiary that Holder provides services to or is provided confidential information about, including but not limited to, information concerning: finances, supply and service, marketing, customers (including lists), operations, business and financial plans and strategies, and product costs, sourcing and pricing ("Confidential Information"). The Holder agrees that during his/her employment and for three years following the end of Holder's employment (for whatever reason), Holder will protect the Confidential Information and only use it for business-related reasons; however, trade secrets will always remain protected for as long as the information qualifies as a trade secret under applicable law. Nothing in this Agreement is intended to prohibit any activity by Holder which is protected by law. The obligations of this Agreement (including, but not limited to the confidentiality obligations) do not prohibit Holder from reporting any event that Holder reasonably and in good faith believes is a violation of law to the relevant law-enforcement agency (such as the Securities and Exchange Commission, Equal Employment Opportunity Commission, or Department of Labor), cooperating in an investigation conducted by such a government agency, or disclosing to such a government agency any Confidential Information that is lawfully acquired by Holder and that Holder reasonably and in good faith believes is relevant to the matter at issue.

(b) Non-Competition. Holder agrees that he/she will not, directly or indirectly, for a period of 12 months after the end of Holder's employment (for whatever reason), engage in a Prohibited Capacity within the Restricted Area on behalf of a business that

manufactures, distributes, offers, sells or provides any Competing Products. "Competing Products" means any products and/or services that are similar in function or purpose to those offered by the Company and its Subsidiaries and as to which Holder had Involvement. "Involvement" means to have responsibilities, provide supervision, engage in dealings or receive Confidential Information about during the last two (2) years immediately preceding the end of Holder's employment (the "Look Back Period"). "Prohibited Capacity" means to engage in the same or similar capacity or function that Holder worked for the Company and/or its Subsidiaries at any time during the Look Back Period or in a capacity that would otherwise result in the use or disclosure of Confidential Information. "Restricted Area" means those geographic areas in which the Company and its Subsidiaries do business and as to which business Holder had Involvement.

(c) Non-Solicitation of Customers. Holder agrees that he/she will not, directly or indirectly, during his/her employment and for a period of 12 months after the end of his/her employment (for whatever reason), solicit, induce or attempt to induce (or assist others to solicit) any customers or prospective customers of the Company and its Subsidiaries to cease doing business with the Company and its Subsidiaries or to buy a Competing Product. The prohibition in this Section 13(c) only applies to customers and prospective customers with which Holder had Involvement.

(d) Non-Solicitations of Employees. Holder agrees that he/she will not, directly or indirectly, for a period of 12 months after the end of his/her employment (for whatever reason), solicit (or assist another in soliciting), induce, employ or seek to employ any individual employed by Company and/or its Subsidiaries. Where an additional restriction is required to enforce the foregoing, Holder's non-solicitation obligation is limited to employees with whom Holder had Involvement.

(e) Reasonableness of Restrictions. Holder acknowledges that the temporal, activity and geographic limitations of Sections 13(a), (b), (c) and (d) above are reasonable in scope and narrowly constructed so as to protect only the Company and its Subsidiaries' legitimate protectable interests, and will not prohibit Holder from obtaining meaningful employment following the end of Holder's employment.

(f) Tolling of Restrictive Period. The periods described in Sections 13(a), (b), (c) and (d) above shall not run during any period of time in which the Holder is in violation of this paragraph, and shall toll during any such period of violation. If Holder resides in and is subject to the laws of Wisconsin, then this paragraph shall not apply.

