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

Form 10-K

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

For the fiscal year ended December 31, 2016

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)	**62-1411546** (IRS Employer Identification No.)

520 Lake Cook Road, Deerfield, IL 60015-5611
(Address of Principal Executive Offices) (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this annual report on Form 10-K or any amendment to this annual report on Form 10-K. ☒

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 ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

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

The aggregate market value of the registrant's voting common equity held by non-affiliates of the registrant at June 30, 2016 (the last day of the registrant's most recent second quarter) was $8,858,346,599. The number of shares outstanding of the registrant's common stock, par value $0.01 per share, at February 3, 2017, was 153,077,974.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the registrant's proxy statement for its Annual Meeting of Stockholders to be held on May 2, 2017 (to be filed not later than 120 days after the end of the registrant's fiscal year) (the "2017 Proxy Statement") is incorporated by reference into Part III hereof.

Form 10-K Table of Contents

		Page
PART I		
Item 1.	Business.	1
Item 1A.	Risk Factors.	8
Item 1B.	Unresolved Staff Comments.	13
Item 2.	Properties.	14
Item 3.	Legal Proceedings.	14
Item 4.	Mine Safety Disclosures.	14
Executive Officers of the Registrant.		14
PART II		
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.	16
Item 6.	Selected Financial Data.	18
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations.	19
	Results of Operations	22
	2016 Compared to 2015	24
	2015 Compared to 2014	27
	Liquidity and Capital Resources	30
	Critical Accounting Policies and Estimates	37
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk.	42
Item 8.	Financial Statements and Supplementary Data.	44
	Notes to Consolidated Financial Statements	49
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.	88
Item 9A.	Controls and Procedures.	88
Item 9B.	Other Information.	88
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance.	89
Item 11.	Executive Compensation.	89
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	89
Item 13.	Certain Relationships and Related Transactions, and Director Independence.	89
Item 14.	Principal Accountant Fees and Services.	89
PART IV		
Item 15.	Exhibits and Financial Statement Schedules	90
Item 16.	Form 10-K Summary	90
Signatures		91
Schedule II	Valuation and Qualifying Accounts	92

PART I

Item 1. Business.

Cautionary Statement Concerning Forward-Looking Statements

This Annual Report on Form 10-K contains certain “forward-looking statements” made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), regarding expected capital spending, expected pension contributions, the anticipated effects of recently issued accounting standards on our financial statements, planned business strategies, market potential, future financial performance and other matters. Statements that 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 is based on the current plans and expectations at the time this report is filed with the Securities and Exchange Commission (the “SEC”) or, with respect to any documents incorporated by reference, available at the time such document was prepared or filed with the SEC. Although we believe that these statements are based on reasonable assumptions, they are subject to numerous factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those indicated in such statements. These factors include those listed in the section below entitled “Risk Factors.” Except as required by law, we undertake no obligation to update or revise 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.

Unless the context otherwise requires, references in this Annual Report on Form 10-K to “Fortune Brands,” the “Company,” “we,” “our” or “us” refer to Fortune Brands Home & Security, Inc. and its consolidated subsidiaries.

Our Company

We are a leading home and security products company that competes in attractive long-term growth markets in our product categories. With a foundation of market-leading brands across a diversified mix of channels, and lean and flexible supply chains, as well as a tradition of strong product innovation and customer service, we are focused on outperforming our markets in both growth and returns, and driving increased shareholder value. We have four business segments: Cabinets, Plumbing, Doors and Security. We sell our products through a wide array of sales channels, including kitchen and bath dealers, wholesalers oriented toward builders or professional remodelers, industrial and locksmith distributors, “do-it-yourself” remodeling-oriented home centers and other retail outlets. We believe the Company’s impressive track record reflects the long-term attractiveness and potential of our categories and our leading brands. Our performance in the five years since becoming an independent publicly traded company demonstrates the strength of our operating model and our ability to generate profitable growth as sales volume increases and we leverage our structural competitive advantages to gain share in our categories. In 2016, we celebrated our five-year anniversary as an independent company and we were added to the S&P 500 Index.

Our Strategy

Build on leading business and brand positions in attractive growth and return categories. We believe that we have leading market positions and brands in many of our product categories. We continue to plan to invest in targeted advertising and other strategic initiatives aimed

at enhancing brand awareness and educating consumers regarding the breadth, features and benefits of our product lines. For example, in the third quarter of 2016, Moen launched its new “Buy it for…” advertising campaign. We also strive to leverage our brands by expanding into adjacent product categories and continue to develop new programs by working closely with our customers.

Continue to develop innovative products for customers, designers, installers and consumers. Sustained investments in consumer-driven product innovation and customer service, along with our low cost structures, have contributed to our success in the marketplace and creating consumer demand. In 2016, MasterBrand Cabinets which provides a wide range of cabinets for the home, launched innovative new cabinet door designs, color palettes and features in a range of styles that allows consumers to create a custom kitchen look at an affordable price and introduced new, exclusive laminate door and finish options across multiple price segments. We continue to provide channel support with responsive websites featuring our cabinet brands that drives consumer leads to our partner dealers. In 2016, we created the Global Plumbing Group (“GPG”), a strategic platform designed to accelerate growth opportunities and transform our existing plumbing business. We expanded our brand presence in plumbing through the acquisition of Riobel Inc. (“Riobel”), a Canadian premium showroom brand. We also acquired ROHL LLC (“ROHL”), a California-based luxury brand and in a related transaction, we acquired TCL Manufacturing Ltd, which gave us ownership of Perrin & Rowe Limited (“Perrin & Rowe”), a UK manufacturer and designer of luxury kitchen and bathroom plumbing products. In addition, GPG’s legacy brand, Moen had a number of innovative product launches in 2016, including a customizable shower technology with personal device integration. The Therma-Tru portfolio of on-trend door and glass collections continued to evolve to meet current and emerging architectural design trends including wider and taller door styles, expanding panel configurations, as well as additional decorative, privacy and textured glass designs. Master Lock continued to be an innovation leader in security and safety products and services, driven by consumer and end user focused insights with continued emphasis on electronic enabled solutions for enhanced capability and convenience. In 2016, Master Lock launched new products including stainless steel padlocks, resettable combination outdoor locks and lock boxes; all of which deliver improved weather protection, enhanced security, and improved ease of use for end users. SentrySafe continued to provide a full line portfolio of quality security, fire and water resistant safes to help consumers and small business owners protect documents and valuables.

Expand in international markets. We expect to have opportunities to expand sales by further penetrating international markets, which represented approximately 15% of net sales in 2016. We continue to develop our relationship with dealers and distributors and their Moen branded stores throughout China. In our Cabinets segment, Kitchen Craft remained a leading cabinetry brand in Canada in 2016, while WoodCrafters provided a company presence in Mexico. Master Lock continued to expand its presence in Europe and Asia (primarily Japan), while Therma-Tru made inroads in Canada as consumers transitioned from traditional entry door materials to more advanced and energy-efficient fiberglass doors.

Leverage our global supply chains. We are using lean manufacturing, design-to-manufacture and distributive assembly techniques to make our supply chains more flexible and improve supply chain quality, cost, response times and asset efficiency. We view our supply chains as a strategic asset not only to support strong operating leverage as volumes increase, but also to enable the profitable growth of new products, adjacent market expansion and international growth. We invested in innovative supply chain initiatives, including entering into a joint venture agreement to operate a manufacturing facility in China.

Enhance returns and deploy our cash flow to high-return opportunities. We continue to believe our most attractive opportunities are to invest in profitable organic growth initiatives, pursue accretive strategic acquisitions and joint ventures, and return cash to shareholders through a

combination of dividends and repurchases of shares of our common stock under our share repurchase program. Both add-on acquisitions and share repurchase opportunities may be particularly attractive in the next few years. In 2016, we took a number of steps to position ourselves for the future by creating GPG, completing acquisitions under GPG, amending and restating our credit agreement to combine and rollover the existing revolving credit facility and term loan into a new standalone $1.25 billion revolving credit facility, completing the integration of our Norcraft Companies, Inc. ("Norcraft") business, investing in capacity, strategically repurchasing our shares and increasing the quarterly cash dividend by 13% to $0.18 per share of our common stock.

Our Competitive Strengths

We believe our competitive strengths include the following:

Leading brands. We have leading brands in many of our product categories. We believe that established brands are meaningful to both consumers and trade customers in their respective categories and that we have the opportunity to, among other things, continue to expand many of our brands into adjacent product categories and international markets.

Strategic focus on attractive consumer-facing categories. We believe we operate in categories that, while very competitive, are among the more attractive categories in the home products and security products markets. Some of the key characteristics that make these categories attractive in our view include the following:

- product quality, innovation, fashion, finish, durability and functionality, which are key determinants of product selection in addition to price;
- established brands, which are meaningful to both consumers and trade customers;
- the opportunity to add value to a complex consumer purchasing decision with excellent service propositions, reliability of products, ease of installation and superior delivery lead times;
- the value our products add to a home, particularly with kitchen and bath remodeling and additions, and the curb appeal offered by stylish entry door systems;
- favorable long-term trends in household formations that benefit the outlook for our markets over time;
- the relatively stable demand for plumbing and security products; and
- the opportunity to expand into adjacent categories.

Operational excellence. We believe our investments in lean manufacturing and productivity initiatives have resulted in supply chain flexibility and the ability to cost-effectively add or reduce capacity in order to match demand levels. In 2016, we invested in incremental capacity to support long-term growth potential both in the U.S. and international markets. In addition, our supply chains and low cost structures have created favorable operating leverage allowing volumes to grow without sacrificing customer service levels. We believe that margin improvement will continue to be driven predominantly by organic volume growth that can be readily accommodated by additional production shifts and equipment as necessary.

Commitment to innovation. We have a long track record of successful product and process innovations that introduce valued new products and services to our customers and consumers. We are committed to continuing to invest in new product development and enhance customer service to strengthen our leading brands and penetrate adjacent markets.

Diverse sales end-use mix. We sell in a variety of product categories in the U.S. home and security products markets. In addition, our exposure to changing levels of U.S. residential new home construction activity is balanced with repair-and-remodel activity, which comprised a substantial majority of the overall U.S. home products market and about two-thirds of our U.S. home products sales. We also benefit from a stable market for plumbing and security products and international sales growth opportunities.

Diverse sales channels. We sell through a wide array of sales channels, including kitchen and bath dealers, wholesalers oriented to builders or professional remodelers, industrial and locksmith distributors, "do-it-yourself" remodeling-oriented home centers and other retail outlets. We also sell security products to locksmiths, industrial distributors and mass merchants. We are able to leverage existing sales channels to expand into adjacent product categories. In 2016, sales to our top ten customers represented less than half of total sales.

Decentralized business model. Our business segments are focused on distinct product categories and are responsible for their own performance. This structure enables each of our segments to independently best position itself within each category in which it competes and reinforces strong accountability for operational and financial performance. Each of our segments focus on its unique set of consumers, customers, competitors and suppliers, while also sharing best practices.

Strong capital structure. We exited 2016 with a strong balance sheet. In 2016, we repurchased $424.5 million of our shares. We amended and restated our credit agreement to combine and rollover the existing revolving credit facility and term loan into a new standalone $1.25 billion revolving credit facility. As of December 31, 2016, we had $251.5 million of cash and cash equivalents and total debt was $1,431.1 million, resulting in a net debt position of $1,179.6 million. In addition, we had $710.0 million available under our credit facilities as of December 31, 2016.

Business Segments

We have four business segments: Cabinets, Plumbing, Doors and Security. The following table shows net sales for each of these segments and key brands within each segment:

Segment	2016 Net Sales (in millions)	Percentage of Total 2016 Net Sales	Key Brands
Cabinets	$ 2,398	48%	Aristokraft, Mid-Continent, Diamond, Kitchen Classics, Kitchen Craft, Schrock, Omega, Homecrest, Thomasville[(a)], StarMark, Ultracraft
Plumbing	1,534	31%	Moen, Riobel, ROHL, Perrin & Rowe, Cleveland Faucet Group (CFG), Waste King, Creative Specialties
Doors	473	9%	Therma-Tru, Fypon
Security	580	12%	Master Lock, American Lock, SentrySafe
Total	$ 4,985	100%	

(a) Thomasville is a registered trademark of Hhg Global Designs LLC.

Our segments compete on the basis of innovation, fashion, quality, price, service and responsiveness to distributor, retailer and installer needs, as well as end-user consumer preferences. Our markets are very competitive. Approximately 15% of 2016 net sales were to international markets, and sales to two of the Company's customers, The Home Depot, Inc. ("The Home Depot") and Lowe's Companies, Inc. ("Lowe's"), each accounted for more than 10% of the Company's net sales in 2016. Sales to all U.S. home centers in the aggregate were approximately 27% of net sales in 2016.

Cabinets. Our Cabinets segment manufactures custom, semi-custom and stock cabinetry, as well as vanities, for the kitchen, bath and other parts of the home through a regional supply chain footprint to deliver high quality and service to our customers. This segment sells a portfolio of brands that enables our customers to differentiate themselves against competitors. This portfolio includes brand names such as Aristokraft, Mid-Continent, Diamond, Kitchen Classics, Kitchen Craft, Schrock, Omega, Homecrest, Thomasville, StarMark and Ultracraft. Substantially all of this segment's sales are in North America. This segment sells directly to kitchen and bath dealers, home centers, wholesalers and large builders. In aggregate, sales to The Home Depot and Lowe's comprised approximately 33% of net sales of the Cabinets segment in 2016. This segment's competitors include Masco, American Woodmark and RSI, as well as a large number of regional and local suppliers.

Plumbing. Our Plumbing segment manufactures or assembles and sells faucets, accessories, kitchen sinks and waste disposals in North America and China, predominantly under the Moen, Riobel, ROHL, Perrin & Rowe and Waste King brands. Although this segment sells products principally in the U.S., Canada and China, this segment also sells in Mexico, Southeast Asia, Europe and South America. Approximately 24% of 2016 net sales were to international markets. This segment sells directly through its own sales force and indirectly through independent manufacturers' representatives, primarily to wholesalers, home centers, mass merchandisers and industrial distributors. In aggregate, sales to The Home Depot and Lowe's comprised approximately 25% of net sales of the Plumbing segment in 2016. This segment's chief competitors include Delta (owned by Masco), Kohler, Pfister (owned by Spectrum Brands), American Standard (owned by LIXIL Group), InSinkErator (owned by Emerson Electronic Company) and imported private-label brands.

Doors. Our Doors segment manufactures and sells fiberglass and steel entry door systems under the Therma-Tru brand and urethane millwork product lines under the Fypon brand. This segment benefits from the long-term trend away from traditional materials, such as wood, steel and aluminum, toward more energy-efficient and durable synthetic materials. Therma-Tru products include fiberglass and steel residential entry door and patio door systems, primarily for sale in the U.S. and Canada. This segment's principal customers are home centers, millwork building products and wholesale distributors, and specialty dealers that provide products to the residential new construction market, as well as to the remodeling and renovation markets. In aggregate, sales to The Home Depot and Lowe's comprised approximately 16% of net sales of the Doors segment in 2016. This segment's competitors include Masonite, JELD-WEN, Plastpro and Pella.

Security. Our Security segment's products consist of locks, safety and security devices, and electronic security products manufactured, sourced and distributed under the Master Lock brand and fire resistant safes, security containers and commercial cabinets manufactured, sourced and distributed under the SentrySafe brand. This segment sells products principally in the U.S., Canada, Europe, Central America, Japan and Australia. Approximately 26% of 2016 net sales were to international markets. This segment manufactures and sells key-controlled and combination padlocks, bicycle and cable locks, built-in locker locks, door hardware, automotive, trailer and towing locks, electronic access control solutions, and other specialty safety and security devices for consumer use to hardware, home center and other retail outlets. In addition, the segment sells lock systems and fire resistant safes to locksmiths, industrial and institutional users, and original equipment manufacturers. In aggregate, sales to The Home Depot and Lowe's comprised approximately 17% of the net sales of

Table of Contents

the Security segment in 2016. Master Lock competes with Abus, W.H. Brady, Hampton, Kwikset (owned by Spectrum Brands), Schlage (owned by Allegion), Assa Abloy and various imports, and SentrySafe competes with First Alert, Magnum, Fortress, Stack-On and Fire King.

Annual net sales for each of the last three fiscal years for each of our business segments were as follows:

(In millions)	*2016*	2015	2014
Cabinets	$ 2,397.8	$ 2,173.4	$ 1,787.5
Plumbing	1,534.4	1,414.5	1,331.0
Doors	473.0	439.1	413.9
Security	579.7	552.4	481.2
Total	$ 4,984.9	$ 4,579.4	$ 4,013.6

For additional financial information for each of our business segments, refer to Note 18, "Information on Business Segments," to the Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

Other Information

Raw materials. The table below indicates the principal raw materials used by each of our segments. These materials are available from a number of sources. Volatility in the prices of commodities and energy used in making and distributing our products impacts the cost of manufacturing our products.

Segment	Raw Materials
Cabinets	Hardwoods (maple, cherry and oak), plywood and particleboard
Plumbing	Brass, zinc, resins, stainless steel and copper
Doors	Glass, resins, wood, aluminum, steel and foam
Security	Rolled steel, brass and resins

Intellectual property. Product innovation and branding are important to the success of our business. In addition to the brand protection offered by our trademarks, patent protection helps distinguish our unique product features in the market by preventing copying and making it more difficult for competitors to benefit unfairly from our design innovation. We hold U.S. and foreign patents covering various features used in products sold within all of our business segments. Although each of our segments relies on a number of patents and patent groups that, in the aggregate, provide important protections to the Company, no single patent or patent group is material to any of the Company's segments.

Employees. As of December 31, 2016, we had approximately 22,700 full-time employees. 2,436 of these employees are covered by collective bargaining agreements. A majority of these employees are subject to collective bargaining agreements that will expire within one year of the date on which this Annual Report on Form 10-K was filed. Employee relations are generally good.

Information about geographic areas. For additional information about net sales and assets by geographic areas, refer to Note 18, "Information on Business Segments," to the Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

Seasonality. All of our operating segments traditionally experience lower sales in the first quarter of the year when new home construction, repair-and-remodel activity and security buying are at their

lowest. As a result of sales seasonality and associated timing of working capital fluctuations, our cash flow from operating activities is typically higher in the second half of the year.

Environmental matters. 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. Uncertainties about the status of laws, regulations, technology and information related to individual sites make it difficult to develop estimates of environmental remediation exposures. Some of the potential liabilities relate to sites we own, and some relate to sites we no longer own or never owned. Several of our subsidiaries have been designated as potentially responsible parties ("PRP") under "Superfund" or similar state laws. As of December 31, 2016, eleven such instances have not been dismissed, settled or otherwise resolved. In 2016, one of our subsidiaries was identified as a PRP in a new instance and no instances were settled, dismissed or otherwise resolved. In most instances where our subsidiaries are named as a PRP, we enter into cost-sharing arrangements with other PRPs. We give notice to insurance carriers of potential PRP liability, but very rarely, if ever, receive reimbursement from insurance for PRP costs. We believe that the cost of complying with the present environmental protection laws, before considering estimated recoveries either from other PRPs or insurance, will not have a material adverse effect on our results of operations, cash flows or financial condition. At December 31, 2016 and 2015, we had accruals of $1.0 million and $2.8 million, respectively, relating to environmental compliance and cleanup including, but not limited to, the above mentioned Superfund sites. Our year over year accrual decreased after we completed the remediation at one location.

Legal structure. Fortune Brands Home & Security, Inc. is a holding company that was initially organized as a Delaware corporation in 1988. Wholly-owned subsidiaries of the Company include MasterBrand Cabinets, Inc., Moen Incorporated, Fortune Brands Global Plumbing Group LLC, Fortune Brands Doors, Inc. and Fortune Brands Storage & Security LLC. As a holding company, we are a legal entity separate and distinct from our subsidiaries. Accordingly, the rights of the Company, and thus the rights of our creditors (including holders of debt securities and other obligations) and stockholders to participate in any distribution of the assets or earnings of any subsidiary is subject to the claims of creditors of the subsidiary, except to the extent that claims of the Company itself as a creditor of such subsidiary may be recognized, in which event the Company's claims may in certain circumstances be subordinate to certain claims of others. In addition, as a holding company, the source of our unconsolidated revenues and funds is dividends and other payments from subsidiaries. Our subsidiaries are not limited by long-term debt or other agreements in their abilities to pay cash dividends or to make other distributions with respect to their capital stock or other payments to the Company.

Available Information. The Company's website address is www.FBHS.com. The Company's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports are available free of charge on the Company's website as soon as reasonably practicable after the reports are filed or furnished electronically with the SEC. These documents also are made available to read and copy at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information about the Public Reference Room by contacting the SEC at 1-800-SEC-0330. Reports filed with the SEC are also made available on its website at www.sec.gov. We also make available on our website, or in printed form upon request, free of charge, our Corporate Governance Principles, Code of Business Conduct and Ethics, Code of Ethics for Senior Financial Officers, Charters for the Committees of our Board of Directors and certain other information related to the Company.

Item 1A. Risk Factors.

There are inherent risks and uncertainties associated with our business that could adversely affect our business, financial condition or operating results. Set forth below are descriptions of those risks and uncertainties that we currently believe to be material, but the risks and uncertainties described below are not the only risks and uncertainties that could adversely affect our business, financial condition or operating results. If any of the following risks materialize, our business, financial condition or operating results could suffer. In this case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Relating to Our Business

Our business primarily relies on North American home improvement, repair and remodel and new home construction activity levels, all of which are impacted by risks associated with fluctuations in the housing market. Downward changes in the general economy, the housing market or other business conditions could adversely affect our results of operations, cash flows and financial condition.

Our business primarily relies on home improvement, repair and remodel, and new home construction activity levels, principally in North America. The housing market is sensitive to changes in economic conditions and other factors, such as the level of employment, access to labor, consumer confidence, consumer income, availability of financing and interest rate levels. Adverse changes in any of these conditions generally, or in any of the markets where we operate, could decrease demand and could adversely impact our businesses by: causing consumers to delay or decrease homeownership; making consumers more price conscious resulting in a shift in demand to smaller, less expensive homes; making consumers more reluctant to make investments in their existing homes, including large kitchen and bath repair and remodel projects; or making it more difficult to secure loans for major renovations. Although the U.S. new home construction market is improving, demand for new homes is still recovering after the 2007-2009 U.S. economic recession and continues to remain below historical levels.

We operate in very competitive consumer and trade brand categories.