(g) General. (i) Before accepting new employment, Holder will advise any such future employer of the restrictions in this Agreement. Holder agrees that the Company and its Subsidiaries may advise any such future employer or prospective employer of this Agreement and their position on the potential application of this Agreement without such giving rise to any legal claim. (ii) The obligations in this Agreement shall survive the termination of Holder's employment and shall, likewise, continue to apply and be valid notwithstanding any change in Holder's employment terms (such as, without limitation, a change in duties, responsibilities, compensation, position or title). (iii) The Subsidiaries are third party beneficiaries of the Agreement and may enforce the Agreement without the need for further consent or agreement by the

Holder. (iv) If either party waives his, her, or its right to pursue a claim for the other's breach of any provision of the Agreement, the waiver will not extinguish that party's right to pursue a claim for a subsequent breach. (v) This Agreement shall not be construed to supersede or replace any prior agreements containing confidentiality, nondisclosure, non-competition and non-solicitation provisions. Rather, the restrictions in this Agreement shall be read together with such prior agreements to afford the Company and its Subsidiaries the broadest protections allowed by law. (vi) If a court finds any of the Agreement's restrictions unenforceable as written, the parties agree the court is authorized and expected under the terms of this Agreement to revise the restriction (for the jurisdiction covered by that court only) so as to make it enforceable, or if such revision is not permitted then to enforce the otherwise unreasonable or unenforceable restriction to such lesser extent as would be deemed reasonable and lawful within that jurisdiction.

14. Decisions of Board or Committee. The Board or the Committee has the right to resolve all questions which may arise in connection with the Award. Any interpretation, determination or other action made or taken by the Board or the Committee regarding the Plan or this Agreement is final and binding.

15. Successors. This Agreement is binding upon and will inure to the benefit of any successor or successors of the Company and any person or persons who, upon the death of Holder, may acquire any rights in accordance with this Agreement or the Plan.

16. Notices. All notices, requests or other communications provided for in this Agreement will be made, if to the Company, to Fortune Brands Home & Security, Inc., Attn. Secretary of the Compensation Committee of the Board of Directors, 520 Lake Cook Road, Deerfield, Illinois 60015, and if to Holder, to the last known mailing address of Holder contained in the records of the Company. All notices, requests or other communications provided for in this Agreement will be made in writing either (a) by personal delivery; (b) by facsimile or electronic mail with confirmation of receipt; (c) by mailing in the United States mails; or (d) by express courier service. The notice, request or other communication will be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the intended party if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Company is not received during regular business hours, it will be deemed to be received on the next succeeding business day of the Company.

17. Partial Invalidity. The invalidity or unenforceability of any particular provision of this Agreement will not affect any other provisions of this Agreement and this Agreement will be construed in all respects as if such invalid or unenforceable provisions were omitted.

18. Governing Law. This Agreement, the Award and all determinations made and actions taken with respect to this Agreement or Award, to the extent not governed by the Code or the laws of the United States, will be governed by, and construed in accordance with, the laws of the State of Delaware without giving effect to principles of conflicts of laws.

19. Agreement Subject to the Plan. This Agreement is subject to, and will be interpreted in accordance with, the Plan. In the event of a conflict between this Agreement and

the Plan, the terms of the Plan will apply. Holder hereby acknowledges receipt of a copy of the Plan, and by accepting the Award in the manner specified by the Company, he or she agrees to be bound by the terms and conditions of this Agreement, the Award, the Plan, and if applicable to the Holder, stock ownership guidelines established by the Company.

20. Section 409A. Any payment to the Holder pursuant to this Agreement is intended to be exempt from Section 409A of the Code to the maximum extent possible as a short-term deferral pursuant to Treasury Regulation §1.409A-1(b)(4). However, if this Agreement and the Award are not so exempt, this Agreement and the Award are intended to comply with the requirements of Section 409A of the Code and will be interpreted and construed consistently with such intent. In the event the terms of this Agreement would subject Holder to taxes or penalties under Section 409A of the Code (“409A Penalties”), Holder and the Company will cooperate diligently to amend the terms of this Agreement to avoid such 409A Penalties, to the extent possible; provided that in no event will the Company be responsible for any 409A Penalties that arise in connection with any amounts payable under this Agreement. To the extent any amounts under this Agreement are payable by reference to Holder’s “termination of employment,” such term will be deemed to refer to Holder’s “separation from service,” within the meaning of Section 409A of the Code. Notwithstanding any other provision in this Agreement, if Holder is a “specified employee,” as defined in Section 409A of the Code, as of the date of Holder’s separation from service, then to the extent any amount payable to Holder (a) is payable upon Holder’s separation from service, and (b) under the terms of this Agreement would be payable prior to the six-month anniversary of Holder’s separation from service, to the extent that payment under this Agreement is otherwise subject to the provisions of Section 409A of the Code, such payment will be delayed until the earlier to occur of: (x) the six-month anniversary of Holder’s separation from service and (y) the date of Holder’s death. If any applicable payment period begins in one calendar year and ends in the following calendar year, Holder shall not have the right to designate the year of the payment.

21. Counterparts. This Agreement may be executed in one or more counterparts, all of which together will constitute but one Agreement.

**FORTUNE BRANDS HOME & SECURITY, INC.
2013 LONG-TERM INCENTIVE PLAN**

Form of Performance Share Award Notice (the “Notice”)

You have been awarded target performance share awards (“PSAs”) that will be paid in shares of common stock of Fortune Brands Home & Security, Inc. (the “Company”). The number of shares of Company common stock paid (if any) at the end of the Performance Period will be based upon Company performance compared to the performance goals described below and pursuant to the terms and conditions of the Fortune Brands Home & Security, Inc. 2013 Long-Term Incentive Plan (the “Plan”) and the Performance Share Award Agreement (together with this Notice, Agreement”). In exchange for accepting the PSAs, you will be required to agree to the restrictive covenant language contained in the agreement. Copies of the Plan and the Performance Share Award Agreement are available on the UBS website (www.ubs.com/onesource/fbhs). Capitalized terms not defined in this Notice have the meanings specified in the Plan or the Agreement.

Award:	The right to earn a number of shares of Company common stock, to be paid at the end of the Performance Period, based upon the Company’s attainment of the performance goals described below.
Award Date:	February xx, 20xx
Performance Period:	January 1, 20xx – December 31, 20xx
Payout Date:	The date the Compensation Committee of the Company’s Board of Directors certifies attainment of the performance goals described below.

Performance Goals
and Percentage of
Performance Shares
Earned:

		Average ROIC (Weighted 25%)		
		Minimum xx%	Target xx%	Maximum xx%
Diluted Cumulative EPS before Charges/Gains (Weighted 75%)		% of Performance Shares Earned		
Minimum	\$ xx	0	25	50
Target	\$ xx	75	100	125
Maximum	\$ xx	150	175	200

If Company performance falls between two goals, the number of Performance Shares to be paid will be interpolated between the two applicable goals.

Adjustments:

Appropriate and equitable adjustments (which may be increases or decreases) shall be made to the Performance Goals by the Compensation Committee of the Company's Board of Directors as provided in Section 10 of the Award Agreement; provided that, except as permitted by Section 162(m) of the Internal Revenue Code, no adjustment shall be made which would result in an increase in the Holder's compensation if the Holder's compensation is subject to the limitation on deductibility under Code Section 162(m), for the year with respect to which the adjustment occurs.

**FORTUNE BRANDS HOME & SECURITY, INC.
2013 LONG-TERM INCENTIVE PLAN**

Form of [Date] Performance Share Award Agreement (the “Agreement”)

Fortune Brands Home & Security, Inc., a Delaware corporation (the “Company”), grants to the undersigned “Holder” a performance stock award subject to the terms and conditions of the Fortune Brands Home & Security, Inc. 2013 Long-Term Incentive Plan (the “Plan”) and this Agreement (collectively, the “Award”). The date of the grant, the number of shares of Common Stock of the Company to be paid to Holder under the Award (“Performance Shares”), the minimum, target and maximum goals (“Performance Measures”) and the period during which the Performance Measures may be achieved (the “Performance Period”), are provided in a separate notice outlining specifics of the Award (the “Award Notice”) and on the Plan’s online administrative system. Capitalized terms not defined in this Agreement have the meanings specified in the Plan.