The markets in which we operate are very competitive. Although we believe that competition in our businesses is based largely on product quality, consumer and trade brand reputation, customer service and product features, as well as fashion, innovation and ease of installation, price is a significant factor for consumers as well as our trade customers. Some of our competitors may resort to price competition to sustain market share and manufacturing capacity utilization. Also, certain large customers continue to offer private-label brands that compete with some of our product offerings as a lower-cost alternative. The strong competition that we face in all of our businesses may adversely affect our profitability and revenue levels, as well as our results of operations, cash flows and financial condition.

Risks associated with strategic acquisitions and joint ventures could adversely affect our results of operations, cash flows and financial condition.

We consider acquisitions and joint ventures as a means of enhancing shareholder value. Acquisitions and joint ventures involve risks and uncertainties, including difficulties integrating acquired companies and operating joint ventures; difficulties retaining the acquired businesses' customers and brands; the inability to achieve the expected financial results and benefits of transactions; the loss of key employees from acquired companies; implementing and maintaining consistent standards, controls, policies and information systems; and diversion of management's attention from other business matters. Future acquisitions could cause us to incur additional debt or issue shares, resulting in dilution in earnings per share and return on capital.

We may not successfully develop new products or improve existing products.

Our success depends on meeting consumer needs and anticipating changes in consumer preferences with successful new products and product improvements. We aim to introduce products and new or improved production processes proactively to offset obsolescence and decreases in sales of existing products. While we devote significant focus to the development of new products, we may not be successful in product development and our new products may not be commercially successful. In addition, it is possible that competitors may improve their products more rapidly or effectively, which could adversely affect our sales. Furthermore, market demand may decline as a result of consumer preferences trending away from our categories or trending down within our brands or product categories, which could adversely impact our results of operations, cash flows and financial condition.

Risks associated with our ability to improve organizational productivity and global supply chain efficiency and flexibility could adversely affect our results of operations, cash flows and financial condition.

We regularly evaluate our organizational productivity and global supply chains and assess opportunities to increase capacity, reduce costs and enhance quality. We strive to enhance quality, speed and flexibility to meet changing and uncertain market conditions, as well as manage cost inflation, including wages, pension and medical costs. Our success depends in part on refining our cost structure and supply chains to promote consistently flexible and low cost supply chains that can respond to market changes to protect profitability and cash flow or ramp up quickly and effectively to meet demand. Failure to achieve the desired level of quality, capacity or cost reductions could impair our results of operations, cash flows and financial condition.

Risks associated with global commodity and energy availability and price volatility, as well as the possibility of sustained inflation, could adversely affect our results of operations, cash flows and financial condition.

We are exposed to risks associated with global commodity price volatility arising from restricted or uneven supply conditions, the sustained expansion and volatility of demand from emerging markets, potentially unstable geopolitical and economic variables, weather and other unpredictable external factors. We buy raw materials that contain commodities such as brass, zinc, steel, wood, glass and petroleum-based products such as resins. In addition, our distribution costs are significantly impacted by the price of oil and diesel fuel. Decreased availability and increased or volatile prices for these commodities, as well as energy used in making, distributing and transporting our products, could increase the costs of our products. While in the past we have been able to mitigate the impact of these cost increases through productivity improvements and passing on increasing costs to our customers over time, there is no assurance that we will be able to offset such cost increases in the future, and the risk of potentially sustained high levels of inflation could adversely impact our results of operations, cash flows and financial condition. While we may use derivative contracts to limit our short-term exposure to commodity price volatility, the commodity exposures under these contracts could still be material to our results of operations, cash flows and financial condition. In addition, in periods of declining commodity prices, these derivative contracts may have the short-term effect of increasing our expenditures for these raw materials.

We manufacture, source and sell products internationally and are exposed to risks associated with doing business globally.

We manufacture, source or sell our products in a number of locations throughout the world, predominantly in the U.S., Canada, China, Europe and Mexico. Accordingly, we are subject to risks

associated with potential disruption caused by changes in political, economic and social environments, including civil and political unrest, terrorism, possible expropriation, local labor conditions, changes in laws, regulations and policies of foreign governments and trade disputes with the U.S., and U.S. laws affecting activities of U.S. companies abroad. Risks inherent to international operations include: potentially adverse tax laws, unfavorable changes or uncertainty relating to trade agreements or importation duties, uncertainty regarding clearance and enforcement of intellectual property rights, risks associated with the Foreign Corrupt Practices Act and difficulty enforcing contracts. While we hedge certain foreign currency transactions, a change in the value of the currencies will impact our financial statements when translated into U.S. dollars. In addition, fluctuations in currency can adversely impact the cost position of our products in local currency, making it more difficult for us to compete. Our success will depend, in part, on our ability to effectively manage our businesses through the impact of these potential changes. In addition, we source certain raw materials, components and finished goods from China where we have experienced higher manufacturing costs and longer lead times due to currency fluctuations, higher wage rates, labor shortages and higher raw material costs.

Changes in government and industry regulatory standards could adversely affect our results of operations, cash flows and financial condition.

Government regulations and policies pertaining to trade agreements, health and safety (including protection of employees as well as consumers), taxes and environmental concerns continue to emerge domestically, as well as internationally. In particular, there may be additional tariffs or taxes related to our imported inputs and finished goods. It is necessary for us to comply with current requirements (including requirements that do not become effective until a future date), and even more stringent requirements could be imposed on our products or processes in the future. Compliance with changes in taxes, tariffs and other regulations may require us to alter our manufacturing and installation processes and our sourcing. Such actions could increase our capital expenditures and adversely impact our results of operations, cash flows and financial condition.

Our inability to secure and protect our intellectual property rights could negatively impact revenues and brand reputation.

We have many patents, trademarks, brand names and trade names that are important to our business. Unauthorized use of these intellectual property rights may not only erode sales of our products, but may also cause significant damage to our brand name and reputation, interfere with our ability to effectively represent the Company to our customers, contractors and suppliers, and increase litigation costs. There can be no assurance that our efforts to protect our brands and trademark rights will prevent violations. In addition, existing patent, trade secret and trademark laws offer only limited protection, and the laws of some countries in which our products are or may be developed, manufactured or sold may not fully protect our intellectual property from infringement by others. There can be no assurance that our efforts to assess possible third party intellectual property rights will ensure that Company’s ability to manufacture, distribute, market or sell in any given country or territory. Furthermore, others may assert intellectual property infringement claims against us or our customers.

Our businesses rely on the performance of wholesale distributors, dealers and other marketing arrangements and could be adversely affected by poor performance or other disruptions in our distribution channels and customers.

We rely on a distribution network comprised of consolidating customers. Any disruption to the existing distribution channels could adversely affect our results of operations, cash flows and financial condition. The consolidation of distributors or the financial instability or default of a distributor or one

of its major customers could potentially cause such a disruption. In addition to our own sales force, we offer our products through a variety of third-party distributors, representatives and retailers. Certain of our distributors, representatives or retailers may also market other products that compete with our products. The loss or termination of one or more of our major distributors, representatives or retailers, the failure of one or more of our distributors or representatives to effectively promote our products, or changes in the financial or business condition of these distributors or representatives could affect our ability to bring products to market.

Our pension costs and funding requirements could increase as a result of volatility in the financial markets and changes in interest rates and actuarial assumptions.

Increases in the costs of pension benefits may continue and negatively affect our business as a result of: the effect of potential declines in the stock and bond markets on the performance of our pension plan assets; potential reductions in the discount rate used to determine the present value of our benefit obligations; and changes to our investment strategy that may impact our expected return on pension plan assets assumptions. U.S. generally accepted accounting principles require that we calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions about financial markets and interest rates, which may change based on economic conditions. Our accounting policy for defined benefit plans may subject earnings to volatility due to the recognition of actuarial gains and losses and amortization of liability savings, particularly due to the change in the fair value of pension assets and interest rates. Funding requirements for our U.S. pension plans may become more significant. However, the ultimate amounts to be contributed are dependent upon, among other things, interest rates, underlying asset returns and the impact of legislative or regulatory changes related to pension funding obligations.

Risks associated with the disruption of operations could adversely affect our results of operations, cash flows and financial condition.

We manufacture a significant portion of the products we sell. Any prolonged disruption in our operations, whether due to technical or labor difficulties, weather, lack of raw material or component availability, startup inefficiencies for new operations, destruction of or damage to any facility (as a result of natural disasters, fires and explosions, use and storage of hazardous materials or other events) or other reasons, could negatively impact our profitability and competitive position and adversely affect our results of operations, cash flows and financial condition.

Our inability to obtain raw materials and finished goods in a timely and cost-effective manner from suppliers could adversely affect our ability to manufacture and market our products.

We purchase raw materials to be used in manufacturing our products and also rely on third-party manufacturers as a source for finished goods. We typically do not enter into long-term contracts with our suppliers or sourcing partners. Instead, most raw materials and sourced goods are obtained on a “purchase order” basis. In addition, in some instances we maintain single-source or limited-source sourcing relationships, either because multiple sources are not available or the relationship is advantageous due to performance, quality, support, delivery, capacity or price considerations. Financial, operating or other difficulties encountered by our suppliers or sourcing partners or changes in our relationships with them could result in manufacturing or sourcing interruptions, delays and inefficiencies, and prevent us from manufacturing or obtaining the finished goods necessary to meet customer demand. If we are unable to meet customer demand, there could be an adverse effect on our results of operations, cash flows and financial condition.

Our failure to attract and retain qualified personnel could adversely affect our results of operations, cash flows and financial condition.

Our success depends in part on the efforts and abilities of qualified personnel at all levels, including our senior management team and other key employees. Their motivation, skills, experience, contacts and industry knowledge significantly benefit our operations and administration. The failure to attract, motivate and retain members of our senior management team and key employees could have an adverse effect on our results of operations, cash flows and financial condition.

Future tax law changes or the interpretation of existing tax laws may materially impact our effective income tax rate, the resolution of unrecognized tax benefits and cash tax payments.

Our businesses are subject to income taxation in the U.S., as well as internationally. We are routinely audited by income tax authorities in many jurisdictions. Although we believe that the recorded tax estimates are reasonable and appropriate, there are significant uncertainties in these estimates. As a result, the ultimate outcome from any audit could be materially different from amounts reflected in our income tax provisions and accruals. Future settlements of income tax audits may have a material adverse effect on earnings between the period of initial recognition of tax estimates in our financial statements and the point of ultimate tax audit settlement.

Potential liabilities and costs from claims and litigation could adversely affect our results of operations, cash flows and financial condition.

We are, from time to time, involved in various claims, litigation matters and regulatory proceedings that arise in the ordinary course of our business and that could have an adverse effect on us. These matters may include contract disputes, intellectual property disputes, product recalls, personal injury claims, construction defects and home warranty claims, warranty disputes, environmental claims or proceedings, other tort claims, employment and tax matters and other proceedings and litigation, including class actions. It is not possible to predict the outcome of pending or future litigation, and, as with any litigation, it is possible that some of the actions could be decided unfavorably and could have an adverse effect on our results of operations, cash flows and financial condition.

We are subject to product safety regulations, recalls and direct claims for product liability that can result in significant liability and, regardless of the ultimate outcome, can be costly to defend. As a result of the difficulty of controlling the quality of products or components sourced from other manufacturers, we are exposed to risks relating to the quality of such products and to limitations on our recourse against such suppliers.

An impairment in the carrying value of goodwill or other acquired intangible assets could negatively affect our results of operations and financial condition.

The carrying value of goodwill represents the fair value of acquired businesses in excess of identifiable assets and liabilities as of the acquisition date. The carrying value of other intangible assets represents the fair value of customer relationships, tradenames and other acquired intangible assets as of the acquisition date. Goodwill and other acquired intangible assets expected to contribute indefinitely to our cash flows are not amortized, but must be evaluated for impairment by our management at least annually. If the carrying value exceeds the implied fair value of goodwill, the goodwill is considered impaired and is reduced to fair value via a non-cash charge to earnings. If the carrying value of an indefinite-lived intangible asset is greater than its fair value, the intangible asset is considered impaired and is reduced to fair value via a non-cash charge to earnings. Events or circumstances that could have a potential negative effect on the estimated fair value of our reporting units and indefinite-lived tradenames include: actual new construction and repair and remodel growth

rates that lag our assumptions, actions of key customers, volatility of discount rates, continued economic uncertainty, higher levels of unemployment, weak consumer confidence, lower levels of discretionary consumer spending and a decline in the price of our common stock. If the value of goodwill or other acquired intangible assets is impaired, our results of operations and financial condition could be adversely affected.

We may experience delays or outages in our information technology system and computer networks. We may be subject to breaches of our information technology systems, which could damage our reputation and consumer relationships. Such breaches could subject us to significant financial, legal and operational consequences.

We, like most companies, may be subject to information technology system failures and network disruptions. These may be caused by delays or disruptions due to system updates, natural disasters, malicious attacks, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break-ins, or similar events or disruptions. Our businesses may implement enterprise resource planning systems or add applications to replace outdated systems and to operate more efficiently. Predictions regarding benefits resulting from the implementation of these projects are subject to uncertainties. We may not be able to successfully implement the projects without experiencing difficulties. In addition, any expected benefits of implementing projects might not be realized or the costs of implementation might outweigh the benefits realized. In addition, information security risks have generally increased in recent years because of the proliferation of new technologies and the increased sophistication and activities of perpetrators of cyber-attacks. We believe we devote appropriate resources to network security, data encryption, and other security measures to protect our systems and data, but these security measures cannot provide absolute security. In the event of a breach, we would be exposed to a risk of loss or litigation and possible liability, which could have an adverse effect on our business, results of operations, cash flows and financial condition.

There can be no assurance that we will have access to the capital markets on terms acceptable to us.

From time to time we may need to access the long-term and short-term capital markets to obtain financing. Although we believe that the sources of capital currently in place permit us to finance our operations for the foreseeable future on acceptable terms and conditions, our access to, and the availability of, financing on acceptable terms and conditions in the future will be impacted by many factors, including, but not limited to: our financial performance, our credit ratings, the liquidity of the overall capital markets and the state of the economy, including the U.S. housing market. There can be no assurance that we will have access to the capital markets on terms acceptable to us. In addition, a prolonged global economic downturn may also adversely impact our access to long-term capital markets, result in increased interest rates on our corporate debt, and weaken operating cash flow and liquidity. Decreased cash flow and liquidity could potentially adversely impact our ability to pay dividends, fund acquisitions and repurchase shares in the future.

Item 1B. Unresolved Staff Comments.

None.

[Table of Contents](#)

Item 2. Properties.

Our principal executive office is located at 520 Lake Cook Road, Deerfield, Illinois 60015. We operate 29 U.S. manufacturing facilities in 16 states and have 16 manufacturing facilities in international locations (8 in Mexico, 3 in Asia, 3 in Europe and 2 in Canada). In addition, we have 44 distribution centers and warehouses worldwide, of which 36 are leased. The following table provides additional information with respect to these properties.

Segment	Manufacturing Facilities			Distribution Centers and Warehouses		
	Owned	*Leased*	*Total*	*Owned*	*Leased*	*Total*
Cabinets	23	4	27	3	17	20
Plumbing	5	4	9	4	10	14
Doors	4	2	6	—	2	2
Security	3	—	3	1	7	8
Totals	35	10	45	8	36	44

We are of the opinion that the properties are suitable to our respective businesses and have production capacities adequate to meet the current needs of our businesses.

Item 3. Legal Proceedings.

The Company is a defendant in lawsuits that are ordinary routine litigation matters incidental to its businesses. 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. Accordingly, the Company believes the likelihood of material loss is remote.

Item 4. Mine Safety Disclosures.

Not applicable.

Executive Officers of the Registrant.

Name	Age	Position
Christopher J. Klein	53	Chief Executive Officer
E. Lee Wyatt, Jr.	64	Senior Vice President and Chief Financial Officer
Michael P. Bauer	52	President, Master Lock Company LLC
Nicholas I. Fink	42	President, Fortune Brands Global Plumbing Group LLC
Brett E. Finley	46	President, Fortune Brands Doors, Inc.
David M. Randich	55	President, MasterBrand Cabinets, Inc.
Tracey Belcourt	51	Senior Vice President, Global Growth and Development
Robert K. Biggart	62	Senior Vice President, General Counsel and Secretary
Sheri R. Grissom	52	Senior Vice President — Human Resources
Dan Luburic	45	Vice President and Corporate Controller

Christopher J. Klein has served as Chief Executive Officer of Fortune Brands since January 2010.

E. Lee Wyatt, Jr. has served as Senior Vice President and Chief Financial Officer of Fortune Brands since July 2011.

Michael P. Bauer has served as President of Master Lock Company LLC since December 2014. From April 2011 through December 2014, Mr. Bauer served as the President of the U.S. Businesses at Moen Incorporated, a subsidiary of Fortune Brands.

Nicholas I. Fink has served as President of Fortune Brands Global Plumbing Group LLC since August 2016. From June 2015 to August 2016, Mr. Fink served as Senior Vice President-Global Growth and Development of Fortune Brands. From June 2006 to May 2015, Mr. Fink worked at Beam Suntory, Inc., a global spirits company, and its predecessor entities in various senior positions including as Senior Vice President and President, Asia-Pacific/South America from July 2013 to May 2015 and as Senior Vice President, Chief Strategy Officer from May 2012 to December 2013.

Brett E. Finley has served as President of Fortune Brands Doors, Inc. since February 2016. From February 2008 to February 2016, Mr. Finley held various leadership positions at IDEX Corporation, a global manufacturer of fluidics systems and specialty engineered products, including Senior Vice President, Group Executive, Fluid & Metering Technologies Segment and President- IDEX-Asia.

David M. Randich has served as President of MasterBrand Cabinets, Inc., a subsidiary of Fortune Brands, since October 2012. From November 2007 to October 2012, Mr. Randich served as President of Therma-Tru Corp., a subsidiary of Fortune Brands.

Tracey Belcourt has served as Senior Vice President of Global Growth and Development of Fortune Brands since December 2016. From 2012 to 2016, Ms. Belcourt served as Executive Vice President, Strategy of Mondelez International, Inc. a confectionary, food and beverage company.

Robert K. Biggart has served as Senior Vice President, General Counsel and Secretary of Fortune Brands since December 2013. From March 2005 through December 2013, Mr. Biggart served as Senior Vice President — General Counsel of PepsiCo Americas Beverages, a business division of PepsiCo, Inc., a global food and beverage company.

Sheri R. Grissom has served as Senior Vice President — Human Resources of Fortune Brands since February 2015. Ms. Grissom served as Executive Vice President — Global Human Resources of Actuant Corporation, a diversified industrial company, from October 2010 to February 2015.

Dan Luburic has served as Vice President and Corporate Controller of Fortune Brands since October 2011.

Table of Contents

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information, Dividends and Holders of Record

Our common stock is listed on the New York Stock Exchange (the "NYSE") under the ticker symbol "FBHS". The following table presents the high and low prices for our common stock as reported on the NYSE and the dividends declared for each of the periods indicated.

	2016			*2015*		
	High	*Low*	*Dividends Declared*	*High*	*Low*	*Dividends Declared*
First Quarter	$ 56.36	$ 44.19	—	$ 48.17	$ 42.75	—
Second Quarter	59.98	54.51	0.16	47.78	43.79	0.14
Third Quarter	64.47	56.09	0.32[(a)]	53.01	41.17	0.28[(a)]
Fourth Quarter	58.39	52.05	0.18	56.99	47.10	0.16

[(a)] Reflects a $0.16 and $0.14 per share dividend declared and paid in the third quarter of 2016 and 2015, respectively, and a $0.16 and $0.14 per share dividend declared in third quarter and paid in fourth quarter of 2016 and 2015, respectively.

In December 2016, our Board of Directors increased the quarterly cash dividend by 13% to $0.18 per share of our common stock. Our Board of Directors will continue to evaluate dividend payment opportunities on a quarterly basis. There can be no assurance as to when and if future dividends will be paid, or at what level, because the payment of dividends is dependent upon our financial condition, results of operations, capital requirements and other factors deemed relevant by our Board of Directors.

On February 3, 2017, there were 11,498 record holders of the Company's common stock, par value $0.01 per share.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

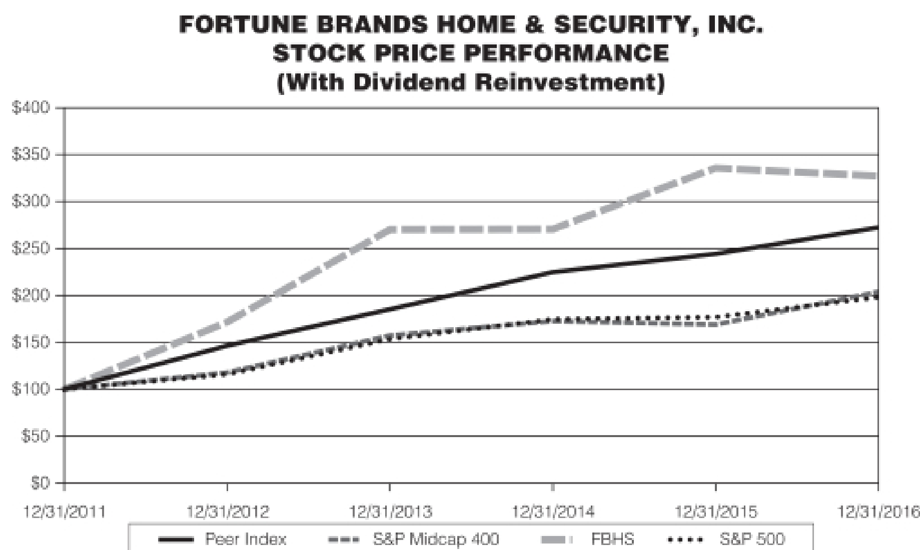
Below are the repurchases of common stock by the Company or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act) for the three months ended December 31, 2016:

Three months ended December *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)]*	Approximate dollar value of shares that may yet be purchased under the plans or programs[(a)]
October 1 – October 31	731,785	$ 53.40	731,785	$ 245,796,604
November 1 – November 30	428,060	$ 53.09	428,060	223,071,050
December 1 – December 31	—	—	—	223,071,050
Total	1,159,845	$ 53.28	1,159,845	

[(a)] Information on the Company's share repurchase program follows:

Authorization date	Announcement date	Authorization amount of shares of outstanding common stock	Expiration date
February 16, 2016	*February 22, 2016*	*$400 million*	*February 16, 2018*

Stock Performance



The above graph compares the relative performance of our common stock, the S&P Midcap 400 Index, S&P 500 Index and a Peer Group Index. This graph covers the period from December 31, 2011 through December 31, 2016. This graph assumes $100 was invested in the stock or the index on December 31, 2011 and also assumes the reinvestment of dividends. The foregoing performance graph is being furnished as part of this Annual Report on Form 10-K solely in accordance with the requirement under Rule 14a-3(b)(9) to furnish our stockholders with such information, and therefore, shall not be deemed to be filed or incorporated by reference into any filings by the Company under the Securities Act or the Exchange Act of 1934.