1. Number of Shares Payable Pursuant to Award. Subject to the certification by the Committee and except as otherwise provided in this Agreement, the number of Performance Shares payable to Holder shall be determined based on the satisfaction of the Performance Measures as set forth in the Award Notice; provided, however, that no Performance Shares shall be payable for the Performance Period if the actual achievement of the Performance Measures is less than the minimum Performance Measures established for the Performance Period. Any Performance Shares that become payable to Holder under this Award will be issued to Holder (or, in the event of Holder’s death or termination due to Disability, Holder’s appointed and qualified executor or other personal representative) by the Company as soon as practicable following: (i) the end of the Performance Period; and (ii) the certification by the Committee of the Company’s achievement of the Performance Measures (but in any event no later than sixty (60) days following the end of the Performance Period). In addition, no fractional shares will be delivered.

2. Termination of Employment During the Performance Period.

(a) In the event of Holder’s death during the Performance Period, Holder’s beneficiary or estate (as applicable) will be entitled to receive, as soon as practicable following the certification of performance by the Committee following the end of the Performance Period (as described in Section 1 above), a payment of the number of shares of Company Common Stock, if any, that would have otherwise been payable to Holder had Holder’s death not occurred prior to the end of the Performance Period, based upon actual performance during the entire Performance Period.

(b) In the event of Holder’s Retirement or termination due to Disability (each as defined below) during the Performance Period but after the one-year anniversary of the Grant Date (as specified in the Award Notice), Holder will be entitled to receive, as soon as practicable following the certification of the Company’s performance by the Committee following the end of the Performance Period (as described in Section 1 above), a payment of the number of shares of Company Common Stock, if any, that would have otherwise been payable

to Holder had Holder's employment not terminated prior to the end of the Performance Period, based upon actual performance during the entire Performance Period. Notwithstanding the foregoing, in the event of a Change in Control (as described in Section 4 below), Holder will receive the number of shares determined under Section 4 of this Agreement, as applicable, and not this Section 2, even if Holder is eligible for Retirement when Holder's employment terminates, and payment will be made at the time specified in Section 4.

(c) For purposes of this Award, (i) "Retirement" means Holder's termination of employment (other than for Cause as described below) on or after attaining age 55 and completing five (5) years of service with the Company or its predecessors or affiliates; and (ii) Holder will have a "Disability" if Holder is receiving benefits under the long-term disability plan maintained by Holder's employer.

(d) If the Holder's employer terminates Holder's employment for Cause (as defined below) at any time prior to the certification by the Committee of the Company's achievement of the Performance Measures, then the Award will terminate immediately upon such termination of employment. For purposes of this Award, "Cause" has the same meaning as specified in any employment or other written agreement between Holder and Holder's employer regarding benefits upon termination of employment ("Termination Agreement"), provided that if Holder is not a party to a Termination Agreement that contains such definition, then Cause will have the same meaning provided for such term under the severance plan sponsored by Holder's employer and under which Holder is eligible to participate.

(e) Except as otherwise provided in Section 4 below, if Holder's employment with the Company terminates during the Performance Period for any reason other than death, Disability, or Retirement, the Award will be canceled as of Holder's termination date and Holder will not be entitled to any payment of Performance Shares.

(f) For the purposes of this Agreement, (i) a transfer of Holder's employment from the Company to a Subsidiary or vice versa, or from one Subsidiary to another, without an intervening period, will not be deemed a termination of employment; and (ii) if Holder is granted in writing a leave of absence, Holder will be deemed to have remained in the employ of the Company or a Subsidiary during such leave of absence.

3. Dividend Equivalents. Holder will be entitled to receive dividend equivalents with respect to the Award to the extent that the Company pays dividends on Company Common Stock during the Performance Period. Such dividend equivalents will be equal to the cash dividends (if any) that would have been paid to Holder for the shares of Common Stock subject to the Award had such shares been issued and outstanding on the dividend record date occurring during the Performance Period. Dividend equivalents (if any) will be subject to the same vesting conditions as the Performance Shares and will be paid to Holder in cash at the same time as the shares of Common Stock subject to the Award are delivered.

4. Termination without Cause or for Good Reason Following Change in Control. In the event of a Change in Control (as defined in the Plan), the Award will become subject to Section 5.8 of the Plan. In the event that the Performance Shares remain outstanding following a Change in Control and Holder's employment is terminated following a Change in Control but prior to the end of the Performance Period either: (i) by the Company other than for Cause, or (ii) by Holder for "Good Reason" (as defined below), the Award will become nonforfeitable and will be paid to the Holder, subject to Section 19 of this Agreement, within sixty (60) days following the date Holder's employment terminates assuming that the target Performance Measures under the Award for the entire Performance Period had been achieved; provided, however, if the Award is considered "nonqualified deferred compensation" (within the meaning of Section 409A of the Code) and (x) the Change in Control was not a "change in control event" within the meaning of Section 409A of the Code or (y) the termination of employment occurred more than two years following the occurrence of such "change in control event," then the Award shall be paid to the Holder at the time specified in Section 1 of the Agreement. For purposes of this Award, "Good Reason" will have the same meaning as such term has under any Termination Agreement, provided that if Holder is not a party to any Termination Agreement that contains such definition, then Good Reason will include any of the reasons allowing Holder to terminate employment and remain eligible for severance benefits under the severance plan sponsored by Holder's employer and under which Holder is eligible to participate.

5. No Stockholder Rights. Holder will not have any rights of a stockholder (including voting rights) or any other right, title or interest, with respect to any of the Performance Shares unless and until such shares have been recorded on the Company's official stockholder records as having been issued or transferred to Holder in the form of Common Stock of the Company.

6. Compliance with Applicable Law. The Award is subject to the condition that if the listing, registration or qualification of the shares subject to the Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the payment, delivery or issuance of Performance Shares, the shares of Common Stock subject to the Award may not be delivered, in whole or in part, unless such listing, registration, qualification, consent, approval or other action has been effected or obtained, free of any conditions not acceptable to the Company. The Company agrees to use reasonable efforts to obtain and maintain any such listing, registration, qualification, consent, approval or other action.

7. Clawback Policy. Notwithstanding any provision of the Plan or this Agreement to the contrary, outstanding Performance Shares may be cancelled, and the Company may require Holder to return shares of Company Common Stock (or the value of such stock when originally paid to Holder), dividend equivalents (if any) issued under this Award and any other amount required by applicable law to be returned, in the event that such repayment is required in order to comply with the Company's clawback policy or any laws or regulations relating to restatements of the Company's publicly-reported financial results.

8. Nontransferability. This Award may not be transferred, assigned, pledged or hypothecated in any manner, by operation of law or otherwise by Holder, other than (a) by will or by the laws of descent and distribution; or (b) pursuant to an approved domestic relations order approved in writing by the Secretary of the Committee or the Secretary's designee. Except to the extent permitted by the foregoing sentence, the Award may not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the Award, the Award and all related rights will immediately become null and void.

9. Tax Withholding. As a condition to the delivery of shares of Common Stock, Holder must, upon request by the Company, pay to the Company such amount as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to the Award. If Holder fails to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount payable by the Company to Holder, including regular salary or bonus payments. Holder may elect to satisfy his or her obligation to advance the Required Tax Payments by any of the following means: (a) a cash payment to the Company; (b) delivery to the Company (either actual delivery or by attestation procedures established by the Company) of previously owned whole shares of Common Stock having an aggregate Fair Market Value (as defined below), determined as of the date on which such withholding obligation arises (the "Tax Date"), equal to the Required Tax Payments; (c) authorizing the Company to withhold whole shares of Common Stock which would otherwise be delivered to Holder having an aggregate Fair Market Value, determined as of the Tax Date, equal to the Required Tax Payments; or (d) any combination of (a), (b) and (c). Shares of Common Stock to be delivered or withheld may not have a Fair Market Value in excess of the minimum amount of the Required Tax Payments. For purposes of this Award, "Fair Market Value" as of any date means the value determined by reference to the closing price of a share of Common Stock as finally reported on the New York Stock Exchange for the trading day immediately preceding such date. Any fraction of a share of Common Stock which would be required to satisfy any Required Tax Payment will be disregarded and the remaining amount due must be paid in cash by Holder. No share of Common Stock will be issued or delivered until the Required Tax Payments have been satisfied in full.