Peer Group Index The peer group is composed of the following publicly traded companies corresponding to the Company's core businesses:

Armstrong World Industries, Inc., Fastenal Company, Leggett & Platt Incorporated, Lennox International Inc., Masco Corporation, Mohawk Industries, Inc., Newell Rubbermaid Inc., The Sherwin-Williams Company, Stanley Black & Decker, Inc., USG Corporation and The Valspar Corporation.

Calculation of Peer Group Index

The weighted-average total return of the entire peer group, for the period of December 31, 2011 through December 31, 2016, is calculated in the following manner:

(1) the total return of each peer group member is calculated by dividing the change in market value of a share of its common stock during the period, assuming reinvestment of any dividends, by the value of a share of its common stock at the beginning of the period; and

(2) each peer group member's total return is then weighted within the index based on its market capitalization relative to the market capitalization of the entire index, and the sum of such weighted returns results in a weighted-average total return for the entire Peer Group Index.

Item 6. Selected Financial Data.

Five-year Consolidated Selected Financial Data

	Years Ended December 31,				
(In millions, except per share amounts)	*2016*	2015	2014	2013	2012
Income statement data[a]					
Net sales	$ 4,984.9	$ 4,579.4	$ 4,013.6	$ 3,703.6	$ 3,134.8
Cost of products sold[b]	3,180.3	2,997.5	2,646.7	2,408.5	2,093.2
Selling, general and administrative expenses[b]	1,129.9	1,047.6	943.3	938.7	873.1
Amortization of intangible assets	28.1	21.6	13.1	9.4	7.4
Restructuring charges	13.9	16.6	7.0	2.8	4.7
Asset impairment charges	—	—	—	21.2	13.2
Operating income	632.7	496.1	403.5	323.0	143.2
Income from continuing operations, net of tax	412.4	306.5	273.6	209.0	108.3
Basic earnings per share — continuing operations	2.67	1.92	1.68	1.26	0.67
Diluted earnings per share — continuing operations	2.61	1.88	1.64	1.21	0.65
Other data[a]					
Depreciation and amortization	$ 122.7	$ 115.1	$ 98.8	$ 90.4	$ 101.3
Cash flow provided by operating activities[c]	650.5	429.2	266.2	308.8	290.3
Capital expenditures	(149.3)	(128.5)	(127.5)	(96.7)	(75.0)
Proceeds from the disposition of assets	3.9	2.5	0.7	2.2	13.5
Dividends declared per common share	0.66	0.58	0.50	0.42	—
Balance sheet data					
Total assets[d]	$ 5,128.5	$ 4,875.7	$ 4,051.5	$ 4,176.8	$ 3,872.7
Third party long-term debt[d]	1,431.1	1,168.7	642.3	348.7	296.3
Total invested capital	3,794.1	3,623.3	2,931.6	3,007.9	2,709.0

(a) Income statement data excludes discontinued operations. Other data is derived from the Statement of Cash Flows and therefore includes discontinued operations. For additional information, refer to Note 18, "Information on Business Segments."

(b) The Company's defined benefit expense included recognition of pre-tax actuarial losses in each of the last five years as follows:

	2016	2015	2014	2013	2012
Pre-tax actuarial losses	*$(1.9)*	*$(8.6)*	*$(13.7)*	*$(5.2)*	*$(42.2)*
Portion in cost of products sold	*(1.3)*	*(0.2)*	*(3.0)*	*(2.7)*	*(14.2)*
Portion in selling, general and administrative expenses	*(0.6)*	*(2.3)*	*(10.7)*	*(2.5)*	*(28.0)*
Portion in discontinued operations	—	*(6.1)*	—	—	—

(c) Reflects adoption of Accounting Standards Update ("ASU") 2016-09 "Improvements to Employee Share-Based Payment Accounting" which resulted in the retrospective reclassification of employee withholding taxes paid from operating into financing activities.

(d) Reflects adoption of ASU 2015-03 "Simplifying the Presentation of Debt Issuance Costs," resulting in the retrospective reclassification of debt issuance costs from other current assets and other assets to long-term debt.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Introduction

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is a supplement to the accompanying consolidated financial statements and provides additional information on our business, recent developments, financial condition, liquidity and capital resources, cash flows and results of operations. MD&A is organized as follows:

> Overview: This section provides a general description of our business, and a discussion of management's general outlook regarding market demand, our competitive position and product innovation, as well as recent developments we believe are important to understanding our results of operations and financial condition or in understanding anticipated future trends.

> Basis of Presentation: This section provides a discussion of the basis on which our consolidated financial statements were prepared.

> Results of Operations: This section provides an analysis of our results of operations for each of the three years ended December 31, 2016, 2015 and 2014.

> Liquidity and Capital Resources: This section provides a discussion of our financial condition and an analysis of our cash flows for each of the three years ended December 31, 2016, 2015 and 2014. This section also provides a discussion of our contractual obligations, other purchase commitments and customer credit risk that existed at December 31, 2016, as well as a discussion of our ability to fund our future commitments and ongoing operating activities through internal and external sources of capital.

> Critical Accounting Policies and Estimates: This section identifies and summarizes those accounting policies that significantly impact our reported results of operations and financial condition and require significant judgment or estimates on the part of management in their application.

Overview

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.

For the year ended December 31, 2016, net sales based on country of destination were:

(In millions)		
United States	$4,258.5	85%
Canada	406.4	8
China and other international	320.0	7
Total	$4,984.9	100%

We believe the Company has certain competitive advantages including market-leading brands, a diversified mix of customer channels, lean and flexible supply chains, a decentralized business model and a strong capital structure 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 to support increased manufacturing capacity and long-term growth initiatives will help us to 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 grows, we have the potential to generate additional growth from leveraging our cash flows and balance sheet strength by pursuing accretive strategic acquisitions and joint ventures, and by returning cash to shareholders through a combination of dividends and repurchases under our share repurchase program 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 an elongated 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, transportation costs and foreign exchange rates and promotional activity among our competitors. We strive to offset the potential unfavorable impact of these items with productivity improvements initiatives and price increases.

During the three years ended December 31, 2016, our net sales grew at a compounded annual rate of 10% as we benefited from an improving U.S. home products market, acquisitions, and growth in international markets. Operating income grew at a compounded annual rate of 25% with consolidated operating margins improving from 9% in 2013 to 13% in 2016. Growth in operating income was primarily due to higher sales volume, changes to our portfolio of businesses, control and leverage of our operating expenses and the benefits of productivity programs.

During 2016, the U.S. home products market grew due to increases in new home construction and repair and remodel activities. We believe new housing construction experienced low double-digit growth in 2016 compared to 2015 and spending for home repair and remodeling increased in the range of 5%. In 2016, net sales grew 9% and operating income increased 28% due to higher sales volume primarily resulting from U.S. home products market growth, the acquisitions in our Cabinets and Plumbing segments, price increases to help mitigate cumulative raw material cost increases and the effect of unfavorable foreign exchange and productivity improvements.

During 2015, the U.S. home products market grew due to increases in new home construction and repair and remodel activities. We believe new housing construction experienced low double-digit growth in 2015 compared to 2014 and spending for home repair and remodeling increased approximately 5%. In 2015, net sales grew 14% and operating income increased 23% including the benefit of acquisitions of Norcraft Companies, Inc. (“Norcraft”) in 2015, and John D. Brush & Co., Inc. (“SentrySafe”) and Anaheim Manufacturing Company (“Anaheim”) in 2014, higher sales volume primarily resulting from U.S. home products market growth, price increases to help mitigate cumulative raw material cost increases and productivity improvements.

During the third quarter of 2016, we announced the creation of GPG, which was designed to support the growth of multiple plumbing brands with an enhanced set of products and brands, while leveraging Moen’s existing global supply chain and broad distribution network.

In September 2016, we acquired ROHL LLC (“ROHL”), a California-based luxury plumbing company and in a related transaction, we acquired TCL Manufacturing Ltd, which gave us ownership of Perrin & Rowe Limited (“Perrin & Rowe”), a UK manufacturer and designer of luxury kitchen and

bathroom plumbing products. The total combined purchase price was approximately $166 million, subject to certain post-closing adjustments. We financed both acquisitions using cash on hand and borrowings under our existing credit facilities. These transactions broadened the plumbing portfolio and enhanced future growth opportunities.

In June 2016, we amended and restated our credit agreement to combine and rollover the existing revolving credit facility and term loan into a new standalone $1.25 billion revolving credit facility. Terms and conditions of the credit agreement, including the total commitment amount, essentially remained the same. The revolving credit facility will mature in June 2021 and borrowings thereunder will be used for general corporate purposes.

In May 2016, we acquired Riobel Inc. (“Riobel”), a Canadian plumbing company specializing in premium showroom bath and shower fittings, for a total purchase price of $94.6 million in cash, subject to certain post-closing adjustments. We financed the transaction using cash on hand and borrowings under our existing credit facilities.

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.

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.

In December 2014, we acquired Anaheim, which markets and sells garbage disposals, for $28.9 million in cash.

In September 2014, we sold the Simonton windows business (“Simonton”) for $130 million in cash.

In July 2014, we acquired SentrySafe, a leading manufacturer of home safes, for a purchase price of $116.7 million in cash. The financial results of SentrySafe were included in the Company’s results of operations and cash flows beginning in August of 2014. The purchase prices were funded from cash on hand and our existing credit facilities.

Basis of Presentation

The consolidated financial statements include the accounts of Fortune Brands and its wholly-owned subsidiaries. The consolidated financial statements in this Annual Report on Form 10-K have been derived from the accounts of the Company and its wholly-owned subsidiaries. The Company’s consolidated financial statements are based on a fiscal year ending December 31. Certain of the Company’s subsidiaries operate on a 52 or 53 week fiscal year ending during the month of December. In December 2016, there were certain transactions that resulted in approximately $49 million of net cash outflows, relating to payments made to third parties in the normal course of business during the period between the year-end of our wholly-owned subsidiaries and the Company’s year-end.

In September 2016, we acquired ROHL and Perrin & Rowe and in May 2016, we acquired Riobel. The financial results of ROHL and Riobel were included in the Company’s consolidated balance sheets as of December 31, 2016 and in the Company’s consolidated statements of income and statements of cash flow beginning in September 2016 and May 2016, respectively.

In September 2015, we completed the sale of Waterloo. In accordance with Accounting Standards Codification ("ASC") requirements, the results of operations of Waterloo through the date of sale, were classified and separately stated as discontinued operations in the accompanying consolidated statements of income for 2015 and 2014. The assets and liabilities of Waterloo were classified as discontinued operations in the accompanying consolidated balance sheet as of December 31, 2014.

In May 2015, we acquired Norcraft. The financial results of Norcraft were included in the Company's consolidated statements of income and statements of cash flow beginning in May 2015 and the consolidated balance sheets as of December 31, 2015 and 2016.

In September 2014, we sold all of the shares of stock of Fortune Brands Windows, Inc., our subsidiary that owned and operated the Simonton windows business. The results of operations of Simonton were reclassified and separately stated as discontinued operations in the accompanying consolidated statements of income for 2014.

The cash flows from discontinued operations for 2015 and 2014 were not separately classified on the accompanying consolidated statements of cash flows. Information on Business Segments was revised to exclude these discontinued operations.

Results of Operations

The following discussion of both consolidated results of operations and segment results of operations refers to the year ended December 31, 2016 compared to the year ended December 31, 2015, and the year ended December 31, 2015 compared to the year ended December 31, 2014. The discussion of consolidated results of operations should be read in conjunction with the discussion of segment results of operations and our financial statements and notes thereto included in this Annual Report on Form 10-K. Unless otherwise noted, all discussion of results of operations are for continuing operations.

Years Ended December 31, 2016, 2015 and 2014

(In millions)	*2016*	*% change*	2015	% change	2014
Net Sales:					
Cabinets	$2,397.8	10.3%	$2,173.4	21.6%	$1,787.5
Plumbing	1,534.4	8.5	1,414.5	6.3	1,331.0
Doors	473.0	7.7	439.1	6.1	413.9
Security	579.7	4.9	552.4	14.8	481.2
Total Fortune Brands	$4,984.9	8.9%	$4,579.4	14.1%	$4,013.6
Operating Income:					
Cabinets	$ 257.8	34.0%	$ 192.4	39.5%	$ 137.9
Plumbing	326.3	14.3	285.4	10.2	258.9
Doors	61.9	40.7	44.0	50.7	29.2
Security	66.6	19.1	55.9	13.2	49.4
Corporate[a]	(79.9)	2.1	(81.6)	(13.5)	(71.9)
Total Fortune Brands	$ 632.7	27.5%	$ 496.1	22.9%	$ 403.5

[a] Corporate expenses include the components of defined benefit plan expense other than service cost which totaled (income) expense of $(0.6) million, $(3.6) million, and $4.9 million for the years ended December 31, 2016, 2015 and 2014, respectively. In addition, Corporate expenses for the year ended December 31, 2015 includes $15.1 million of Norcraft transaction costs. There are no amounts that represent the elimination or reversal of transactions between reportable segments.

Certain items had a significant impact on our results in 2016, 2015 and 2014. These included the acquisitions of Riobel, ROHL, Perrin & Rowe, Norcraft, Anaheim and SentrySafe, dispositions of

Waterloo and Simonton, defined benefit plan recognition of actuarial losses, restructuring and other charges, asset impairment charges and the impact of changes in foreign currency exchange rates.

In 2016, financial results included:

> the benefit of the acquisitions in our Cabinets and Plumbing segments,

> defined benefit plan recognition of actuarial losses, recorded in the Corporate segment, of $1.9 million ($1.3 million after tax) compared to $2.5 million ($1.6 million after tax) in 2015. The actuarial losses in 2016 were primarily due to the re-measurement relating to a retiree medical plan,

> restructuring and other charges of $19.3 million before tax ($13.6 million after tax), primarily associated with severance costs and charges associated with the relocation of a manufacturing facility within our Security segment and

> the impact of foreign exchange, which had an unfavorable impact compared to 2015, of approximately $27 million on net sales, approximately $6 million on operating income and approximately $6 million on net income. The effects of foreign exchange on the Company’s results are principally associated with movements in the Canadian dollar.

In 2015, financial results included:

> the benefit of the Norcraft, SentrySafe and Anaheim acquisitions,

> defined benefit plan recognition of actuarial losses, recorded in the Corporate segment, of $2.5 million ($1.6 million after tax) compared to $13.7 million ($8.7 million after tax) in 2014. The actuarial losses in 2015 were primarily due to the impact of a lower than expected increase in pension plan assets, partially offset by higher discount rates,

> restructuring and other charges of $22.7 million before tax ($15.8 million after tax), primarily associated with employee related costs,

> the impact of foreign exchange, which had an unfavorable impact compared to 2014, of approximately $66 million on net sales, approximately $16 million on operating income and approximately $10 million on net income. The effects of foreign exchange on the Company’s results are principally associated with movements in the Canadian dollar and

> income from discontinued operations of $9.0 million, net of tax, includes the after-tax gain associated with the sale of the Waterloo business.

In 2014, financial results included:

> the benefit of the WoodCrafters and SentrySafe acquisitions,

> defined benefit plan recognition of actuarial losses, recorded in the Corporate segment, of $13.7 million ($8.7 million after tax) compared to $5.2 million ($3.3 million after tax) in 2013. The actuarial losses in 2014 were primarily due to lower discount rates, partially offset by the impact of a higher than expected increase in pension plan assets and lower postretirement liabilities due to plan amendments to reduce health benefits,

> restructuring and other charges of $7.7 million before tax ($4.7 million after tax), primarily associated with supply chain initiatives,

> the impact of foreign exchange, which had an unfavorable impact compared to 2013, of approximately $25 million on net sales, approximately $13 million on operating income and approximately $10 million on net income. The effects of foreign exchange on the Company’s results are principally associated with movements in the Canadian dollar and

> loss from discontinued operations of $114.3 million, net of tax, which includes the net loss on the sale of Simonton windows of $111.2 million, as well as restructuring and impairment losses of $14.1 million, net of tax, as a result of the decision to sell the Waterloo tool storage business.

2016 Compared to 2015

Total Fortune Brands

Net sales

Net sales increased $405.5 million, or 9%. The increase was due to higher sales volume primarily from the continuing improvement in U.S. market conditions for home products, the benefit from the acquisitions in our Cabinets and Plumbing segments and price increases to help mitigate cumulative raw material cost increases and the effect of unfavorable foreign exchange. These benefits were partially offset by unfavorable foreign exchange of approximately $27 million and higher sales rebates.

Cost of products sold

Cost of products sold increased $182.8 million, or 6%, due to higher net sales, including the impact of the acquisitions in our Cabinets and Plumbing segments, partially offset by the benefit of productivity improvements.

Selling, general and administrative expenses

Selling, general and administrative expenses increased $82.3 million, or 8%, due to the impact of the acquisitions in our Cabinets and Plumbing segments and higher employee-related costs, partially offset by the absence of Norcraft transaction costs in 2016 ($15.1 million in 2015).

Amortization of intangible assets

Amortization of intangible assets increased $6.5 million due to the recognition of certain intangible assets from the acquisitions in our Cabinets and Plumbing segment.

Restructuring charges

Restructuring charges of $13.9 million in 2016 primarily related to severance costs and charges associated with the relocation of a manufacturing facility within our Security segment. Restructuring charges of $16.6 million in 2015 primarily related to the same relocation of a manufacturing facility, including severance costs within our Security segment as well as severance costs to relocate a Plumbing manufacturing facility in China.

Operating income

Operating income increased $136.6 million or 28%. Operating income increased due to higher net sales, including the benefit from acquisitions and productivity improvements. These benefits were partially offset by higher employee-related costs, higher advertising costs and higher sales rebates and approximately $6 million of unfavorable foreign exchange. Operating income in 2015 was also impacted by $15.1 million of Norcraft transaction costs, which did not recur in 2016.

Interest expense

Interest expense increased $17.2 million to $49.1 million due to higher average borrowings and higher average interest rates.

Other expense, net

Other expense, net, was expense of $1.5 million in 2016 compared to expense of $4.3 million in 2015. The change was principally due to favorable foreign currency adjustments.

Income taxes

The effective income tax rates for 2016 and 2015 were 29.2% and 33.4%, respectively. The effective income tax rates for 2016 and 2015 were favorably impacted by the tax benefit attributable to the Domestic Production Activity (Internal Revenue Code Section 199) Deduction ($13.0 million and $12.5 million, respectively), favorable tax rates in foreign jurisdictions ($7.6 million and $8.7 million, respectively) and a benefit associated with the U.S. research and development credit ($2.3 million and $2.2 million, respectively), offset by state and local taxes and increases to uncertain tax positions ($13.2 million and $4.7 million, respectively). The 2016 effective income tax rate was favorably impacted by a tax benefit related to the adoption of ASU 2016-09, the new accounting guidance relating to share-based compensation ($27.8 million). The 2015 effective income tax rate was unfavorably impacted by $2.4 million related to nondeductible acquisition costs.

Income from continuing operations

Net income from continuing operations was $412.4 million in 2016 compared to $306.5 million in 2015 due to higher operating income.

Income (loss) from discontinued operations

Income from discontinued operations was $0.8 million and $9.0 million in 2016 and 2015, respectively. The discontinued operations in 2016 includes the effect of tax adjustments relating to the Waterloo business. The discontinued operations in 2015 consist of the results of operations of Waterloo and the after-tax gain associated with the sale of the business.

Results By Segment

Cabinets

Net sales increased $224.4 million, or 10%, due to the benefit of the Norcraft acquisition, the benefit of price increases to help mitigate cumulative raw material cost increases and higher sales volume including the impact of new product introductions. These benefits were partially offset by approximately $6 million of unfavorable foreign exchange.

Operating income increased $65.4 million, or 34%, due to higher net sales including the benefit of the Norcraft acquisition and productivity improvements. These benefits were partially offset by higher employee-related costs.

Plumbing

Net sales increased $119.9 million, or 8%, due to higher sales volume in the U.S. driven by improving U.S. market conditions and new product introductions, the benefit from the acquisitions of Riobel, ROHL and Perrin & Rowe and price increases to help mitigate cumulative raw material cost increases and the effect of unfavorable foreign exchange. These benefits were partially offset by higher sales rebates and approximately $18 million of unfavorable foreign exchange.

Operating income increased $40.9 million, or 14%, due to higher net sales including the benefits of the acquisitions of Riobel, ROHL and Perrin & Rowe, as well as productivity improvements. These

benefits were partially offset by higher employee-related costs, higher advertising costs and approximately $7 million of unfavorable foreign exchange. Operating income in 2016 was also favorably impacted by lower restructuring and other charges ($4.0 million impact) primarily related to severance costs to relocate a facility in China.

Doors

Net sales increased $33.9 million, or 8%, due to higher sales volume driven primarily by improved conditions in the U.S. home products market, new product introductions, price increases to help mitigate cumulative raw material cost increases and favorable mix.

Operating income increased $17.9 million, or 41%, due to higher net sales, the benefits of productivity improvements and approximately $2 million of favorable foreign exchange. These benefits were partially offset by higher employee related costs.

Security

Net sales increased $27.3 million, or 5%, due primarily to higher sales volume in the U.S. and Europe and price increases to help mitigate cumulative raw material cost increases. These benefits were partially offset by the impact of exiting certain product lines and approximately $3 million of unfavorable foreign exchange.

Operating income increased $10.7 million, or 19% due to higher net sales and the benefits of productivity improvements. These benefits were partially offset by the impact of approximately $3 million of unfavorable foreign exchange.

Corporate

Corporate expenses in 2016 benefited from the absence of transaction costs associated with the Norcraft acquisition ($15.1 million in 2015). This benefit was offset by higher employee-related costs and lower defined benefit plan income.

(In millions)	*2016*	2015
General and administrative expense	$(80.9)	$(70.1)
Defined benefit plan income	2.9	6.1
Defined benefit plan recognition of actuarial losses	(1.9)	(2.5)
Norcraft transaction costs[a]	—	(15.1)
Total Corporate expenses	$(79.9)	$(81.6)

[a] Represents external costs directly related to the acquisition of Norcraft and primarily includes expenditures for banking, legal, accounting and other similar services.

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.