10. Adjustments.

(a) In the event of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar change in capitalization or event, or any distribution to holders of Common Stock other than a regular cash dividend, the number and class of securities subject to the Award will be equitably adjusted by the Committee, such adjustment to be made in accordance with Section 409A of the Code, to the extent applicable. The decision of the Committee regarding any such adjustment is final and binding.

(b) Subject to Section 162(m) of the Code, appropriate and equitable adjustments (which may be increases or decreases) will be made by the Committee to the Performance Measures to take into account changes in law or to reflect the inclusion or exclusion of the impact of extraordinary or unusual items, events or circumstances, including, but not limited to (i) changes in laws, regulations and accounting principles; (ii) actual gains or losses related to defined benefit plan accounting; and (iii) impairment and restructuring related changes.

11. No Rights to Continued Employment. In no event will the granting of the Award or its acceptance by Holder, or any provision of this Agreement or the Plan, give or be deemed to give Holder any right to continued employment by the Company, any Subsidiary or any affiliate of the Company or affect in any manner the right of the Company, any Subsidiary or any affiliate of the Company to terminate the employment of any person at any time for any reason.

12. Restrictive Covenants. In exchange for accepting the Award and in consideration of the Confidential Information (defined below) the Company provides to Holder, benefits Holder is not otherwise entitled to, Holder agrees to the following restrictive covenants:

(a) Confidential Information. Holder acknowledges that he/she has access to highly confidential information of the Company and any Subsidiary that Holder provides services to or is provided confidential information about, including but not limited to, information concerning: finances, supply and service, marketing, customers (including lists), operations, business and financial plans and strategies, and product costs, sourcing and pricing (“Confidential Information”). The Holder agrees that during his/her employment and for three years following the end of Holder’s employment (for whatever reason), Holder will protect the Confidential Information and only use it for business-related reasons; however, trade secrets will always remain protected for as long as the information qualifies as a trade secret under applicable law. Nothing in this Agreement is intended to prohibit any activity by Holder which is protected by law. The obligations of this Agreement (including, but not limited to the confidentiality obligations) do not prohibit Holder from reporting any event that Holder reasonably and in good faith believes is a violation of law to the relevant law-enforcement agency (such as the Securities and Exchange Commission, Equal Employment Opportunity Commission, or Department of Labor), cooperating in an investigation conducted by such a government agency, or disclosing to such a government agency any Confidential Information that is lawfully acquired by Holder and that Holder reasonably and in good faith believes is relevant to the matter at issue.

(b) Non-Competition. Holder agrees that he/she will not, directly or indirectly, for a period of 12 months after the end of Holder’s employment (for whatever reason), engage in a Prohibited Capacity within the Restricted Area on behalf of a business that manufactures, distributes, offers, sells or provides any Competing Products. “Competing Products” means any products and/or services that are similar in function or purpose to those offered by the Company and its Subsidiaries and as to which Holder had Involvement. “Involvement” means to have responsibilities, provide supervision, engage in dealings or receive Confidential Information about during the last two (2) years immediately preceding the end of Holder’s employment (the “Look Back Period”). “Prohibited Capacity” means to engage in the same

or similar capacity or function that Holder worked for the Company and/or its Subsidiaries at any time during the Look Back Period or in a capacity that would otherwise result in the use or disclosure of Confidential Information. "Restricted Area" means those geographic areas in which the Company and its Subsidiaries do business and as to which business Holder had Involvement.

(c) Non-Solicitation of Customers. Holder agrees that he/she will not, directly or indirectly, during his/her employment and for a period of 12 months after the end of his/her employment (for whatever reason), solicit, induce or attempt to induce (or assist others to solicit) any customers or prospective customers of the Company and its Subsidiaries to cease doing business with the Company and its Subsidiaries or to buy a Competing Product. The prohibition in this Section 12(c) only applies to customers and prospective customers with which Holder had Involvement.

(d) Non-Solicitations of Employees. Holder agrees that he/she will not, directly or indirectly, for a period of 12 months after the end of his/her employment (for whatever reason), solicit (or assist another in soliciting), induce, employ or seek to employ any individual employed by Company and/or its Subsidiaries. Where an additional restriction is required to enforce the foregoing, Holder's non-solicitation obligation is limited to employees with whom Holder had Involvement.

(e) Reasonableness of Restrictions. Holder acknowledges that the temporal, activity and geographic limitations of Sections 12(a), (b), (c) and (d) above are reasonable in scope and narrowly constructed so as to protect only the Company and its Subsidiaries' legitimate protectable interests, and will not prohibit Holder from obtaining meaningful employment following the end of Holder's employment.

(f) Tolling of Restrictive Period. The periods described in Sections 12(a), (b), (c) and (d) above shall not run during any period of time in which the Holder is in violation of this paragraph, and shall toll during any such period of violation. If Holder resides in and is subject to the laws of Wisconsin, then this paragraph shall not apply.

(g) General. (i) Before accepting new employment, Holder will advise any such future employer of the restrictions in this Agreement. Holder agrees that the Company and its Subsidiaries may advise any such future employer or prospective employer of this Agreement and their position on the potential application of this Agreement without such giving rise to any legal claim. (ii) The obligations in this Agreement shall survive the termination of Holder's employment and shall, likewise, continue to apply and be valid notwithstanding any change in Holder's employment terms (such as, without limitation, a change in duties, responsibilities, compensation, position or title). (iii) The Subsidiaries are third party beneficiaries of the Agreement and may enforce the Agreement without the need for further consent or agreement by the Holder. (iv) If either party waives his, her, or its right to pursue a claim for the other's breach of any provision of the Agreement, the waiver will not extinguish that party's right to pursue a claim for a subsequent breach. (v) This Agreement shall not be construed to supersede or replace any prior agreements containing confidentiality, nondisclosure, non-competition and non-solicitation provisions. Rather, the restrictions in this Agreement shall be read together with such prior agreements to afford the Company and its Subsidiaries the broadest protections allowed by law. (vi) If a court finds

any of the Agreement's restrictions unenforceable as written, the parties agree the court is authorized and expected under the terms of this Agreement to revise the restriction (for the jurisdiction covered by that court only) so as to make it enforceable, or if such revision is not permitted then to enforce the otherwise unreasonable or unenforceable restriction to such lesser extent as would be deemed reasonable and lawful within that jurisdiction.

13. Decisions of Board or Committee. The Board or the Committee has the right to resolve all questions which may arise in connection with the Award. Any interpretation, determination or other action made or taken by the Board or the Committee regarding the Plan or this Agreement is final and binding.

14. Successors. This Agreement is binding upon and will inure to the benefit of any successor or successors of the Company and any person or persons who, upon the death of Holder, may acquire any rights in accordance with this Agreement or the Plan.

15. Notices. All notices, requests or other communications provided for in this Agreement will be made, if to the Company, to Fortune Brands Home & Security, Inc., Attn. Secretary of the Compensation Committee of the Board of Directors, 520 Lake Cook Road, Deerfield, Illinois 60015, and if to Holder, to the last known mailing address of Holder contained in the records of the Company. All notices, requests or other communications provided for in this Agreement will be made in writing either (a) by personal delivery; (b) by facsimile or electronic mail with confirmation of receipt; (c) by mailing in the United States mails; or (d) by express courier service. The notice, request or other communication will be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the intended party if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Company is not received during regular business hours, it will be deemed to be received on the next succeeding business day of the Company.