2015 Compared to 2014

Total Fortune Brands

Net sales

Net sales increased $565.8 million, or 14%. The increase was due to the benefit of the acquisitions of Norcraft, SentrySafe, and Anaheim (approximately $369 million in aggregate), 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 factors were partially offset by unfavorable foreign exchange of approximately $66 million and higher sales rebates.

Cost of products sold

Cost of products sold increased $350.8 million, or 13%, due to higher net sales, including the impact of the acquisitions of Norcraft, SentrySafe and Anaheim (approximately $246 million in aggregate), and investments to support increased manufacturing capacity and long-term growth initiatives, partially offset by the benefit of productivity improvements.

Selling, general and administrative expenses

Selling, general and administrative expenses increased $104.3 million, or 11%, due to the impact of the acquisitions of Norcraft, SentrySafe, and Anaheim (approximately $82 million in aggregate), $15.1 million of Norcraft transaction costs, higher employee-related costs, and planned increases in strategic spending to support increased capacity and long-term growth initiatives.

Amortization of intangible assets

Amortization of intangible assets increased $8.5 million due to the acquisitions of Norcraft, SentrySafe and Anaheim.

Restructuring charges

Restructuring charges of $16.6 million in 2015 primarily related to the relocation of a manufacturing facility in our Security segment, which included severance costs, and severance costs due to the relocation of a Plumbing manufacturing facility in China. Restructuring charges of $7.0 million in 2014 related to severance costs in Security, Plumbing and Corporate, partially offset by a benefit from a foreign currency gain associated with the dissolution of a foreign entity in the Plumbing segment.

Operating income

Operating income increased $92.6 million or 23%. Operating income benefited from higher net sales, including the impact of acquisitions, productivity improvements, and $11.2 million in lower defined benefit plan actuarial losses. These benefits were partially offset by investments to support manufacturing capacity increases for long-term growth, higher employee-related costs, higher sales rebates, approximately $16 million of unfavorable foreign exchange, $15.1 million of Norcraft transaction costs and $15.0 million of higher restructuring and other charges.

Interest expense

Interest expense increased $21.5 million to $31.9 million due to higher average borrowings and higher average interest rates.

Other expense, net

Other expense, net, was expense of $4.3 million in 2015 compared to $1.2 million in 2014. The change was principally due to unfavorable foreign currency adjustments.

Income taxes

The effective income tax rates for 2015 and 2014 were 33.4% and 30.2%, respectively. The effective income tax rates for 2015 and 2014 were favorably impacted by the tax benefit attributable to the Domestic Production Activity (Internal Revenue Code Section 199) Deduction ($12.5 million and $7.6 million, respectively), favorable tax rates in foreign jurisdictions ($8.7 million and $13.4 million, respectively) and a benefit associated with the extensions of the U.S. research and development credit ($2.2 million and $1.8 million, respectively), offset by state and local taxes and increases to uncertain tax positions ($4.7 million and $4.7 million, respectively). The benefit associated with the favorable tax rates in foreign jurisdictions is affected by overall allocation of income, rate changes and impact of foreign exchange rates. In 2015, the effective income tax rate benefit from foreign tax rates was reduced, as compared to 2014, due to the overall allocation of income within foreign jurisdictions and an expiration of a favorable tax incentive that in total increased the effective foreign tax rate by 6%. The 2015 effective income tax rate was unfavorably impacted by $2.4 million related to nondeductible acquisition costs. The effective tax rate in 2014 was favorably impacted by the release of valuation allowances related to state net operating loss carryforwards of $4.1 million.

Noncontrolling interests

Noncontrolling interest was $0.5 million and $1.2 million in 2015 and 2014, respectively.

Income from continuing operations

Net income from continuing operations was $306.5 million in 2015 compared to $273.6 million in 2014.

Income (loss) from discontinued operations

The income (loss) from discontinued operations was $9.0 million and $(114.3) million in 2015 and 2014, respectively. The discontinued operations in 2015 consist of the results of operations of Waterloo and the after-tax gain associated with the sale of the business. The net loss from discontinued operations was $(114.3) in 2014, of which $(111.2) million was the loss on the sale of Simonton windows business, as well as $(14.1) million in restructuring and impairment losses recorded as a result of the decision to sell the Waterloo tool storage business.

Results By Segment

Cabinets

Net sales increased $385.9 million, or 22%, due to the benefit of the Norcraft acquisition (approximately $258 million), higher sales volume including the impact of new product introductions, favorable mix and the benefit of price increases to help mitigate cumulative raw material cost increases. These benefits were partially offset by approximately $24 million of unfavorable foreign exchange.

Operating income increased $54.5 million, or 40%, due to an increase in net sales, productivity improvements and approximately $28 million benefit from the acquisition of Norcraft, including a

$2.0 million charge related to an inventory purchase accounting adjustment to fair value. These benefits were partially offset by investments to support manufacturing capacity increases for long-term growth, higher employee-related costs, higher wood-related raw material costs and costs associated with new product introductions.

Plumbing

Net sales increased $83.5 million, or 6%, due to higher sales volume in the U.S. driven by improving U.S. market conditions, the acquisition of Anaheim (approximately $31 million benefit) and price increases to help mitigate cumulative raw material cost increases. These benefits were partially offset by unfavorable foreign exchange of approximately $29 million and higher sales rebates.

Operating income increased $26.5 million, or 10%, due to an increase in net sales, and productivity improvements. Operating income was unfavorably impacted by higher sales rebates, approximately $14 million of unfavorable foreign exchange and $5.9 million of higher restructuring and other charges primarily related to severance costs to relocate a manufacturing facility in China.

Doors

Net sales increased $25.2 million, or 6%, due to higher sales volume driven primarily by improved conditions in the U.S. home products market, price increases to help mitigate cumulative raw material cost increases and favorable mix.

Operating income increased $14.8 million, or 51%, due to an increase in net sales, productivity improvements and approximately $2 million of favorable foreign exchange, partially offset by higher employee related costs.

Security

Net sales increased $71.2 million, or 15%, due primarily to the impact of the acquisition of SentrySafe (approximately $80 million), partially offset by unfavorable foreign exchange (approximately $14 million).

Operating income increased $6.5 million, or 13%. Operating income was favorably impacted by productivity improvements and the acquisition of SentrySafe, partially offset by an increase of $9.3 million of restructuring and other charges primarily to relocate a manufacturing facility, higher employee related costs and unfavorable foreign exchange of approximately $4 million.

Corporate

Corporate expenses increased $9.7 million predominantly due to $15.1 million of transaction costs associated with the Norcraft acquisition, partially offset by lower defined benefit plan actuarial losses of $11.2 million.

(In millions)	*2015*	2014
General and administrative expense	$(70.1)	$(67.0)
Defined benefit plan income	6.1	8.8
Defined benefit plan recognition of actuarial losses	(2.5)	(13.7)
Norcraft transaction costs[a]	(15.1)	—
Total Corporate expenses	$(81.6)	$(71.9)

[b] Represents external costs directly related to the acquisition of Norcraft and primarily includes expenditures for banking, legal, accounting and other similar services.

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, availability under our credit facilities and debt issuances in capital markets. 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 2016, our Board of Directors increased the quarterly cash dividend by 13% to $0.18 per share of our common stock. Our Board of Directors will continue to evaluate dividend payment opportunities on a quarterly basis. There can be no assurance as to when and if future dividends will be paid, and at what level, because the payment of dividends is dependent on our financial condition, results of operations, cash flows, capital requirements and other factors deemed relevant by our Board of Directors.

We periodically review our portfolio of brands and evaluate potential strategic transactions 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 program, 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 "Item 1A. Risk Factors."

In June 2016, the Company amended and restated its credit agreement to combine and rollover the existing revolving credit facility and term loan into a new standalone $1.25 billion revolving credit facility. This amendment of the credit agreement was a non-cash transaction for the Company. Terms and conditions of the credit agreement, including the total commitment amount, essentially remained the same. The revolving credit facility will mature in June 2021 and borrowings thereunder will be used for general corporate purposes. On December 31, 2016 and December 31, 2015, our outstanding borrowings under these facilities, net of debt issuance costs relating to the term loan balance, were $540.0 million (revolver) and $279.0 million (term loan), respectively. At December 31, 2016 and December 31, 2015, the current portion of long-term debt was zero. Interest rates under the facility are variable based on LIBOR at the time of the borrowing and the Company's long-term credit rating and can range from LIBOR + 0.9% to LIBOR + 1.5%. As of December 31, 2016, we were in compliance with all covenants under this facility. As a result of the refinancing, we wrote off prepaid debt issuance costs of approximately $1.3 million as of June 30, 2016. 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 guidance did not impact the Company's equity, results of operations or cash flows.

On February 16, 2016, our Board of Directors authorized the repurchase of up to $400 million of shares of our common stock over the two years ending February 16, 2018. The share repurchase

program does not obligate us to repurchase any specific dollar amount or number of shares and may be suspended or discontinued at any time. In 2016, we repurchased approximately 8.8 million shares of our outstanding common stock under the Company's share repurchase program for $424.5 million.

Acquisitions and divestitures in 2016, 2015 and 2014 include:

- In September 2016, we acquired ROHL, a California-based luxury plumbing company. We also acquired Perrin & Rowe, a UK manufacturer and designer of luxury kitchen and bathroom plumbing products. The total combined purchase price was approximately $166 million, subject to certain post-closing adjustments. We financed the transaction using cash on hand and borrowings under our existing credit facilities.
- In May 2016, we acquired Riobel, a Canadian plumbing company for a purchase price of $94.6 million in cash, subject to certain post-closing adjustments. We financed the transaction using cash on hand and borrowings under our existing credit facilities.
- 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.
- In December 2014, we acquired Anaheim, which markets and sells garbage disposals, for $28.9 million in cash. We paid the purchase price using a combination of cash on hand and borrowings under our existing credit facilities.
- In September 2014, we completed the sale of Simonton for $130 million in cash.
- In July 2014, the Company acquired SentrySafe for a purchase price of $116.7 million in cash. The purchase price was funded from cash on hand and borrowings under our existing credit facilities.

In 2016, we invested in incremental capacity to support long-term growth potential. We expect capital spending in 2017 to be approximately $140 million.

On December 31, 2016, we had cash and cash equivalents of $251.5 million, of which $174.7 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.

Our operating cash flows are significantly impacted by the seasonality of our businesses. We typically generate most of our operating cash flow in the third and fourth quarters of each year.

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 corporate purposes. On December 31, 2016, the outstanding amount of the Senior Notes, net of underwriting commissions and price discounts, was $891.1 million.

Table of Contents

Cash Flows

Below is a summary of cash flows for the years ended December 31, 2016, 2015 and 2014.

(In millions)	*2016*	2015	2014
Net cash provided by operating activities	$ 650.5	$ 429.2	$ 266.2
Net cash used in investing activities	(385.1)	(766.6)	(151.1)
Net cash (used in) provided by financing activities	(250.4)	398.8	(160.0)
Effect of foreign exchange rate changes on cash	(2.0)	(14.8)	(4.6)
Net increase (decrease) in cash and cash equivalents	$ 13.0	$ 46.6	$ (49.5)

Years Ended December 31, 2016, 2015 and 2014

Net cash provided by operating activities was $650.5 million in 2016 compared to $429.2 million in 2015 and $266.2 million in 2014. The $221.3 million increase in cash provided by operating activities from 2015 to 2016 was primarily due to a reduction in working capital in 2016 compared to 2015 and higher net income. The $163.0 million increase in cash provided by operating activities from 2014 to 2015 was primarily due to higher net income.

Net cash used in investing activities was $385.1 million in 2016 compared to $766.6 million in 2015 and $151.1 million in 2014. The decrease of $381.5 million from 2015 to 2016 was primarily due the decrease in cost of acquisitions of $413.1 million, partially offset by $20.8 million of higher capital spending. The increase of $615.5 million from 2014 to 2015 was primarily due to the impact of the Norcraft acquisition.

Net cash used in financing activities was $250.4 million in 2016 compared to net cash provided by financing activities of $398.8 million in 2015 and net cash used in financing activities of $160.0 million in 2014. The change of $649.2 million in 2016 compared to 2015 was primarily due to $372.8 million of higher share repurchases and lower net borrowings of $240.8 million. The increase in cash provided of $558.8 million in 2015 compared to 2014 was primarily due to lower share repurchases ($388.1 million decrease) and higher net borrowings of $185.9 million, partially offset by a $12.1 million increase in dividends in 2015 compared to 2014.

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. In 2016, 2015 and 2014, we contributed zero, $2.3 million and $1.5 million, respectively, to qualified pension plans. In 2017, we expect to make pension contributions of approximately $10 million. As of December 31, 2016, the fair value of our total pension plan assets was $577.7 million, representing funding of 73% of the accumulated benefit obligation liability. 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 operations in various foreign countries, principally Mexico, Canada, China, the United Kingdom and France. Therefore, changes in the value of the related currencies affect our financial statements when translated into U.S. dollars.

Contractual Obligations and Other Commercial Commitments

The following table describes our obligations and commitments to make future payments under contracts, such as debt and lease agreements, and under contingent commitments, such as debt guarantees, as of December 31, 2016.

(In millions)	Payments Due by Period as of December 31, 2016				
Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	$1,431.1	$ —	$ —	$ 937.6	$493.5
Interest payments on long-term debt[a]	257.0	42.0	84.0	61.0	70.0
Operating leases	137.1	30.0	40.0	21.1	46.0
Purchase obligations[b]	327.3	305.1	17.1	2.1	3.0
Defined benefit plan contributions[c]	9.9	9.9	—	—	—
Total	$2,162.4	$ 387.0	$141.1	$1,021.8	$612.5

[a] Interest payments on long-term debt were calculated using the borrowing rate in effect on December 31, 2016.

[b] Purchase obligations include contracts for raw material and finished goods purchases; selling and administrative services; and capital expenditures.

[c] Pension and postretirement contributions cannot be determined beyond 2017.

Due to the uncertainty of the timing of settlement with taxing authorities, we are unable to make reasonably reliable estimates of the period of cash settlement of unrecognized tax benefits. Therefore, $58.2 million of unrecognized tax benefits as of December 31, 2016 have been excluded from the Contractual Obligations table above. See Note 15, “Income Taxes,” to the Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

In addition to the contractual obligations and commitments listed and described above, we also had other commercial commitments for which we are contingently liable as of December 31, 2016. Other corporate commercial commitments include standby letters of credit of $38.8 million, in the aggregate, all of which expire in less than one year, and surety bonds of $5.3 million, in the aggregate, all of which expire in less than one year. These contingent commitments are not expected to have a significant impact on our liquidity.

Off-Balance Sheet Arrangements

As of December 31, 2016, we did not have any off-balance sheet arrangements that are material or reasonably likely to be material to our financial condition or results of operations.

Foreign Currency Risk

Certain anticipated transactions, assets and liabilities are exposed to foreign currency risk. Principal currencies hedged include the Canadian dollar, the Mexican peso and the Chinese yuan. We regularly monitor our foreign currency exposures in order to maximize the overall effectiveness of our foreign currency hedge positions. For additional information on this risk, see Item 7A “Quantitative and Qualitative Disclosures about Market Risk” in this Annual Report on Form 10-K.

Derivative Financial Instruments

In accordance with ASC requirements for Derivatives and Hedging, we recognize all derivative contracts as either assets or liabilities on the balance sheet, and the measurement of those instruments is at fair value. If the derivative is designated as a fair value hedge and is effective, the

changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings in the same period. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income ("OCI") and are recognized in the consolidated statement of income when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. If the derivative is designated as an effective economic hedge of the net investment in a foreign operation, the changes in the fair value of the derivative is reported in the cumulative translation adjustment section of OCI. Similar to foreign currency translation adjustments, these changes in fair value are recognized in earnings only when realized upon sale or upon complete or substantially complete liquidation of the investment in the foreign entity.

Deferred currency gains/(losses) of $(3.5) million and $3.6 million (before tax impact) were reclassified into earnings for the year ended December 31, 2016 and 2015, respectively. There was no impact of deferred currency gains/losses on earnings in 2014. Based on foreign exchange rates as of December 31, 2016, we estimate that $0.2 million of net currency derivative losses included in OCI as of December 31, 2016 will be reclassified to earnings within the next twelve months.

Recently Issued Accounting Standards

Simplifying the Test for Goodwill Impairment.

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-04 that simplifies the accounting for goodwill impairment for all entities. Under the new standard, if a reporting unit's carrying amount exceeds its fair value, an entity will record an impairment charge based on that difference. The impairment charge will be limited to the amount of goodwill allocated to that reporting unit. The standard eliminates the current requirement to calculate a goodwill impairment charge by comparing the implied fair value of goodwill with its carrying amount (i.e. hypothetical purchase price allocation). The new standard is effective for annual and interim impairment tests performed in periods beginning after January 1, 2020 and early adoption is permitted. We are assessing the impact the adoption of this standard will have on our financial statements.

Clarifying the Definition of a Business

In January 2017, the FASB issued ASU 2017-01 that changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business and therefore business combination guidance would apply. The new standard requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset (i.e., a business) or a group of similar identifiable assets (i.e., not a business). In this case the transfer of assets does not constitute a business. The guidance also requires a business to include at least one substantive process and narrows the definition of outputs (e.g., revenues with customers). The new standard is effective January 1, 2018 and early adoption is permitted. We are assessing the impact the adoption of this standard will have on our financial statements.

Restricted Cash

In November 2016, the FASB issued ASU 2016-18 according to which entities are no longer required to present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The prior standard did not address the classification of activity related to restricted cash and restricted cash equivalents in the statement of cash flows and this has resulted in diversity in cash flows presentation. The new standard is effective from January 1, 2018 and early adoption is permitted, however we elected not to early adopt. We do not expect the adoption of this standard to have a material effect on our financial statements.

Intra-Entity Transfers of Assets Other Than Inventory

In October 2016, the FASB issued ASU 2016-16 that will require companies to account for the income tax effects of intercompany sales and transfers of assets other than inventory (e.g., intangible assets) when the transfer occurs. Under the current guidance companies are required to defer the income tax effects of intercompany transfers of assets until the asset has been sold to an outside party or otherwise recognized (e.g., depreciated, amortized, impaired). The new standard is effective from January 1, 2018 and early adoption is permitted, however we elected not to early adopt. Transition method will be a “modified retrospective”, i.e. with a cumulative adjustment to retained earnings at adoption. We are assessing the impact the adoption of this standard will have on our financial statements.

Classification of Certain Cash Receipts and Cash Payments

In September 2016 the FASB issued ASU 2016-15 that will change how an entity classifies certain cash receipts and cash payments on its statement of cash flows. The key changes that may potentially impact our financial statements include the following: 1) cash payments for debt prepayment or extinguishment costs should be classified as financing cash outflows; 2) contingent consideration payments that are not made within three months after the consummation of a business combination would be classified as financing (if the payment is made up to the acquisition date fair value of liability) or operating outflows (if the payment is in excess of acquisition fair value). Cash payments made “soon after” the consummation of a business combination generally will be classified as cash outflows for investing activities; 3) insurance settlement proceeds, would be classified based on the nature of the loss; and 4) company-owned life insurance settlement proceeds would be presented as investing cash inflows, and premiums could be classified as investing or operating cash outflows, or a combination of both. The new standard is effective beginning January 1, 2018 and should be adopted retrospectively. Early adoption is permitted however we elected not to early adopt. We are assessing the impact the adoption of this standard will have on our financial statements.

Financial Instruments — Credit Losses

In June 2016, the FASB issued ASU 2016-13 that changes the impairment model for most financial assets and certain other instruments that are not measured at fair value through net income. The new guidance applies to most financial assets measured at amortized cost, including trade and other receivables and loans as well as off-balance-sheet credit exposures (e.g., loan commitments, standby letters of credit). The standard will replace the “incurred loss” approach under the current guidance with an “expected loss” model that requires an entity to estimate its lifetime “expected credit loss”. The new standard is effective beginning January 1, 2020 and early application is permitted but not earlier than January 1, 2019. We are assessing the impact the adoption of this standard will have on our financial statements.

Improvements to Employee Share-Based Payment Accounting

In March 2016, the FASB issued ASU 2016-09 that requires entities to recognize the income tax effects of share-based 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. We early adopted this standard as of June 30, 2016. As a result, during the second quarter we reclassified the year-to-date 2016 excess tax benefit of $14.2 million and the second quarter benefit of $9 million from paid-in capital (statements of equity) into the income taxes line on the statements of comprehensive income. Further, we reclassified the excess tax benefits from the exercise of stock based compensation from financing

into operating activities in the statement of cash flows in 2016. We also reclassified $9 million and $13.6 million of employee withholding taxes paid from operating into financing activities in the statement of cash flows for the six months period ended June 30, 2016 and June 30, 2015, respectively, as required by ASU 2016-09 (adopted retrospectively). The adoption did not impact the existing classification of the awards.

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. 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.

Leases

In February 2016, the FASB issued ASU 2016-02, which 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 early adoption 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. Early application is permitted for certain provisions of the standard, however we elected not to early adopt. We do not expect the adoption of this standard to have a material effect on our financial statements.

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. 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 which 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). During 2016, the FASB issued certain amendments to the standard relating to the principal versus agent guidance, accounting for licenses of intellectual property and identifying performance obligations as well as the guidance on transition, collectability, noncash consideration and the presentation of sales and other similar taxes. The effective date and transition requirements for these amendments are the same as those of the original ASU. We have identified focus areas for each of our reporting segments and have made substantial progress in our assessment of the accounting and financial reporting implications as of the end of 2016. Based on our preliminary assessment, we have determined that the control of goods, separate performance obligations and right of return are the focus areas for the Company. We plan to complete our assessment of the impact of adoption during the third quarter of 2017 and finalize the adoption of the new revenue standard by the end of 2017.

Critical Accounting Policies and Estimates

Our significant accounting policies are described in Note 2, “Significant Accounting Policies,” of the Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K. The Consolidated Financial Statements are prepared in conformity with GAAP. Preparation of the financial statements requires us to make judgments, estimates and assumptions that affect the amounts of assets and liabilities reflected in the financial statements and revenues and expenses reported for the relevant reporting periods. We believe the policies discussed below are the Company’s critical accounting policies as they include the more significant, subjective and complex judgments and estimates made when preparing our consolidated financial statements.

Allowances for Doubtful Accounts

Trade receivables are recorded at the stated amount, less allowances for discounts, doubtful accounts and returns. The allowances for doubtful accounts represent estimated uncollectible receivables associated with potential customer defaults on contractual obligations (usually due to customers’ potential insolvency) or discounts related to early payment of accounts receivables by our customers. The allowances include provisions for certain customers where a risk of default has been specifically identified. In addition, the allowances include a provision for customer defaults on a general formula basis when it is determined that the risk of some default is probable and estimable, but cannot yet be associated with specific customers. The assessment of the likelihood of customer defaults is based on various factors, including the length of time the receivables are past due, historical collection experience and existing economic conditions. In accordance with this policy, our allowance for doubtful accounts was $7.4 million and $5.8 million as of December 31, 2016 and 2015, respectively.

Inventories

Inventory provisions are recorded to reduce inventory to the lower of cost or market value for obsolete or slow moving inventory based on assumptions about future demand and marketability of products, the impact of new product introductions, inventory levels and turns, product spoilage and specific identification of items, such as product discontinuance, engineering/material changes, or regulatory-related changes.

Long-lived Assets

In accordance with ASC requirements for Property, Plant and Equipment, a long-lived asset (including amortizable identifiable intangible assets) or asset group held for use is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be

recoverable. When such events occur, we compare the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group to the carrying amount of a long-lived asset or asset group. The cash flows are based on our best estimate of future cash flows derived from the most recent business projections. If this comparison indicates that there is an impairment, the amount of the impairment is calculated based on fair value. Fair value is estimated primarily using discounted expected future cash flows on a market-participant basis.

In 2014, as a result of our decision to sell the Waterloo tool storage business, we recorded $9.1 million of pre-tax impairment charges in discontinued operations in order to remeasure this business at the estimated fair value less costs to sell. These charges consisted of $8.1 million for fixed assets and $1.0 million for definite-lived intangible assets.

Goodwill and Indefinite-lived Intangible Assets

In accordance with ASC requirements for Intangibles — Goodwill and Other, goodwill is tested for impairment at least annually in the fourth quarter, and written down when impaired. An interim impairment test is performed if an event occurs or conditions change that would more likely than not reduce the fair value of the reporting unit below the carrying value.

We evaluate the recoverability of goodwill using a weighting of the income (80%) and market (20%) approaches. For the income approach, we use a discounted cash flow model, estimating the future cash flows of the reporting units to which the goodwill relates and then discounting the future cash flows at a market-participant-derived weighted-average cost of capital. In determining the estimated future cash flows, we consider current and projected future levels of income based on management's plans for that business; business trends, prospects and market and economic conditions; and market-participant considerations. Furthermore, our cash flow projections used to assess impairment of our goodwill and other intangible assets are significantly influenced by our projection for the continued recovery of the U.S. home products market, our annual operating plans finalized in the fourth quarter of each year, and our ability to execute on various planned cost reduction initiatives supporting operating income improvements. Our projection for the U.S. home products market is inherently uncertain and is subject to a number of factors, such as employment, home prices, credit availability, new home starts and the rate of home foreclosures. For the market approach, we apply market multiples for peer groups to the current operating results of the reporting units to determine each reporting unit's fair value. The Company's reporting units are operating segments. When the estimated fair value of a reporting unit is less than its carrying value, we measure and recognize the amount of the goodwill impairment loss, if any. Impairment losses, limited to the carrying value of goodwill, represent the excess of the carrying value of a reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of a reporting unit's goodwill is estimated based on a hypothetical allocation of each reporting unit's fair value to all of its underlying assets and liabilities.

The significant assumptions that are used to determine the estimated fair value for goodwill impairment testing include the following: third-party market forecasts of U.S. new home starts and home repair and remodel spending; management's sales, profit and cash flow forecasts; peer company EBITDA earnings multiples; the market-participant-based weighted-average cost of capital; and the perpetuity growth rate. Our estimates of reporting unit fair values are based on certain assumptions that may differ from our historical and future actual operating performance. Specifically, assumptions related to growth in the new construction and repair and remodel segments of the U.S. home products markets drive our forecasted sales growth. The market forecasts are developed using independent third-party forecasts from multiple sources. In addition, estimated future profit margins and cash flow consider our historical performance at similar levels of sales volume and management's future operating plans as reflected in annual and long-term plans that are reviewed and approved by management.

Purchased intangible assets other than goodwill are amortized over their useful lives unless those lives are determined to be indefinite. The determination of the useful life of an intangible asset other than goodwill is based on factors including 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. Certain of our tradenames have been assigned an indefinite life as we currently anticipate that these tradenames will contribute cash flows to the Company indefinitely. Indefinite-lived intangible assets are not amortized, but are evaluated at least annually to determine whether the indefinite useful life is appropriate. We review indefinite-lived intangible assets for impairment annually in the fourth quarter, and whenever market or business events indicate there may be a potential impairment of that intangible. Impairment losses are recorded to the extent that the carrying value of the indefinite-lived intangible asset exceeds its fair value. The significant assumptions that are used to determine the estimated fair value for indefinite-lived intangible asset testing are third-party market forecasts of U.S. new home starts and home repair and remodel spending; management's sales and profit margin forecasts; the market-participant weighted-average cost of capital; and the perpetuity growth rate. Impairment losses are recorded to the extent that the carrying value of the indefinite-lived intangible asset exceeds its fair value. We measure fair value of our indefinite-lived tradenames using the standard relief-from-royalty approach which estimates the present value of royalty income that could be hypothetically earned by licensing the brand name to a third party over the remaining useful life. We first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. Qualitative factors include changes in volume, customers and the industry. If it is deemed more likely than not that an intangible asset is impaired, we will perform a quantitative impairment test.

In 2016, 2015 and 2014, we did not record any asset impairment charges in operating income associated with goodwill or indefinite-lived intangible assets. As of December 31, 2016, the fair value of one of the tradenames in the Cabinets segment and one of our tradenames in the Doors segment exceeded their carrying value by less than 10%. Accordingly, a reduction in the estimated fair value of these tradenames could trigger an impairment.

Defined Benefit Plans

We have a number of pension plans in the United States, covering many of the Company's employees. In addition, the Company provides postretirement health care and life insurance benefits to certain retirees. As previously communicated to our employees, benefit accruals under our defined benefit pension plans were frozen as of December 31, 2016.

We recognize changes in the fair value of pension plan assets and net actuarial gains or losses in excess of 10 percent of the greater of the fair value of pension plan assets or each plan's projected benefit obligation (the "corridor") in earnings immediately upon remeasurement, which is at least annually in the fourth quarter of each year. Net actuarial gains and losses occur when actual experience differs from any of the assumptions used to value defined benefit plans or when assumptions change as they may each year. The primary factors contributing to actuarial gains and losses are changes in the discount rate used to value obligations as of the measurement date and the differences between expected and actual returns on pension plan assets. This accounting method results in the potential for volatile and difficult to forecast gains and losses. The pre-tax recognition of actuarial losses was $1.9 million, $2.5 million and $13.7 million in 2016, 2015 and 2014, respectively. The total net actuarial losses in accumulated other comprehensive income for all defined benefit plans were $73.4 million as of December 31, 2016, compared to $71.4 million as of December 31, 2015. The $2.0 million change was primarily due to lower discount rates at December 31, 2016 compared to December 31, 2015.

We record amounts relating to these defined benefit plans based on various actuarial assumptions, including discount rates, assumed rates of return, compensation increases, turnover rates and health care cost trend rates. We review our actuarial assumptions on an annual basis and make modifications to the assumptions based on current economic conditions and trends. We believe that the assumptions utilized in recording our obligations under our plans are reasonable based on our experience and on advice from our independent actuaries; however, differences in actual experience or changes in the assumptions may materially affect our financial condition or results of operations. The expected return on plan assets is determined based on the nature of the plans' investments, our current asset allocation and our expectations for long-term rates of return. The weighted-average long-term expected rate of return on pension plan assets for the years ended December 31, 2016 and 2015 was 6.6% and 6.8%, respectively. Compensation increases reflect expected future compensation trends. The discount rate used to measure obligations is based on a spot-rate yield curve on a plan-by-plan basis that matches projected future benefit payments with the appropriate interest rate applicable to the timing of the projected future benefit payments. The bond portfolio used for the selection of the discount rate is from the top quartile of bonds rated by nationally recognized statistical rating organizations, and includes only non-callable bonds and those that are deemed to be sufficiently marketable with a Moody's credit rating of Aa or higher. The weighted-average discount rate for defined benefit liabilities as of December 31, 2016 and 2015 was 4.3% and 4.6%, respectively.

For postretirement benefits, our health care trend rate assumption is based on historical cost increases and expectations for long-term increases. As of December 31, 2016, for postretirement medical and prescription drugs in the next year, our assumption was an assumed rate of increase of 7.3% for pre-65 retirees and 8.2% for post-65 retirees, declining until reaching an ultimate assumed rate of increase of 4.5% per year in 2025. As of December 31, 2015, for postretirement medical and prescription drugs in the next year, our assumption was an assumed rate of increase of 7.3% for pre-65 retirees and 8.2% for post-65 retirees, declining until reaching an ultimate assumed rate of increase of 4.5% per year in 2024.

Below is a table showing pre-tax pension and postretirement expenses, including the impact of actuarial gains and losses:

(In millions)	*2016*	2015	2014
Total pension expense	$ 6.8	$ 8.0	$ 13.7
Actuarial loss component of expense above	—	2.9	12.5
Total postretirement income	(11.3)	(13.2)	(25.5)
Actuarial loss (gain) component of expense above	1.9	(0.4)	1.2
Amortization of prior service credit component of expense above	(13.5)	(13.5)	(27.6)

The actuarial losses in 2016 were principally due to the re-measurement relating to a retiree medical plan. The actuarial losses in 2015 were due to lower asset returns, partially offset by higher discount rates. The actuarial losses in 2014 were due to a reduction in the discount rates used to measure plan benefit obligations, as well as change to the new Society of Actuaries RP-2014 mortality tables and improvement index (approximately $48 million). Discount rates in 2016 used to determine benefit obligations decreased by an average of 30 basis points for pension benefits and an average of 70 basis points for postretirement benefits. Discount rates in 2015 used to determine benefit obligations increased by an average of 40 basis points for pension benefits and an average of 50 basis points for postretirement benefits. Discount rates in 2014 used to determine benefit obligations decreased by an average of 80 basis points for both pension benefits and postretirement benefits. The changes in

discount rates was due to changes in interest rates for the bond portfolio that comprises our spot-rate yield curve. Our spot-rate yield curve is based on high quality bond interest rates. Our actual return on plan assets in 2016 was 10.0% compared to an actuarial assumption of an average 6.3% expected return. Our actual return on plan assets in 2015 was (2.1)% compared to an actuarial assumption of an average 6.8% expected return. Significant actuarial losses in future periods would be expected if discount rates decline, actual returns on plan assets are lower than our expected return, or a combination of both occurs.

A 25 basis point change in our discount rate assumption would lead to an increase or decrease in our pension and postretirement liability of approximately $25 million. A 25 basis point change in the long-term rate of return on plan assets used in accounting for our pension plans would have a $1.4 million impact on pension expense. In addition, if required, actuarial gains and losses will be recorded in accordance with our defined benefit plan accounting method as previously described. It is not possible to forecast or predict whether there will be actuarial gains and losses in future periods, and if required, the magnitude of any such adjustment. These gains and losses are driven by differences in actual experience or changes in the assumptions that are beyond our control, such as changes in interest rates and the actual return on pension plan assets.

Income Taxes

In accordance with ASC requirements for Income Taxes, we establish deferred tax liabilities or assets for temporary differences between financial and tax reporting bases and subsequently adjust them to reflect changes in tax rates expected to be in effect when the temporary differences reverse. We record a valuation allowance reducing deferred tax assets when it is more likely than not that such assets will not be realized.

We record liabilities for uncertain income tax positions based on a two-step process. The first step is recognition, where we evaluate whether an individual tax position has a likelihood of greater than 50% of being sustained upon examination based on the technical merits of the position, including resolution of any related appeals or litigation processes. For tax positions that are currently estimated to have a less than 50% likelihood of being sustained, no tax benefit is recorded. For tax positions that have met the recognition threshold in the first step, we perform the second step of measuring the benefit to be recorded. The actual benefits ultimately realized may differ from our estimates. In future periods, changes in facts, circumstances, and new information may require us to change the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recorded in the consolidated statement of income and consolidated balance sheet in the period in which such changes occur. As of December 31, 2016, we had liabilities for unrecognized tax benefits pertaining to uncertain tax positions totaling $58.2 million. It is reasonably possible that the unrecognized tax benefits may decrease in the range of $4.0 million to $5.0 million in the next 12 months primarily as a result of the conclusion of U.S. federal, state and foreign income tax proceedings.

Customer Program Costs

Customer programs and incentives are a common practice in our businesses. Our businesses incur customer program costs to obtain favorable product placement, to promote sales of products and to maintain competitive pricing. Customer program costs and incentives, including rebates and promotion and volume allowances, are accounted for in either “net sales” or the category “selling, general and administrative expenses” at the time the program is initiated and/or the revenue is recognized. The costs are predominantly recognized in “net sales” and include, but are not limited to, volume allowances and rebates, promotional allowances, and cooperative advertising programs. These costs are recorded at the later of the time of sale or the implementation of the program based

on management's best estimates. Estimates are based on historical and projected experience for each type of program or customer. Volume allowances are accrued based on management's estimates of customer volume achievement and other factors incorporated into customer agreements, such as new products, store sell-through, merchandising support, levels of returns and customer training. Management periodically reviews accruals for these rebates and allowances, and adjusts accruals when circumstances indicate (typically as a result of a change in volume expectations). The costs typically recognized in "selling, general and administrative expenses" include product displays, point of sale materials and media production costs.

Litigation Contingencies

Our businesses are subject to risks related to threatened or pending litigation and are routinely defendants in lawsuits associated with the normal conduct of business. Liabilities and costs associated with litigation-related loss contingencies require estimates and judgments based on our knowledge of the facts and circumstances surrounding each matter and the advice of our legal counsel. We record liabilities for litigation-related losses when a loss is probable and we can reasonably estimate the amount of the loss in accordance with ASC requirements for Contingencies. We evaluate the measurement of recorded liabilities each reporting period based on the then-current facts and circumstances specific to each matter. The ultimate losses incurred upon final resolution of litigation-related loss contingencies may differ materially from the estimated liability recorded at any particular balance sheet date. Changes in estimates are recorded in earnings in the period in which such changes occur.

Environmental Matters

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. Uncertainties about the status of laws, regulations, technology and information related to individual sites make it difficult to develop estimates of environmental remediation exposures. Some of the potential liabilities relate to sites we own, and some relate to sites we no longer own or never owned. Several of our subsidiaries have been designated as potentially responsible parties ("PRPs") under "Superfund" or similar state laws. As of December 31, 2016, eleven such instances have not been dismissed, settled or otherwise resolved. In 2016, one of our subsidiaries was identified as a PRP in a new instance and no instances were settled, dismissed or otherwise resolved. In most instances where our subsidiaries are named as a PRP, we enter into cost-sharing arrangements with other PRPs. We give notice to insurance carriers of potential PRP liability, but very rarely, if ever, receive reimbursement from insurance for PRP costs. We believe that the cost of complying with the present environmental protection laws, before considering estimated recoveries either from other PRPs or insurance, will not have a material adverse effect on our results of operations, cash flows or financial condition. At December 31, 2016 and 2015, we had accruals of $1.0 million and $2.8 million, respectively, relating to environmental compliance and cleanup including, but not limited to, the above mentioned Superfund sites. Our year over year accrual decreased after we completed the remediation at one location.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

We are exposed to various market risks, including changes in interest rates, foreign currency exchange rates and commodity prices. Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. We do not enter into derivatives or other financial instruments for trading or speculative purposes. We enter into financial instruments to manage and reduce the impact of changes in foreign currency exchange rates and commodity prices. The counterparties are major financial institutions.

Interest Rate Risk

A hypothetical 100 basis point change in interest rates affecting the Company's external variable rate borrowings as of December 31, 2016, would be $5.4 million on a pre-tax basis.

Foreign Exchange Rate Risk

We enter into forward foreign exchange contracts principally to hedge currency fluctuations in transactions denominated in certain foreign currencies, thereby limiting our risk that would otherwise result from changes in exchange rates. The periods of the forward foreign exchange contracts correspond to the periods of the hedged transactions.

The estimated fair value of foreign currency contracts represents the amount required to enter into offsetting contracts with similar remaining maturities based on quoted market prices.

The estimated potential loss under foreign exchange contracts from movement in foreign exchange rates would not have a material impact on our results of operations, cash flows or financial condition. As part of our risk management procedure, we use a value-at-risk ("VAR") sensitivity analysis model to estimate the maximum potential economic loss from adverse changes in foreign exchange rates over a one-day period given a 95% confidence level. The VAR model uses historical foreign exchange rates to estimate the volatility and correlation of these rates in future periods. The estimated maximum one-day loss in the fair value of the Company's foreign currency exchange contracts using the VAR model was $1.3 million at December 31, 2016. The 95% confidence interval signifies our degree of confidence that actual losses under foreign exchange contracts would not exceed the estimated losses. The amounts disregard the possibility that foreign currency exchange rates could move in our favor. The VAR model assumes that all movements in the foreign exchange rates will be adverse. These amounts should not be considered projections of future losses, since actual results may differ significantly depending upon activity in the global financial markets. The VAR model is a risk analysis tool and should not be construed as an endorsement of the VAR model or the accuracy of the related assumptions.

Commodity Price Risk

We are subject to commodity price volatility caused by weather, supply conditions, geopolitical and economic variables, and other unpredictable external factors. From time to time, we use derivative contracts to manage our exposure to commodity price volatility.

Item 8. Financial Statements and Supplementary Data.

Consolidated Statements of Income

Fortune Brands Home & Security, Inc. and Subsidiaries

	For years ended December 31		
(In millions, except per share amounts)	*2016*	2015	2014
NET SALES	$ 4,984.9	$ 4,579.4	$ 4,013.6
Cost of products sold	3,180.3	2,997.5	2,646.7
Selling, general and administrative expenses	1,129.9	1,047.6	943.3
Amortization of intangible assets	28.1	21.6	13.1
Restructuring charges	13.9	16.6	7.0
OPERATING INCOME	632.7	496.1	403.5
Interest expense	49.1	31.9	10.4
Other expense, net	1.5	4.3	1.2
Income from continuing operations before income taxes	582.1	459.9	391.9
Income taxes	169.7	153.4	118.3
Income from continuing operations, net of tax	412.4	306.5	273.6
Income (loss) from discontinued operations, net of tax	0.8	9.0	(114.3)
NET INCOME	413.2	315.5	159.3
Less: Noncontrolling interests	—	0.5	1.2
NET INCOME ATTRIBUTABLE TO FORTUNE BRANDS	$ 413.2	$ 315.0	$ 158.1
BASIC EARNINGS (LOSS) PER COMMON SHARE			
Continuing operations	$ 2.67	$ 1.92	$ 1.68
Discontinuing operations	0.01	0.05	(0.70)
Net income attributable to Fortune Brands common shareholders	$ 2.68	$ 1.97	$ 0.98
DILUTED EARNINGS (LOSS) PER COMMON SHARE			
Continuing operations	$ 2.61	$ 1.88	$ 1.64
Discontinuing operations	0.01	0.05	(0.69)
Net income attributable to Fortune Brands common shareholders	$ 2.62	$ 1.93	$ 0.95
Basic average number of shares outstanding	154.3	159.5	161.8
Diluted average number of shares outstanding	157.8	163.0	166.3
Dividends declared per common share	$ 0.66	$ 0.58	$ 0.50

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Fortune Brands Home & Security, Inc. and Subsidiaries

(In millions)	2016	2015	2014
	For years ended December 31		
NET INCOME	$ 413.2	$ 315.5	$ 159.3
Other comprehensive (loss) income, before tax:			
Foreign currency translation adjustments	(14.7)	(44.3)	(22.3)
Unrealized (losses) gains on derivatives:			
Unrealized holding (losses) gains arising during period	(6.7)	6.8	(1.3)
Less: reclassification adjustment for losses (gains) included in net income	3.5	(3.6)	(0.1)
Unrealized (losses) gains on derivatives	(3.2)	3.2	(1.4)
Defined benefit plans:			
Prior service credit (cost) arising during period	12.1	(0.1)	15.3
Prior service credit (cost) recognition due to settlement and curtailment	0.1	(1.0)	—
Net actuarial (loss) gain arising during period	(1.9)	6.3	(112.5)
Less: amortization of prior service credit included in net periodic pension cost	(13.5)	(13.4)	(27.5)
Defined benefit plans	(3.2)	(8.2)	(124.7)
Other comprehensive loss, before tax	(21.1)	(49.3)	(148.4)
Income tax benefit (expense) related to items of other comprehensive income[(a)]	1.7	3.5	46.2
Other comprehensive loss, net of tax	(19.4)	(45.8)	(102.2)
COMPREHENSIVE INCOME	393.8	269.7	57.1
Less: comprehensive income attributable to noncontrolling interest	—	0.5	1.1
COMPREHENSIVE INCOME ATTRIBUTABLE TO FORTUNE BRANDS	$ 393.8	$ 269.2	$ 56.0

(a) Income tax benefit (expense) on unrealized (losses) gains on derivatives of $0.5 million, $(0.5) million and $(0.2) million and on defined benefit plans of $1.2 million, $4.0 million and $46.4 million in 2016, 2015 and 2014, respectively.

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets Fortune Brands Home & Security, Inc. and Subsidiaries

(In millions)	December 31 2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 251.5	$ 238.5
Accounts receivable less allowances for discounts, doubtful accounts and returns	550.7	502.6
Inventories	531.1	555.6
Other current assets	111.9	121.3
TOTAL CURRENT ASSETS	1,445.2	1,418.0
Property, plant and equipment, net of accumulated depreciation	662.5	627.9
Goodwill	1,833.8	1,755.3
Other intangible assets, net of accumulated amortization	1,107.0	996.7
Other assets	80.0	77.8
TOTAL ASSETS	$ 5,128.5	$ 4,875.7
LIABILITIES AND EQUITY		
Current liabilities		
Notes payable to banks	$ —	$ 0.8
Accounts payable	393.8	344.2
Other current liabilities	449.0	412.9
TOTAL CURRENT LIABILITIES	842.8	757.9
Long-term debt	1,431.1	1,168.7
Deferred income taxes	163.5	201.7
Accrued defined benefit plans	216.2	218.4
Other non-current liabilities	111.9	75.2
TOTAL LIABILITIES	2,765.5	2,421.9
Commitments (Note 17) and Contingencies (Note 22)		
Equity		
Common stock[(a)]	1.7	1.7
Paid-in capital	2,653.8	2,602.2
Accumulated other comprehensive loss	(71.9)	(52.5)
Retained earnings	814.6	501.6
Treasury stock	(1,036.7)	(602.1)
TOTAL FORTUNE BRANDS EQUITY	2,361.5	2,450.9
Noncontrolling interests	1.5	2.9
TOTAL EQUITY	2,363.0	2,453.8
TOTAL LIABILITIES AND EQUITY	$ 5,128.5	$ 4,875.7

(a) Common stock, par value $0.01 per share, 177.7 million shares and 175.2 million shares issued at December 31, 2016 and 2015, respectively.