16. Partial Invalidity. The invalidity or unenforceability of any particular provision of this Agreement will not affect any other provisions of this Agreement and this Agreement will be construed in all respects as if such invalid or unenforceable provisions were omitted.

17. Governing Law. This Agreement, the Award and all determinations made and actions taken with respect to this Agreement or Award, to the extent not governed by the Code or the laws of the United States, will be governed by, and construed in accordance with, the laws of the State of Delaware without giving effect to principles of conflicts of laws.

18. Agreement Subject to the Plan. This Agreement is subject to, and will be interpreted in accordance with, the Plan. In the event of a conflict between this Agreement and the Plan, the terms of the Plan will apply. Holder hereby acknowledges receipt of a copy of the Plan, and by accepting the Award in the manner specified by the Company, he or she agrees to be bound by the terms and conditions of this Agreement, the Award, the Plan, and if applicable to the Holder, stock ownership guidelines established by the Company.

19. Section 409A. Any payment of Performance Shares to the Holder pursuant to this Agreement is intended to be exempt from Section 409A of the Code to the maximum

extent possible as a short-term deferral pursuant to Treasury Regulation §1.409A-1(b)(4). However, if this Agreement and the Award are not so exempt, then this Agreement and Award are intended to comply with the requirements of Section 409A of the Code and will be interpreted and construed consistently with such intent. In the event the terms of this Agreement would subject Holder to taxes or penalties under Section 409A of the Code ("409A Penalties"), Holder and the Company will cooperate diligently to amend the terms of this Agreement to avoid such 409A Penalties, to the extent possible; provided that in no event will the Company be responsible for any 409A Penalties that arise in connection with any amounts payable under this Agreement. To the extent this Award constitutes "nonqualified deferred compensation" within the meaning of Section 409A of the Code, no Performance Shares which become issuable or distributable under this Agreement by reason of the Holder's separation from service (as defined under Section 409A of the Code) shall actually be issued or distributed to Holder prior to the *earlier* of (i) the first day of the seventh (7th) month following the date of such separation from service or (ii) the date of Holder's death, if Holder is deemed at the time of such separation from service to be a specified employee under Section 1.409A-1(i) of the Treasury Regulations, as determined by the Company in accordance with consistent and uniform standards applied to all other Section 409A arrangements of the Company, and such delayed commencement is otherwise required in order to avoid a prohibited distribution under Section 409A(a)(2) of the Code. The deferred Performance Shares shall be issued or distributed in a lump sum on the first day of the seventh (7th) month following the date of Holder's separation from service or, if earlier, the first day of the month immediately following the date the Company receives proof of Holder's death

20. Counterparts. This Agreement may be executed in one or more counterparts, all of which together will constitute but one Agreement.

CERTIFICATION

I, Christopher J. Klein, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2016 of Fortune Brands Home & Security, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2016

/s/ Christopher J. Klein
Christopher J. Klein
Chief Executive Officer

CERTIFICATION

I, E. Lee Wyatt, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2016 of Fortune Brands Home & Security, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2016

/s/ E. Lee Wyatt, Jr.

E. Lee Wyatt, Jr.
Senior Vice President and
Chief Financial Officer

**JOINT CEO/CFO CERTIFICATE REQUIRED PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

Each of the undersigned, the Chief Executive Officer and the Senior Vice President and Chief Financial Officer of Fortune Brands Home & Security, Inc. (the "Company"), hereby certifies pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of the Company on Form 10-Q for the period ended March 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and the results of operations of the Company.

Dated: April 28, 2016

/s/ Christopher J. Klein

Christopher J. Klein
Chief Executive Officer

/s/ E. Lee Wyatt, Jr.

E. Lee Wyatt, Jr.
Senior Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Fortune Brands Home & Security, Inc. and will be retained by Fortune Brands Home & Security, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.