See Notes to Consolidated Financial Statements.

Table of Contents

Consolidated Statements of Cash Flows

Fortune Brands Home & Security, Inc. and Subsidiaries

	For years ended December 31		
(In millions)	*2016*	2015	2014
OPERATING ACTIVITIES			
Net income	$ 413.2	$ 315.5	$ 159.3
Non-cash expense (income):			
Depreciation	94.6	93.5	82.9
Amortization of intangibles	28.1	21.6	15.9
Stock-based compensation	32.0	27.6	29.7
Restructuring charges	(0.1)	1.0	2.5
Loss (gain) on sale of property, plant and equipment	1.2	(0.5)	0.9
Loss on sale of discontinued operation	—	16.7	83.2
Asset impairment charges	—	—	10.7
Recognition of actuarial losses	1.9	8.6	13.7
Deferred taxes	(25.8)	(13.6)	0.3
Amortization of deferred financing costs	3.6	0.6	—
Changes in assets and liabilities including effects subsequent to acquisitions:			
Increase in accounts receivable	(39.1)	(6.9)	(39.9)
Decrease (increase) in inventories	52.4	(69.8)	14.5
Increase (decrease) in accounts payable	57.6	(16.0)	(9.5)
Decrease (increase) in other assets	10.7	(24.4)	(24.4)
Increase (decrease) in accrued taxes	0.3	6.7	(0.2)
Increase (decrease) in accrued expenses and other liabilities	19.9	68.6	(73.4)
NET CASH PROVIDED BY OPERATING ACTIVITIES	650.5	429.2	266.2
INVESTING ACTIVITIES			
Capital expenditures	(149.3)	(128.5)	(127.5)
Proceeds from the disposition of assets	3.9	2.5	0.7
Proceeds from sale of discontinued operation	—	12.2	130.0
Cost of acquisitions, net of cash acquired	(239.7)	(652.8)	(147.3)
Other investing activities	—	—	(7.0)
NET CASH USED IN INVESTING ACTIVITIES	(385.1)	(766.6)	(151.1)
FINANCING ACTIVITIES			
(Decrease) increase in short-term debt	(1.1)	0.8	(6.2)
Issuance of long-term debt	1,065.0	1,748.9	1,057.0
Repayment of long-term debt	(805.0)	(1,250.0)	(737.0)
Proceeds from the exercise of stock options	25.5	28.9	28.9
Excess tax benefit from the exercise of stock-based compensation	—	30.7	29.2
Employee withholding taxes paid related to stock-based compensation	(10.1)	(18.1)	(12.5)
Dividends to stockholders	(98.2)	(89.5)	(77.4)
Treasury stock purchases	(424.5)	(51.7)	(439.8)
Other financing activities, net	(2.0)	(1.2)	(2.2)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(250.4)	398.8	(160.0)
Effect of foreign exchange rate changes on cash	(2.0)	(14.8)	(4.6)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 13.0	$ 46.6	$ (49.5)
Cash and cash equivalents at beginning of year	$ 238.5	$ 191.9	$ 241.4
Cash and cash equivalents at end of year	$ 251.5	$ 238.5	$ 191.9
Cash paid during the year for:			
Interest	$ 43.7	$ 26.0	$ 9.6
Income taxes paid directly to taxing authorities	172.1	102.2	109.1
Income taxes (received from) paid to Fortune Brands, Inc.	(0.6)	2.0	—
Dividends declared but not paid	27.6	25.6	22.1

[a] Capital expenditures of $11.9 million, $20.0 million and $4.2 million that have not been paid as of December 31, 2016, 2015 and 2014, respectively, were excluded from the Statement of Cash Flows.

See Notes to Consolidated Financial Statements.

Consolidated Statements of Equity

Fortune Brands Home & Security, Inc. and Subsidiaries

(In millions)	Common Stock	Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Treasury Stock	Non-controlling Interests	Total Equity
Balance at December 31, 2013	$ 1.7	$2,431.3	$ 95.4	$ 200.8	$ (79.8)	$ 3.7	$2,653.1
Comprehensive income:							
Net income	—	—	—	158.1	—	1.2	159.3
Other comprehensive (loss) income	—	—	(102.1)	—	—	(0.1)	(102.2)
Stock options exercised	—	29.1	—	—	—	—	29.1
Stock-based compensation	—	29.2	—	—	(12.7)	—	16.5
Tax benefit on exercise of stock options[(a)]	—	27.7	—	—	—	—	27.7
Treasury stock purchase	—	—	—	—	(439.8)	—	(439.8)
Dividends ($0.50 per Common share)	—	—	—	(79.4)	—	—	(79.4)
Dividends paid to noncontrolling interests	—	—	—	—	—	(1.2)	(1.2)
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	—	—	—	315.0	—	0.5	315.5
Other comprehensive (loss) income	—	—	(45.8)	—	—	—	(45.8)
Stock options exercised	—	28.9	—	—	—	—	28.9
Stock-based compensation	—	27.6	—	—	(18.1)	—	9.5
Tax benefit on exercise of stock options	—	28.4	—	—	—	—	28.4
Treasury stock purchase	—	—	—	—	(51.7)	—	(51.7)
Dividends ($0.58 per Common share)	—	—	—	(92.9)	—	—	(92.9)
Dividends paid to noncontrolling interests	—	—	—	—	—	(1.2)	(1.2)
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	—	—	—	413.2	—	—	413.2
Other comprehensive (loss) income	—	—	(19.4)	—	—	—	(19.4)
Stock options exercised	—	25.5	—	—	—	—	25.5
Stock-based compensation	—	32.0	—	—	(10.1)	—	21.9
Treasury stock purchase	—	—	—	—	(424.5)	—	(424.5)
Dividends ($0.66 per Common share)	—	—	—	(100.2)	—	—	(100.2)
Dividends paid to noncontrolling interests	—	—	—	—	—	(1.4)	(1.4)
Other (See Note 10)	—	(5.9)	—	—	—	—	(5.9)
Balance at December 31, 2016	$ 1.7	$2,653.8	$ (71.9)	$ 814.6	$(1,036.7)	$ 1.5	$2,363.0

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Background and Basis of Presentation

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. References to (i) “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.

Basis of Presentation The consolidated financial statements include the accounts of Fortune Brands and its wholly-owned subsidiaries. The consolidated financial statements in this Annual Report on Form 10-K have been derived from the accounts of the Company and its wholly-owned subsidiaries. The Company’s consolidated financial statements are based on a fiscal year ending December 31. Certain of the Company’s subsidiaries operate on a 52 or 53 week fiscal year ending during the month of December. In December 2016, there were certain transactions that resulted in approximately $49 million of net cash outflows, relating to payments made to third parties in the normal course of business during the period between the year-end of our wholly-owned subsidiaries and the Company’s year-end.

In September 2016, we acquired ROHL LLC (“ROHL”) and in a related transaction, we acquired TCL Manufacturing which gave us ownership of Perrin & Rowe Limited (“Perrin & Rowe”), and in May 2016, we acquired Riobel Inc (“Riobel”). The financial results of ROHL, Perrin & Rowe and Riobel were included in the Company’s consolidated balance sheets as of December 31, 2016 and in the Company’s consolidated statements of income and statements of cash flow beginning in September 2016 and May 2016, respectively.

In September 2015, we completed the sale of Waterloo Industries, Inc. (“Waterloo”). In accordance with Accounting Standards Codification (“ASC”) requirements, the results of operations of Waterloo through the date of sale, were classified and separately stated as discontinued operations in the accompanying consolidated statements of income for 2015 and 2014. The assets and liabilities of Waterloo were classified as discontinued operations in the accompanying consolidated balance sheet as of December 31, 2014.

In May 2015, we acquired Norcraft Companies, Inc. (“Norcraft”). The financial results of Norcraft were included in the Company’s consolidated statements of income and statements of cash flow beginning in May 2015 and the consolidated balance sheets as of December 31, 2015 and 2016.

In September 2014, we sold all of the shares of stock of Fortune Brands Windows, Inc., our subsidiary that owned and operated the Simonton windows business. The results of operations of Simonton were reclassified and separately stated as discontinued operations in the accompanying consolidated statements of income for 2014.

The cash flows from discontinued operations for 2016, 2015 and 2014 were not separately classified on the accompanying consolidated statements of cash flows. Information on Business Segments was revised to exclude these discontinued operations.

2. Significant Accounting Policies

Use of Estimates The presentation of financial statements in accordance with U.S. generally accepted accounting principles (“GAAP”) requires us to make estimates and assumptions that affect reported amounts and related disclosures. Actual results in future periods could differ from those estimates.

Cash and Cash Equivalents Highly liquid investments with an original maturity of three months or less are included in cash and cash equivalents.

Allowances for Doubtful Accounts Trade receivables are recorded at the stated amount, less allowances for discounts, doubtful accounts and returns. The allowances for doubtful accounts represent estimated uncollectible receivables associated with potential customer defaults on contractual obligations (usually due to customers' potential insolvency), or discounts related to early payment of accounts receivables by our customers. The allowances include provisions for certain customers where a risk of default has been specifically identified. In addition, the allowances include a provision for customer defaults on a general formula basis when it is determined the risk of some default is probable and estimable, but cannot yet be associated with specific customers. The assessment of the likelihood of customer defaults is based on various factors, including the length of time the receivables are past due, historical collection experience and existing economic conditions. In accordance with this policy, our allowance for doubtful accounts was $7.4 million and $5.8 million as of December 31, 2016 and 2015, respectively.

Inventories The majority of our inventories are accounted for using the first-in, first-out inventory method. Inventory provisions are recorded to reduce inventory to the lower of cost or market value for obsolete or slow moving inventory based on assumptions about future demand and marketability of products, the impact of new product introductions, inventory levels and turns, product spoilage and specific identification of items, such as product discontinuance, engineering/material changes, or regulatory-related changes.

We also use the last-in, first-out ("LIFO") inventory method in those product groups in which metals inventories comprise a significant portion of our inventories. LIFO inventories at December 31, 2016 and 2015 were $235.5 million (with a current cost of $244.4 million) and $227.9 million (with a current cost of $243.1 million), respectively.

Property, Plant and Equipment Property, plant and equipment are carried at cost. Depreciation is provided, principally on a straight-line basis, over the estimated useful lives of the assets. Gains or losses resulting from dispositions are included in operating income. Betterments and renewals, which improve and extend the life of an asset, are capitalized; maintenance and repair costs are expensed as incurred. Assets held for use to be disposed of at a future date are depreciated over the remaining useful life. Assets to be sold are written down to fair value at the time the assets are being actively marketed for sale. Estimated useful lives of the related assets are as follows:

Buildings and leasehold improvements	15 to 40 years
Machinery and equipment	3 to 10 years
Software	3 to 7 years

Long-lived Assets In accordance with ASC requirements for Property, Plant and Equipment, a long-lived asset (including amortizable identifiable intangible assets) or asset group held for use is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. When such events occur, we compare the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group to the carrying amount of the long-lived asset or asset group. The cash flows are based on our best estimate of future cash flows derived from the most recent business projections. If this comparison indicates that there is an impairment, the amount of the impairment is calculated based on fair value. Fair value is estimated primarily using discounted expected future cash flows on a market-participant basis.

Goodwill and Indefinite-lived Intangible Assets In accordance with ASC requirements for Intangibles — Goodwill and Other, goodwill is tested for impairment at least annually in the fourth quarter, and written down when impaired. An interim impairment test is performed if an event occurs or conditions change that would more likely than not reduce the fair value of the reporting unit below the carrying value.

We evaluate the recoverability of goodwill using a weighting of the income (80%) and market (20%) approaches. For the income approach, we use a discounted cash flow model, estimating the future cash flows of the reporting units to which the goodwill relates, and then discounting the future cash flows at a market-participant-derived weighted-average cost of capital. In determining the estimated future cash flows, we consider current and projected future levels of income based on management's plans for that business; business trends, prospects and market and economic conditions; and market-participant considerations. Furthermore, our projection for the U.S. home products market is inherently subject to a number of uncertain factors, such as employment, home prices, credit availability, new home starts and the rate of home foreclosures. For the market approach, we apply market multiples for peer groups to the current operating results of the reporting units to determine each reporting unit's fair value. The Company's reporting units are operating segments. When the estimated fair value of a reporting unit is less than its carrying value, we measure and recognize the amount of the goodwill impairment loss, if any. Impairment losses, limited to the carrying value of goodwill, represent the excess of the carrying value of a reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of a reporting unit is estimated based on a hypothetical allocation of each reporting unit's fair value to all of its underlying assets and liabilities.

Purchased intangible assets other than goodwill are amortized over their useful lives unless those lives are determined to be indefinite. The determination of the useful life of an intangible asset other than goodwill is based on factors including historical and tradename performance with respect to consumer name recognition, geographic market presence, market share, and plans for ongoing tradename support and promotion. Certain of our tradenames have been assigned an indefinite life as we currently anticipate that these tradenames will contribute cash flows to the Company indefinitely. Indefinite-lived intangible assets are not amortized, but are evaluated at least annually to determine whether the indefinite useful life is appropriate. We review indefinite-lived intangible assets for impairment annually in the fourth quarter, and whenever market or business events indicate there may be a potential impairment of that intangible asset. Impairment losses are recorded to the extent that the carrying value of the indefinite-lived intangible asset exceeds its fair value. We measure fair value using the standard relief-from-royalty approach which estimates the present value of royalty income that could be hypothetically earned by licensing the brand name to a third party over the remaining useful life. We first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. Qualitative factors include changes in volume, customers and the industry. If it is deemed more likely than not that an intangible asset is impaired, we will perform a quantitative impairment test.

The events and/or circumstances that could have a potential negative effect on the estimated fair value of our reporting units and indefinite-lived tradenames include: actual new construction and repair and remodel growth rates that lag our assumptions, actions of key customers, volatility of discount rates, continued economic uncertainty, higher levels of unemployment, weak consumer confidence, lower levels of discretionary consumer spending and a decrease in royalty rates. We cannot predict the occurrence of certain events or changes in circumstances that might adversely affect the carrying value of goodwill and indefinite-lived intangible assets.

Defined Benefit Plans We have a number of pension plans in the United States, covering many of the Company's employees. In addition, the Company provides postretirement health care and life insurance benefits to certain retirees.

We record amounts relating to these plans based on calculations in accordance with ASC requirements for Compensation — Retirement Benefits, which include various actuarial assumptions, including discount rates, assumed rates of return, compensation increases, turnover rates and health care cost trend rates. We recognize changes in the fair value of pension plan assets and net actuarial gains or losses in excess of 10 percent of the greater of the fair value of pension plan assets or each plan's projected benefit obligation (the "corridor") in earnings immediately upon remeasurement, which is at least annually in the fourth quarter of each year. We review our actuarial assumptions on an annual basis and make modifications to the assumptions based on current economic conditions and trends. The discount rate used to measure obligations is based on a spot-rate yield curve on a plan-by-plan basis that matches projected future benefit payments with the appropriate interest rate applicable to the timing of the projected future benefit payments. The expected rate of return on plan assets is determined based on the nature of the plans' investments, our current asset allocation and our expectations for long-term rates of return. Compensation increases reflect expected future compensation trends. For postretirement benefits, our health care trend rate assumption is based on historical cost increases and expectations for long-term increases. The cost or benefit of plan changes, such as increasing or decreasing benefits for prior employee service (prior service cost), is deferred and included in expense on a straight-line basis over the average remaining service period of the related employees. We believe that the assumptions utilized in recording obligations under our plans, which are presented in Note 14, "Defined Benefit Plans," are reasonable based on our experience and on advice from our independent actuaries; however, differences in actual experience or changes in the assumptions may materially affect our financial position and results of operations. We will continue to monitor these assumptions as market conditions warrant.

Insurance Reserves We provide for expenses associated with workers' compensation and product liability obligations when such amounts are probable and can be reasonably estimated. The accruals are adjusted as new information develops or circumstances change that would affect the estimated liability.

Litigation Contingencies Our businesses are subject to risks related to threatened or pending litigation and are routinely defendants in lawsuits associated with the normal conduct of business. Liabilities and costs associated with litigation-related loss contingencies require estimates and judgments based on our knowledge of the facts and circumstances surrounding each matter and the advice of our legal counsel. We record liabilities for litigation-related losses when a loss is probable and we can reasonably estimate the amount of the loss in accordance with ASC requirements for Contingencies. We evaluate the measurement of recorded liabilities each reporting period based on the then-current facts and circumstances specific to each matter. The ultimate losses incurred upon final resolution of litigation-related loss contingencies may differ materially from the estimated liability recorded at any particular balance sheet date. Changes in estimates are recorded in earnings in the period in which such changes occur.

Income Taxes

In accordance with ASC requirements for Income Taxes, we establish deferred tax liabilities or assets for temporary differences between financial and tax reporting bases and subsequently adjust them to reflect changes in tax rates expected to be in effect when the temporary differences reverse. We record a valuation allowance reducing deferred tax assets when it is more likely than not that such assets will not be realized.

We record liabilities for uncertain income tax positions based on a two-step process. The first step is recognition, where we evaluate whether an individual tax position has a likelihood of greater than 50% of being sustained upon examination based on the technical merits of the position, including resolution of any related appeals or litigation processes. For tax positions that are currently estimated

to have a less than 50% likelihood of being sustained, no tax benefit is recorded. For tax positions that have met the recognition threshold in the first step, we perform the second step of measuring the benefit to be recorded. The actual benefits ultimately realized may differ from our estimates. In future periods, changes in facts, circumstances, and new information may require us to change the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recorded in the consolidated statement of income and consolidated balance sheet in the period in which such changes occur. As of December 31, 2016, we had liabilities for unrecognized tax benefits pertaining to uncertain tax positions totaling $58.2 million. It is reasonably possible that the unrecognized tax benefits may decrease in the range of $4.0 million to $5.0 million in the next 12 months primarily as a result of the conclusion of U.S. federal, state and foreign income tax proceedings.

Revenue Recognition Revenue is recorded when persuasive evidence that an arrangement exists, delivery has occurred, the price is fixed or determinable, and collectibility is reasonably assured. Revenue is recorded net of applicable provisions for discounts, returns and allowances. We record estimates for reductions to revenue for customer programs and incentives, including price discounts, volume-based incentives, promotions and cooperative advertising when revenue is recognized. Sales returns are based on historical returns, current trends and forecasts of product demand.

Cost of Products Sold Cost of products sold includes all costs to make products saleable, such as labor costs, inbound freight, purchasing and receiving costs, inspection costs and internal transfer costs. In addition, all depreciation expense associated with assets used to manufacture products and make them saleable is included in cost of products sold.

Customer Program Costs Customer programs and incentives are a common practice in our businesses. Our businesses incur customer program costs to obtain favorable product placement, to promote sales of products and to maintain competitive pricing. Customer program costs and incentives, including rebates and promotion and volume allowances, are accounted for in either “net sales” or the category “selling, general and administrative expenses” at the time the program is initiated and/or the revenue is recognized. The costs are predominantly recognized in “net sales” and include, but are not limited to, volume allowances and rebates, promotional allowances, and cooperative advertising programs. These costs are recorded at the later of the time of sale or the implementation of the program based on management’s best estimates. Estimates are based on historical and projected experience for each type of program or customer. Volume allowances are accrued based on management’s estimates of customer volume achievement and other factors incorporated into customer agreements, such as new product purchases, store sell-through, merchandising support, levels of returns and customer training. Management periodically reviews accruals for these rebates and allowances, and adjusts accruals when circumstances indicate (typically as a result of a change in volume expectations). The costs typically recognized in “selling, general and administrative expenses” include product displays, point of sale materials and media production costs. The costs included in the “selling, general and administrative expenses” category were $44.1 million, $43.2 million and $43.4 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Selling, General and Administrative Expenses Selling, general and administrative expenses include advertising costs; marketing costs; selling costs, including commissions; research and development costs; shipping and handling costs, including warehousing costs; and general and administrative expenses. Shipping and handling costs included in selling, general and administrative expenses were $197.0 million, $184.6 million and $169.7 million in 2016, 2015 and 2014, respectively.

Advertising costs, which amounted to $199.1 million, $195.4 million and $200.4 million in 2016, 2015 and 2014, respectively, are principally expensed as incurred. Advertising costs include product

displays, media production costs and point of sale materials. Advertising costs recorded as a reduction to net sales, primarily cooperative advertising, were $52.5 million, $63.2 million and $66.8 million in 2016, 2015 and 2014, respectively. Advertising costs recorded in selling, general and administrative expenses were $146.6 million, $132.2 million and $133.6 million in 2016, 2015 and 2014, respectively.

Research and development expenses include product development, product improvement, product engineering and process improvement costs. Research and development expenses, which were $53.1 million, $48.7 million and $46.1 million in 2016, 2015 and 2014, respectively, are expensed as incurred.

Stock-based Compensation Stock-based compensation expense, measured as the fair value of an award on the date of grant, is recognized in the financial statements over the period that an employee is required to provide services in exchange for the award. The fair value of each option award is measured on the date of grant using the Black-Scholes option-pricing model. The fair value of each performance award is based on the stock price at the date of grant and the probability of meeting performance targets. The fair value of each restricted stock unit granted is equal to the share price at the date of grant. See Note 13, "Stock-Based Compensation," for additional information.

Earnings Per Share Earnings per common share is calculated by dividing net income attributable to Fortune Brands by the weighted-average number of shares of common stock outstanding during the year. Diluted earnings per common share include the impact of all potentially dilutive securities outstanding during the year. See Note 20, "Earnings Per Share," for further discussion.

Foreign Currency Translation Foreign currency balance sheet accounts are translated into U.S. dollars at the actual rates of exchange at the balance sheet date. Income and expenses are translated at the average rates of exchange in effect during the period for the foreign subsidiaries where the local currency is the functional currency. The related translation adjustments are made directly to a separate component of the "accumulated other comprehensive income" ("AOCI") caption in equity. Transactions denominated in a currency other than the functional currency of a subsidiary are translated into functional currency with resulting transaction gains or losses recorded in other expense, net.

Derivative Financial Instruments In accordance with ASC requirements for Derivatives and Hedging, all derivatives are recognized as either assets or liabilities on the balance sheet and measurement of those instruments is at fair value. If the derivative is designated as a fair value hedge and is highly effective, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings in the same period. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded directly to a separate component of AOCI, and are recognized in the consolidated statement of income when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings.

Deferred currency gains/(losses) of $(3.5) million and $3.6 million (before tax impact) was reclassified into earnings for the year ended December 31, 2016 and 2015, respectively. There was no impact of deferred currency gains/losses on earnings in 2014. Based on foreign exchange rates as of December 31, 2016, we estimate that $0.2 million of net currency derivative losses included in AOCI as of December 31, 2016 will be reclassified to earnings within the next twelve months.

Recently Issued Accounting Standards

Simplifying the Test for Goodwill Impairment.

In January 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2017-04 that simplifies the accounting for goodwill impairment for all entities. Under the new standard, if a reporting unit’s carrying amount exceeds its fair value, an entity will record an impairment charge based on that difference. The impairment charge will be limited to the amount of goodwill allocated to that reporting unit. The standard eliminates the current requirement to calculate a goodwill impairment charge by comparing the implied fair value of goodwill with its carrying amount (i.e. hypothetical purchase price allocation). The new standard is effective for annual and interim impairment tests performed in periods beginning after January 1, 2020 and early adoption is permitted. We are assessing the impact the adoption of this standard will have on our financial statements.

Clarifying the Definition of a Business

In January 2017, the FASB issued ASU 2017-01 that changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business and therefore business combination guidance would apply. The new standard requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset (i.e., a business) or a group of similar identifiable assets (i.e., not a business). In this case the transfer of assets does not constitute a business. The guidance also requires a business to include at least one substantive process and narrows the definition of outputs (e.g., revenues with customers). The new standard is effective January 1, 2018 and early adoption is permitted. We are assessing the impact the adoption of this standard will have on our financial statements.

Restricted Cash

In November 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-18 according to which entities are no longer required to present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The prior standard did not address the classification of activity related to restricted cash and restricted cash equivalents in the statement of cash flows and this has resulted in diversity in cash flows presentation. The new standard is effective from January 1, 2018 and early adoption is permitted, however we elected not to early adopt. We do not expect the adoption of this standard to have a material effect on our financial statements.

Intra-Entity Transfers of Assets Other Than Inventory

In October 2016, the FASB issued ASU 2016-16 that will require companies to account for the income tax effects of intercompany sales and transfers of assets other than inventory (e.g., intangible assets) when the transfer occurs. Under the current guidance companies are required to defer the income tax effects of intercompany transfers of assets until the asset has been sold to an outside party or otherwise recognized (e.g., depreciated, amortized, impaired). The new standard is effective from January 1, 2018 and early adoption is permitted, however we elected not to early adopt. Transition method will be a “modified retrospective”, i.e. with a cumulative adjustment to retained earnings at adoption. We are assessing the impact the adoption of this standard will have on our financial statements.

Classification of Certain Cash Receipts and Cash Payments

In September 2016 the FASB issued ASU 2016-15 that will change how an entity classifies certain cash receipts and cash payments on its statement of cash flows. The key changes that may

potentially impact our financial statements include the following: 1) cash payments for debt prepayment or extinguishment costs should be classified as financing cash outflows; 2) contingent consideration payments that are not made within three months after the consummation of a business combination would be classified as financing (if payment made is up to the acquisition date fair value of liability) or operating outflows (if the payment is in excess of acquisition fair value). Cash payments made “soon after” the consummation of a business combination generally will be classified as cash outflows for investing activities; 3) insurance settlement proceeds, would be classified based on the nature of the loss; and 4) company-owned life insurance settlement proceeds would be presented as investing cash inflows, and premiums could be classified as investing or operating cash outflows, or a combination of both. The new standard is effective beginning January 1, 2018 and should be adopted retrospectively. Early adoption is permitted however we elected not to early adopt. We are assessing the impact the adoption of this standard will have on our financial statements.

Financial Instruments — Credit Losses

In June 2016, the FASB issued ASU 2016-13 that changes the impairment model for most financial assets and certain other instruments that are not measured at fair value through net income. The new guidance applies to most financial assets measured at amortized cost, including trade and other receivables and loans as well as off-balance-sheet credit exposures (e.g., loan commitments, standby letters of credit). The standard will replace the “incurred loss” approach under the current guidance with an “expected loss” model that requires an entity to estimate its lifetime “expected credit loss”. The new standard is effective beginning January 1, 2020 and early application is permitted but not earlier than January 1, 2019. We are assessing the impact the adoption of this standard will have on our financial statements.

Improvements to Employee Share-Based Payment Accounting

In March 2016, the FASB issued ASU 2016-09 that requires entities to recognize the income tax effects of share-based 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. We early adopted this standard as of June 30, 2016. As a result, during the second quarter we reclassified the year-to-date 2016 excess tax benefit of $14.2 million and the second quarter benefit of $9 million from paid-in capital (statements of equity) into the income taxes line on the statements of comprehensive income. Further, we reclassified the excess tax benefits from the exercise of stock based compensation from financing into operating activities in the statement of cash flows in 2016. We also reclassified $9 million and $13.6 million of employee withholding taxes paid from operating into financing activities in the statement of cash flows for the six months period ended June 30, 2016 and 2015, respectively, as required by ASU 2016-09 (adopted retrospectively). The adoption did not impact the existing classification of the awards.

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. 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.

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 early adoption 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. Early application is permitted for certain provisions of the standard, however we elected not to early adopt. We do not expect the adoption of this standard to have a material effect on our financial statements.

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. 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). During 2016, the FASB issued certain amendments to the standard relating to the principal versus agent guidance, accounting for licenses of intellectual property and identifying performance obligations as well as the guidance on transition, collectability, noncash consideration and the presentation of sales and other similar taxes. The effective date and transition requirements for these amendments are the same as those of the original ASU. We have identified focus areas for each of our reporting segments and have made substantial progress in our assessment of the accounting and financial reporting implications as of the end of 2016. Based on our preliminary assessment, we have determined that the control of goods, separate performance obligations and right of return are the focus areas for the Company. We plan to complete our assessment of the impact of adoption during the third quarter of 2017 and finalize the adoption of the new revenue standard by the end of 2017.

3. Balance Sheet Information

Supplemental information on our year-end consolidated balance sheets is as follows:

(In millions)	*2016*	2015
Inventories:		
Raw materials and supplies	$ 207.6	$ 237.8
Work in process	55.9	60.2
Finished products	267.6	257.6
Total inventories	$ 531.1	$ 555.6
Property, plant and equipment:		
Land and improvements	$ 57.0	$ 56.2
Buildings and improvements to leaseholds	429.4	407.6
Machinery and equipment	1,079.8	1,005.6
Construction in progress	64.5	82.3
Property, plant and equipment, gross	1,630.7	1,551.7
Less: accumulated depreciation	968.2	923.8
Property, plant and equipment, net of accumulated depreciation	$ 662.5	$ 627.9
Other current liabilities:		
Accrued salaries, wages and other compensation	$ 112.6	$ 118.0
Accrued customer programs	129.3	124.8
Accrued taxes	46.3	43.3
Dividends payable	27.6	25.6
Other accrued expenses	133.2	101.2
Total other current liabilities	$ 449.0	$ 412.9

4. Acquisitions

In September 2016, we acquired ROHL, a California-based luxury plumbing company. In a related transaction, we also acquired Perrin & Rowe, a UK manufacturer and designer of luxury kitchen and bathroom plumbing products. The total combined purchase price was approximately $166 million (including $3 million of liabilities assumed), subject to certain post-closing adjustments. We financed the transaction using cash on hand and borrowings under our existing credit facilities. Net sales and operating income in the twelve months ended December 31, 2016 were not material to the Company. The results of operations are included in the Plumbing segment. The goodwill expected to be deductible for income tax purposes is approximately $49 million.

In May 2016, we acquired Riobel, a Canadian plumbing company specializing in premium showroom bath and shower fittings, for a total purchase price of $94.6 million in cash, subject to certain post-closing adjustments. We financed the transaction using cash on hand and borrowings under our existing credit facilities. Net sales and operating income in the twelve months ended December 31, 2016 were not material to the Company. The results of operations are included in the Plumbing segment. We do not expect any portion of goodwill to be deductible for income tax purposes.

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. The results of operations of Norcraft are included in the Cabinets segment. We incurred $15.1 million of Norcraft acquisition-related transaction costs in the year ended December 31, 2015. The goodwill deductible for income tax purposes is $66.2 million.

During the third quarter of 2016 and following the completion of the Norcraft purchase accounting measurement period, the Company identified certain immaterial prior period balance sheet misstatements relating to the calculation of deferred tax liabilities as disclosed in the purchase price allocation related to the Norcraft acquisition. The correction of the cumulative misstatement during the third quarter of 2016 resulted in a $24.3 million and $15.4 million reduction in Norcraft's deferred tax liabilities and the carrying value of goodwill, respectively, and an offsetting increase of $8.9 million in the uncertain tax positions accrual. The Company assessed the materiality of these misstatements on previously issued financial statements and concluded that the misstatements were not material to the Consolidated Financial Statements for any interim or annual periods taken as a whole.

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

(In millions)	
Accounts receivable	$ 30.8
Inventories	28.6
Property, plant and equipment	45.3
Goodwill	290.6
Identifiable intangible assets	360.0
Other assets	9.4
Total assets	764.7
Deferred tax liabilities	75.6
Other liabilities and accruals	40.5
Net assets acquired[(a)]	$648.6

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

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 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 including: the expense relating to Norcraft's tax receivable agreements settled upon the acquisition of Norcraft and the pro forma effect of a release of deferred tax valuation allowance,

> estimated amortization of a definite-lived customer relationship intangible asset (amortized using the straight-line method),

> the estimated cost of the inventory adjustment to fair value,

> 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 Norcraft 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)	*2015*	2014
Net sales	$4,721.8	$4,387.8
Income from continuing operations	323.1	269.7
Basic earnings per common share	$ 2.02	$ 1.66
Diluted earnings per common share	$ 1.98	$ 1.61

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

In December 2014, we acquired all of the issued and outstanding shares of capital stock of Anafree Holdings, Inc., the sole owner of Anaheim Manufacturing Company (“Anaheim”), which markets and sells garbage disposals, for $28.9 million in cash. We paid the purchase price using a combination of cash on hand and borrowings under our existing credit facilities. We completed our purchase price allocation in the first half of 2015 and as a result reclassified $17 million from goodwill to other identifiable assets. Net sales and operating income in the twelve months ended December 31, 2014 were not material to the Company. The results of operations of Anaheim are included in the Plumbing segment.

In July 2014, we acquired all of the voting equity of John D. Brush & Co., Inc. (“SentrySafe”) for a purchase price of $116.7 million in cash. The purchase price was funded from our existing credit facilities. This acquisition broadened our product offering of security products. Net sales and operating income in the twelve months ended December 31, 2014 were not material to the Company. The results of operations of SentrySafe are included in the Security segment.

These 2014 acquisitions were not material for the purposes of supplemental disclosure and did not have a material impact on our consolidated financial statements.

5. Discontinued Operations

In 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 $16.9 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, 2014 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.

In addition, in August 2014, we entered into a stock purchase agreement to sell the Simonton business for $130 million in cash. The sale was completed in September 2014. Simonton is presented as a discontinued operation in the Company’s financial statements in accordance with ASC requirements. The 2014 income (loss) from discontinued operations, net of tax, included a loss on sale of the Simonton business of $111.2 million as well as $14.1 million of restructuring and impairment charges for Waterloo in order to remeasure this business at the estimated fair value less costs to sell. Simonton was previously reported in the Doors segment.

The following table summarizes the results of discontinued operations for the years ended December 31, 2015 and 2014. The year ended December 31, 2015 on a pre-tax basis consists of Waterloo only, however the comparable period in 2014 includes both Waterloo and Simonton.

(in millions)	*2015*	2014
Net sales	$ 78.2	$ 369.4
Loss from discontinued operations before income taxes	$ (16.0)	$ (90.8)
Income tax (benefit) expense	(25.0)	23.5
Income (loss) from discontinued operations, net of tax	$ 9.0	$ (114.3)

6. Goodwill and Identifiable Intangible Assets

We had goodwill of $1,833.8 million and $1,755.3 million as of December 31, 2016 and 2015, respectively. The increase of $78.5 million was primarily due to the acquisitions of Riobel and ROHL, partially offset by the Norcraft acquisition-related adjustment (See Note 4, “Acquisitions”). The change in the net carrying amount of goodwill by segment was as follows:

(In millions)	Cabinets	Plumbing	Doors	Security	Total Goodwill
Balance at December 31, 2014[(a)]	$ 630.1	$ 595.6	$ 143.0	$ 99.1	$ 1,467.8
2015 translation adjustments	(4.9)	—	—	(2.7)	(7.6)
Acquisition-related adjustments	312.5	(17.0)	—	(0.4)	295.1
Balance at December 31, 2015[(a)]	$ 937.7	$ 578.6	$ 143.0	$ 96.0	$ 1,755.3
2016 translation adjustments	0.8	(2.3)	—	0.3	(1.2)
Acquisition-related adjustments	(14.2)	93.9	—	—	79.7
Balance at December 31, 2016[(a)]	$ 924.3	$ 670.2	$ 143.0	$ 96.3	$ 1,833.8

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

We also had identifiable intangible assets, principally tradenames, of $1,107.0 million and $996.7 million as of December 31, 2016 and 2015, respectively. The $137.8 million increase in gross identifiable intangible assets was primarily due to the acquisitions in our Plumbing segment during 2016.

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

	As of December 31, 2016			As of December 31, 2015		
(In millions)	Gross Carrying Amounts	Accumulated Amortization	Net Book Value	Gross Carrying Amounts	Accumulated Amortization	Net Book Value
Indefinite-lived intangible assets—tradenames	$ 671.8	$ —	$ 671.8	$ 638.6	—	$ 638.6
Amortizable intangible assets						
Tradenames	15.8	(7.3)	8.5	19.1	(8.6)	10.5
Customer and contractual relationships	611.9	(203.1)	408.8	511.2	(177.4)	333.8
Patents/proprietary technology	61.9	(44.0)	17.9	54.7	(40.9)	13.8
Total	689.6	(254.4)	435.2	585.0	(226.9)	358.1
Total identifiable intangibles	$ 1,361.4	$ (254.4)	$ 1,107.0	$ 1,223.6	$ (226.9)	$ 996.7

Amortizable intangible assets, principally tradenames and customer relationships, are subject to amortization on a straight-line basis 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 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. We expect to record intangible amortization of approximately $32 million in 2017, $30 million in 2018, $28 million in 2019, $28 million in 2020, and $28 million in 2021.

We review indefinite-lived tradename intangible assets for impairment annually in the fourth quarter, as well as whenever market or business events indicate there may be a potential impact on a specific intangible asset. Impairment losses are recorded to the extent that the carrying value of the indefinite-lived intangible asset exceeds its fair value. We measure fair value using the standard relief-from-royalty approach which estimates the present value of royalty income that could be hypothetically earned by licensing the tradename to a third party over the remaining useful life.

In 2016, 2015 and 2014, we did not record any asset impairment charges associated with goodwill or indefinite-lived intangible assets. As of December 31, 2016, the fair value of one of the tradenames in the Cabinets segment and one of our tradenames in the Doors segment exceeded their carrying value by less than 10%. Accordingly, a reduction in the estimated fair value of these tradenames could trigger an impairment. As of December 31, 2016, the carrying value of these tradenames was $168 million. Factors influencing our fair value estimates of these tradenames are described in the following paragraph.

The events and/or circumstances that could have a potential negative effect on the estimated fair value of our reporting units and indefinite-lived tradenames include: actual new construction and repair and remodel growth rates that lag our assumptions, actions of key customers, volatility of discount rates, continued economic uncertainty, higher levels of unemployment, weak consumer confidence, lower levels of discretionary consumer spending, a decrease in royalty rates and decline in the trading price of our common stock. We cannot predict the occurrence of certain events or changes in circumstances that might adversely affect the carrying value of goodwill and indefinite-lived intangible assets.

7. Asset Impairment Charges

In 2014, as a result of our decision to sell Waterloo, we recorded $9.1 million of pre-tax impairment charges in order to remeasure this business at the estimated fair value less costs to sell. These charges consisted of $8.1 million for fixed assets and $1.0 million for definite-lived intangible assets. Refer to Note 5, “Discontinued Operations,” for additional information on the sale of Waterloo.

8. External Debt and Financing Arrangements

In June 2016, the Company amended and restated its credit agreement to combine and rollover the existing revolving credit facility and term loan into a new standalone $1.25 billion revolving credit facility. This amendment of the credit agreement was a non-cash transaction for the Company. Terms and conditions of the credit agreement, including the total commitment amount, essentially remained the same. The revolving credit facility will mature in June 2021 and borrowings thereunder will be used for general corporate purposes. On December 31, 2016 and 2015, our outstanding borrowings under these facilities, net of debt issuance costs relating to the term loan balance, were $540.0 million (revolver) and $279.0 million (term loan), respectively. At December 31, 2016 and 2015, the current portion of long-term debt was zero. Interest rates under the facility are variable based on LIBOR at the time of the borrowing and the Company’s long-term credit rating and can range from LIBOR + 0.9% to LIBOR + 1.5%. As of December 31, 2016, we were in compliance with all covenants under this

facility. As a result of the refinancing, we wrote-off prepaid debt issuance costs of approximately $1.3 million as of June 30, 2016. 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.

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 December 31, 2016 and 2015, the outstanding amount of the Senior Notes, net of underwriting commissions and price discounts, was $891.1 million and $889.7 million, respectively.

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 zero and $0.8 million were outstanding, as of December 31, 2016 and 2015. The weighted-average interest rates on these borrowings were 1.5%, 1.0% and 7.6% in 2016, 2015 and 2014 respectively.

The components of external long-term debt were as follows:

(In millions)	*2016*	2015
$400 million unsecured senior note due June 2020	$ 397.6	$ 396.9
$500 million unsecured senior note due June 2025	493.5	492.8
$1,250 million revolving credit agreement due July 2021	540.0	—
$525 million term loan[(a)]	—	279.0
Total debt	1,431.1	1,168.7
Less: current portion	—	—
Total long-term debt	$ 1,431.1	$ 1,168.7

(a) In 2016, the Company amended and restated its credit agreement to combine and rollover the existing revolving credit facility and term loan into a new standalone $1.25 billion revolving credit facility.

Senior Notes payments during the next five years as of December 31, 2016 are zero in 2017 through 2019, $400 million in 2020 and zero in 2021.

In our debt agreements, there are normal and customary events of default which would permit the lenders to accelerate the debt if not cured within applicable grace periods, such as failure to pay principal or interest when due or a change in control of the Company. There were no events of default as of December 31, 2016.

9. 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. We are subject to credit risk on these contracts equal to the fair value of these instruments. Management currently believes that the risk of incurring material losses is unlikely and that the losses, if any, would be immaterial to the Company.

Raw materials used by the Company are subject to price volatility caused by weather, supply conditions, geopolitical and economic variables, and other unpredictable external factors. From time to time, we enter into commodity swaps to manage the price risk associated with forecasted purchases of materials used in our operations. We account for these commodity derivatives as economic hedges or cash flow hedges. Changes in the fair value of economic hedges are recorded directly into current period earnings. There were no material commodity swap contracts outstanding for the years ended December 31, 2016 and 2015.

We enter into foreign exchange contracts primarily to hedge forecasted sales and purchases denominated in select foreign currencies, thereby limiting currency risk that would otherwise result from changes in exchange rates. The periods of the foreign exchange contracts correspond to the periods of the forecasted transactions, which generally do not exceed 12 to 15 months subsequent to the latest balance sheet date.

For derivative instruments that are designated as fair value hedges, the gain or loss on the derivative instrument, as well as the offsetting loss or gain on the hedged item, are recognized on the same line of the statement of income. The effective portions of cash flow hedges are reported in other comprehensive income ("OCI") and are recognized in the statement of income when the hedged item affects earnings. The changes in fair value for net investment hedges are recognized in the statement of income when realized upon sale or upon complete or substantially complete liquidation of the investment in the foreign entity. The ineffective portion of all hedges is recognized in current period earnings. In addition, changes in the fair value of all economic hedge transactions are immediately recognized in current period earnings. 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 December 31, 2016 was $192.7 million, representing a net settlement liability of $0.1 million. Based on foreign exchange rates as of December 31, 2016, we estimate that $0.2 million of net foreign currency derivative losses included in OCI as of December 31, 2016 will be reclassified to earnings within the next twelve months.

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

		Fair Value	
(In millions)	Location	*2016*	2015
Assets:			
Foreign exchange contracts	Other current assets	$2.8	$6.7
Net investment hedges	Other current assets	0.6	0.1
	Total assets	$3.4	$6.8
Liabilities:			
Foreign exchange contracts	Other current liabilities	$2.9	$3.1
Net investment hedges	Other current liabilities	0.2	—
	Total liabilities	$3.1	$3.1

The effects of derivative financial instruments on the consolidated statements of income in 2016, 2015 and 2014 were:

(In millions)	Gain (Loss) Recognized in Income			
Type of hedge	Location	*2016*	2015	2014
Cash flow	Net sales	$ —	$ —	$ —
	Cost of products sold	(3.5)	3.6	0.5
	Other expense, net	—	—	(0.4)
Fair value	Other expense, net	2.0	8.2	3.6
Total		$(1.5)	$11.8	$ 3.7

For cash flow hedges that are effective, the amounts recognized in OCI were (losses) gains of $(6.7) million and $6.8 million in 2016 and 2015, respectively. In the years ended December 31, 2016, 2015 and 2014, the ineffective portion of cash flow hedges recognized in Other expense, net, was insignificant.

10. Fair Value Measurements

The carrying value and fair value of debt as of December 31, 2016 and 2015 were as follows:

(In millions)	December 31, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Revolving credit facility	$540.0	$540.0	$ —	$ —
Notes payable to bank	—	—	0.8	0.8
Term loan, including current portion	—	—	279.0	280.0
Senior Notes, net of underwriting commissions and price discounts	891.1	919.2	889.7	894.1

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 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 estimated fair value of our Senior Notes and term loan is determined primarily using broker quotes, which are level 2 inputs.

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

(In millions)	Fair Value	
	2016	2015
Assets:		
Derivative asset financial instruments (level 2)	$3.4	$6.8
Deferred compensation program assets (level 2)	4.5	3.1
Total assets	$7.9	$9.9
Liabilities:		
Derivative liability financial instruments (level 2)	$3.1	$3.1

The principal derivative financial instruments we enter into on a routine basis are foreign exchange contracts. In addition, from time to time, we enter into commodity swaps. Derivative financial instruments are recorded at fair value.

During the second quarter of 2016, we entered into a joint venture arrangement with a partner to operate a manufacturing facility in China. Under the arrangement, we are required to make certain fixed payments to our partner each year starting in June 2017 and through June 2024 (final year of the agreement) and also purchase the outstanding preferred shares of our partner in 2024. During the second quarter of 2016, we recognized the fair value of $8.2 million of these contractual payments, including a redemption of the preferred shares ($7.2 million within other non-current liabilities and $1.0 million due within one year in other current liabilities). We have also recognized the excess of $5.2 million of this liability fair value over the $3.0 million cash contributed by our partner within paid-in capital.

11. Capital Stock

The Company has 750 million authorized shares of common stock, par value $0.01 per share. The number of shares of common stock and treasury stock and the share activity for 2016 and 2015 were as follows:

	Common Shares		Treasury Shares	
	2016	2015	*2016*	2015
Balance at the beginning of the year	159,906,032	158,140,128	15,293,877	13,809,889
Stock plan shares issued	2,518,071	3,249,892	—	—
Shares surrendered by optionees	(204,538)	(392,921)	204,538	392,921
Common stock repurchases	(8,807,515)	(1,091,067)	8,807,515	1,091,067
Balance at the end of the year	153,412,050	159,906,032	24,305,930	15,293,877

In December 2016, our Board of Directors increased the quarterly cash dividend by 13% to $0.18 per share of our common stock.

The Company has 60 million authorized shares of preferred stock, par value $0.01 per share. At December 31, 2016, no shares of our preferred stock were outstanding. Our Board of Directors has the authority, without action by the Company’s stockholders, to designate and issue our preferred stock in one or more series and to designate the rights, preferences, limitations and privileges of each series of preferred stock, which may be greater than the rights of the Company’s common stock.

In 2016, we repurchased approximately 8.8 million shares of outstanding common stock under the Company’s share repurchase program at a cost of $424.5 million. As of December 31, 2016, the Company’s total remaining share repurchase authorization under the remaining program was approximately $223.1 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.

Table of Contents

12. Accumulated Other Comprehensive (Loss) Income

The reclassifications out of accumulated other comprehensive (loss) income for the year ended December 31, 2016 and 2015 were as follows:

(In millions)

Details about Accumulated Other Comprehensive Income Components	2016	2015	Affected Line Item in the Consolidated Statements of Income
Cumulative translation adjustments	$ —	$ —	Restructuring charges
Losses (gains) on cash flow hedges			
Foreign exchange contracts	$ (3.5)	$ 4.0	Cost of products sold
	—	—	Other expense, net
Commodity contracts	—	(0.4)	Cost of products sold
	(3.5)	3.6	Total before tax
	—	(1.8)	Tax expense
	$ (3.5)	$ 1.8	Net of tax
Defined benefit plan items			
Amortization of prior service cost	$ 13.5	$ 13.4	(a)
Recognition of actuarial losses	(1.9)	(2.5)	(a)
Recognition of prior service in discontinued operations	—	1.0	(b)
Recognition of actuarial losses in discontinued operations	—	(6.1)	(b)
	11.6	5.8	Total before tax
	(4.3)	(3.0)	Tax expense
	$ 7.3	$ 2.8	Net of tax
Total reclassifications for the period	$ 3.8	$ 4.6	Net of tax

(a) These accumulated other comprehensive (loss) income components are included in the computation of net periodic benefit cost. Refer to Note 14, “Defined Benefit Plans,” for additional information.

(b) These accumulated other comprehensive loss components are included in discontinued operations.

Total accumulated other comprehensive (loss) income 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 after-tax components of and changes in accumulated other comprehensive (loss) income were as follows:

(In millions)	Foreign Currency Adjustments	Derivative Hedging Gain (Loss)	Defined Benefit Plan Adjustments	Accumulated Other Comprehensive (Loss) Income
Balance at December 31, 2013	$ 53.3	$ 0.9	$ 41.2	$ 95.4
Amounts classified into accumulated other comprehensive (loss) income	(20.8)	(1.5)	(69.7)	(92.0)
Amounts reclassified from accumulated other comprehensive (loss) income into earnings	(1.5)	—	(8.6)	(10.1)
Net current period other comprehensive (loss) income	(22.3)	(1.5)	(78.3)	(102.1)
Balance at December 31, 2014	$ 31.0	$ (0.6)	$ (37.1)	$ (6.7)
Amounts classified into accumulated other comprehensive (loss) income	(44.3)	4.5	(1.4)	(41.2)
Amounts reclassified from accumulated other comprehensive (loss) income into earnings	—	(1.8)	(2.8)	(4.6)
Net current period other comprehensive (loss) income	(44.3)	2.7	(4.2)	(45.8)
Balance at December 31, 2015	$ (13.3)	$ 2.1	$ (41.3)	$ (52.5)
Amounts classified into accumulated other comprehensive (loss) income	(14.7)	(6.2)	5.3	(15.6)
Amounts reclassified from accumulated other comprehensive (loss) income into earnings	—	3.5	(7.3)	(3.8)
Net current period other comprehensive (loss) income	(14.7)	(2.7)	(2.0)	(19.4)
Balance at December 31, 2016	$ (28.0)	$ (0.6)	$ (43.3)	$ (71.9)

13. Stock-Based Compensation

As of December 31, 2016, we had awards outstanding under two Long-Term Incentive Plans, the Fortune Brands Home & Security, Inc. 2013 Long-Term Incentive Plan (the “Plan”) and the 2011 Long-Term Incentive Plan (the “2011 Plan”, and together with the Plan — the “Plans”). Our stockholders approved the Plan in 2013, which provides for the granting of stock options, performance share awards, restricted stock units, and other equity-based awards, to employees, directors and consultants. As of December 31, 2016, approximately 6 million shares of common stock remained authorized for issuance under the Plan. In addition, shares of common stock may be automatically added to the number of shares of common stock that may be issued as awards expire, are terminated, cancelled or forfeited, or are used to satisfy the minimum required withholding taxes with respect to existing awards under the Plans. No new stock-based awards can be made under the 2011 Plan, but there are outstanding awards under the 2011 Plan that continue to vest and/or be exercisable. Upon the exercise or payment of stock-based awards, shares of common stock are issued from authorized common shares.

Table of Contents

Pre-tax stock-based compensation expense from continuing operations was as follows:

(In millions)	2016	2015	2014
Stock option awards	$ 7.2	$ 7.4	$ 7.8
Restricted stock units	17.2	13.4	11.8
Performance awards	6.7	5.9	7.6
Director awards	0.9	0.9	0.9
Total pre-tax expense	32.0	27.6	28.1
Tax benefit	11.4	9.9	10.5
Total after tax expense	$20.6	$17.7	$17.6

Compensation costs that were capitalized in inventory were not material.

Restricted Stock Units

Restricted stock units have been granted to officers and certain employees of the Company and represent the right to receive unrestricted shares of Company common stock subject to continued employment. Restricted stock units granted to certain officers are also subject to attaining specific performance criteria. In addition, certain employees can elect to defer receipt of a portion of their RSU awards upon vesting. Compensation cost is recognized over the service period. We calculate the fair value of each restricted stock unit granted by using the average of the high and low share prices on the date of grant. Restricted stock units generally vest ratably over a three-year period.

A summary of activity with respect to restricted stock units outstanding under the Plans for the year ended December 31, 2016 was as follows:

	Number of Restricted Stock Units	Weighted-Average Grant-Date Fair Value
Non-vested at December 31, 2015	686,026	$ 44.69
Granted	385,450	51.97
Vested	(314,104)	42.88
Forfeited	(33,974)	46.63
Non-vested at December 31, 2016	723,398	$ 49.22

The remaining unrecognized pre-tax compensation cost related to restricted stock units at December 31, 2016 was approximately $19.2 million, and the weighted-average period of time over which this cost will be recognized is 1.7 years. The fair value of restricted stock units that vested during 2016, 2015 and 2014 was $16.4 million, $24.9 million and $31.1 million, respectively.

Stock Option Awards

Stock options were granted to officers and select employees of the Company and represent the right to purchase shares of Company common stock subject to continued employment through each vesting date.

All stock-based compensation to employees is required to be measured at fair value and expensed over the requisite service period. We recognize compensation expense on awards on a straight-line basis over the requisite service period for the entire award. Stock options granted under the Plans generally vest over a three-year period and have a maturity of ten years from the grant date.

The fair value of Fortune Brands options was estimated at the date of grant using a Black-Scholes option pricing model with the assumptions shown in the following table:

	2016	2015	2014
Current expected dividend yield	1.4%	1.5%	1.5%
Expected volatility	30.0%	27.0%	32.0%
Risk-free interest rate	1.3%	1.8%	1.9%
Expected term	5.5 years	6 years	6 years

The determination of expected volatility is based on a blended peer group volatility for companies in similar industries, at a similar stage of life and with similar market capitalization because there is not sufficient historical volatility data for Fortune Brands common stock over the period commensurate with the expected term of stock options, as well as other relevant factors. The risk-free interest rate is based on U.S. government issues with a remaining term equal to the expected life of the stock options. The expected term is the period over which our employees are expected to hold their options. It is based on the simplified method from the Securities and Exchange Commission's safe harbor guidelines. The dividend yield is based on the Company's estimated dividend over the expected term. The weighted-average grant date fair value of stock options granted under the Plans during the years ended December 31, 2016, 2015 and 2014 was $12.70, $11.58 and $12.72, respectively.

A summary of Fortune Brands stock option activity related to Fortune Brands and employees of Fortune Brands, Inc., our Former Parent, for the year ended December 31, 2016 was as follows:

	Options	Weighted-Average Exercise Price
Outstanding at December 31, 2015	6,199,526	$ 20.74
Granted	621,900	50.22
Exercised	(1,949,423)	13.10
Expired/forfeited	(56,712)	46.29
Outstanding at December 31, 2016	4,815,291	$ 27.34

Options outstanding and exercisable at December 31, 2016 were as follows:

	Options Outstanding[a]			Options Exercisable[b]	
Range Of Exercise Prices	Options Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Options Exercisable	Weighted-Average Exercise Price
$9.00 to $12.99	900,898	2.8	$ 11.25	900,898	$ 11.25
13.00 to 20.00	1,824,173	4.5	15.78	1,824,173	15.78
20.01 to 50.22	2,090,220	7.8	44.37	950,833	39.40
	4,815,291	5.6	$ 27.34	3,675,904	$ 20.78

(a) At December 31, 2016, the aggregate intrinsic value of options outstanding was $125.8 million.

(b) At December 31, 2016, the weighted-average remaining contractual life of options exercisable was 4.7 years and the aggregate intrinsic value of options exercisable was $120.1 million.

The remaining unrecognized compensation cost related to unvested awards at December 31, 2016 was $6.3 million, and the weighted-average period of time over which this cost will be recognized is

1.6 years. The fair value of options that vested during the years ended December 31, 2016, 2015 and 2014 was $6.0 million, $7.8 million and $9.8 million, respectively. The intrinsic value of Fortune Brands stock options exercised in the years ended December 31, 2016, 2015 and 2014 was $88.1 million, $78.0 million and $63.4 million, respectively.

Performance Awards

Performance share awards were granted to officers and select employees of the Company under the Plans and represent the right to earn shares of Company common stock based on the achievement of various segment or company-wide performance conditions, including cumulative diluted earnings per share, average return on invested capital, average return on net tangible assets and cumulative operating income during the three-year performance period. Compensation cost is amortized into expense over the performance period, which is generally three years, and is based on the probability of meeting performance targets. The fair value of each performance share award is based on the average of the high and low stock price on the date of grant.

The following table summarizes information about performance share awards as of December 31, 2016, as well as activity during the year then ended, based on the target award amounts in the performance share award agreements:

	Number of Performance Share Awards	Weighted-Average Grant-Date Fair Value
Non-vested at December 31, 2015	443,100	$ 42.15
Granted	155,100	50.60
Vested	(131,096)	33.70
Forfeited	(45,504)	42.15
Non-vested at December 31, 2016	421,600	$ 48.00

The remaining unrecognized pre-tax compensation cost related to performance share awards at December 31, 2016 was approximately $6.4 million, and the weighted-average period of time over which this cost will be recognized is 1.5 years. The fair value of performance share awards that vested during 2016 was $6.0 million.

Director Awards

Stock awards are used as part of the compensation provided to outside directors under the Plan. Awards are issued annually in the second quarter. In addition, outside directors can elect to have director fees paid in stock or can elect to defer payment of stock. Compensation cost is expensed at the time of an award based on the fair value of a share at the date of the award. In 2016, 2015 and 2014, we awarded 16,471, 19,695 and 22,654 shares of Company common stock to outside directors with a weighted average fair value on the date of the award of $57.37, $46.21 and $40.01, respectively.

14. Defined Benefit Plans

We have a number of pension plans in the United States, covering many of the Company's employees, however these plans have been closed to new hires. The plans provide for payment of retirement benefits, mainly commencing between the ages of 55 and 65, and also for payment of certain disability benefits. After meeting certain qualifications, an employee acquires a vested right to future benefits. The benefits payable under the plans are generally determined on the basis of an employee's length of service and/or earnings. Employer contributions to the plans are made, as necessary, to ensure legal funding requirements are satisfied. Also, from time to time, we may make

contributions in excess of the legal funding requirements. As previously communicated to our employees, benefits under our defined benefit plans were frozen as of December 31, 2016.

In addition, the Company provides postretirement health care and life insurance benefits to certain retirees.

(In millions)	Pension Benefits		Postretirement Benefits	
Obligations and Funded Status at December 31	*2016*	2015	*2016*	2015
Change in the Projected Benefit Obligation (PBO):				
Projected benefit obligation at beginning of year	$ 767.7	$ 808.6	$ 15.6	$ 20.1
Service cost	9.6	11.5	—	0.1
Interest cost	34.4	33.7	0.3	0.6
Plan amendments	0.1	—	(12.3)	0.1
Actuarial loss (gain)	11.7	(54.1)	1.6	(1.3)
Benefits paid	(31.8)	(31.4)	(1.6)	(2.6)
Medicare Part D reimbursement	—	—	—	0.3
Plan curtailment gain	—	(0.6)	—	—
Plan settlement gain	—	—	—	(1.6)
Foreign exchange	—	—	—	(0.1)
Projected benefit obligation at end of year	$ 791.7	$ 767.7	$ 3.6	$ 15.6
Accumulated benefit obligation at end of year (excludes the impact of future compensation increases)	$ 791.7	$ 759.8		
Change in Plan Assets:				
Fair value of plan assets at beginning of year	$ 561.9	$ 608.2	$ —	$ —
Actual return on plan assets	46.6	(18.2)	—	—
Employer contributions	1.0	3.3	1.5	2.3
Medicare Part D reimbursement	—	—	—	0.3
Benefits paid	(31.8)	(31.4)	(1.5)	(2.6)
Fair value of plan assets at end of year	$ 577.7	$ 561.9	$ —	$ —
Funded status (Fair value of plan assets less PBO)	$(214.0)	$(205.8)	$ (3.6)	$ (15.6)

The accumulated benefit obligation exceeds the fair value of assets for all pension plans. Amounts recognized in the consolidated balance sheets consist of:

	Pension Benefits		Postretirement Benefits	
(In millions)	*2016*	2015	*2016*	2015
Current benefit payment liability	$ (1.0)	$ (1.1)	$ (0.4)	$ (2.0)
Accrued benefit liability	(213.0)	(204.7)	(3.2)	(13.6)
Net amount recognized	$(214.0)	$(205.8)	$ (3.6)	$ (15.6)

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. In accordance with accounting requirements, the liability reduction from this remeasurement is recorded as amortization of prior service credits in net income. In addition, we recorded a $0.9 million actuarial loss during the first quarter of 2016.

In the third quarter of 2015, we recognized actuarial losses of $6.1 million related to curtailment accounting due to the sale of the Waterloo tool storage business in discontinued operations in addition to the $2.5 million of actuarial losses reflected below in net periodic benefit cost.

In the first quarter of 2014, we communicated our decision to amend certain postretirement benefit plans to reduce health benefits for certain current and retired employees. The reduction in accrued retiree benefit plan liabilities was $15.3 million and we recorded actuarial losses of $0.6 million and prior service credits of $3.5 million.

As of December 31, 2016, we adopted the new Society of Actuaries MP-2016 mortality tables, resulting in a decrease in our postretirement obligations of approximately $0.1 million, and a corresponding decrease in deferred actuarial losses in accumulated other comprehensive income. As of December 31, 2015, we adopted the Society of Actuaries RP-2015 mortality tables, resulting in a decrease in our postretirement obligations of approximately $0.5 million, and a corresponding decrease in deferred actuarial losses in accumulated other comprehensive income.

The amounts in accumulated other comprehensive loss on the consolidated balance sheets that have not yet been recognized as components of net periodic benefit cost were as follows:

(In millions)	Pension Benefits	Postretirement Benefits
Net actuarial loss at December 31, 2014	$ 76.5	$ 1.2
Recognition of actuarial (loss) gain	(9.0)	0.4
Current year actuarial gain (loss)	4.2	(1.3)
Net actuarial loss due to curtailment	(0.6)	—
Net actuarial loss at December 31, 2015	$ 71.1	$ 0.3
Recognition of actuarial loss	—	(1.9)
Current year actuarial gain	2.3	1.6
Net actuarial loss at December 31, 2016	$ 73.4	$ —
Net prior service cost (credit) at December 31, 2014	$ 0.4	$ (21.2)
Prior service credit recognition due to plan amendments	—	0.1
Amortization	(0.1)	13.5
Prior service cost recognition due to curtailment	(0.2)	—
Prior service credit recognition due to settlement	—	1.2
Net prior service cost (credit) at December 31, 2015	$ 0.1	$ (6.4)
Prior service cost recognition due to plan amendments	—	(12.2)
Amortization	—	13.5
Prior service cost recognition due to curtailment	(0.1)	—
Net prior service cost (credit) at December 31, 2016	$ —	$ (5.1)
Total at December 31, 2016	$ 73.4	$ (5.1)

The amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year are amortization of net prior service credits related pension benefits of zero and postretirement benefits of $(5.1) million.

Components of net periodic benefit cost were as follows:

Components of Net Periodic Benefit Cost	Pension Benefits			Postretirement Benefits		
(In millions)	*2016*	2015	2014	*2016*	2015	2014
Service cost	$ 9.6	$ 11.5	$ 10.4	$ —	$ 0.1	$ 0.1
Interest cost	34.4	33.7	32.9	0.3	0.6	0.8
Expected return on plan assets	(37.2)	(40.2)	(42.2)	—	—	—
Recognition of actuarial losses (gains)	—	2.9	12.5	1.9	(0.4)	1.2
Amortization of prior service cost (credits)	—	0.1	0.1	(13.5)	(13.5)	(27.6)
Net periodic benefit cost	$ 6.8	$ 8.0	$ 13.7	$ (11.3)	$ (13.2)	$ (25.5)

Assumptions	Pension Benefits			Postretirement Benefits		
	2016	2015	2014	*2016*	2015	2014
Weighted-Average Assumptions Used to Determine Benefit Obligations at December 31:						
Discount rate	4.3%	4.6%		3.4%	4.1%	
Rate of compensation increase	4.0%	4.0%		—	—	
Weighted-Average Assumptions Used to Determine Net Cost for Years Ended December 31:						
Discount rate	4.6%	4.2%	5.0%	4.1%	3.5%	4.3%
Expected long-term rate of return on plan assets	6.6%	6.8%	7.4%	—	—	—
Rate of compensation increase	4.0%	4.0%	4.0%	—	—	—

	Postretirement Benefits	
	2016	2015
Assumed Health Care Cost Trend Rates Used to Determine Benefit Obligations and Net Cost at December 31:		
Health care cost trend rate assumed for next year	7.3/8.2%[(a)]	7.3/8.2%[(a)]
Rate that the cost trend rate is assumed to decline (the ultimate trend rate)	4.5%	4.5%
Year that the rate reaches the ultimate trend rate	2025	2024

(a) The pre-65 initial health care cost trend rate is shown first / followed by the post-65 rate.

A one-percentage-point change in assumed health care cost trend rates would have had the following effects in 2016:

(In millions)	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total of service and interest cost	$ —	$ (0.1)
Effect on postretirement benefit obligation	(0.1)	(0.1)

Table of Contents

Plan Assets

The fair value of the pension assets by major category of plan assets as of December 31, 2016 and 2015 were as follows:

(In millions)	Total as of balance sheet date	
	2016	2015
Group annuity/insurance contracts (Level 3)	$ 22.8	$ 22.3
Collective trusts:		
Cash and cash equivalents	6.9	5.8
Equity	258.8	249.1
Fixed income	235.4	233.8
Multi-strategy hedge funds	23.1	22.3
Real estate	30.7	28.6
Total	$577.7	$561.9

A reconciliation of Level 3 measurements was as follows:

	Group annuity/ insurance contracts	
(In millions)	2016	2015
January 1	$22.3	$21.8
Actual return on assets related to assets still held	0.5	0.5
December 31	$22.8	$22.3

Our defined benefit plans Master Trust own a variety of investment assets. All of these investment assets, except for group annuity/insurance contracts are measured using net asset value per share as a practical expedient per ASC 820. Following the retrospective adoption of ASU 2015-07 (Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share) we excluded all investments measured using net asset value per share in the amount of $554.9 million and $539.6 million as of December 31, 2016 and 2015, respectively, from the tabular fair value hierarchy disclosure.

The terms and conditions for redemptions vary for each class of the investment assets valued at net asset value per share as a practical expedient. Real estate assets may be redeemed quarterly with a 45 day redemption notice period. Investment assets in multi-strategy hedge funds may be redeemed semi-annually with a 95 day redemption notice period. Equity, fixed income and cash and cash equivalents have no specified redemption frequency and notice period and may be redeemed daily. As of December 31, 2016 we do not have an intent to sell or otherwise dispose of these investment assets at prices different than the net asset value per share.

Our investment strategy is to optimize investment returns through a diversified portfolio of investments, taking into consideration underlying plan liabilities and asset volatility. The defined benefit asset allocation policy of the plans allow for an equity allocation of 0% to 75%, a fixed income allocation of 25% to 100%, a cash allocation of up to 25% and other investments of up to 20%. Asset allocations are based on the underlying liability structure. All retirement asset allocations are reviewed periodically to ensure the allocation meets the needs of the liability structure.

Our 2017 expected blended long-term rate of return on plan assets of 6.6% was determined based on the nature of the plans' investments, our current asset allocation and projected long-term rates of return from pension investment consultants.

Table of Contents

Estimated Future Retirement Benefit Payments

The following retirement benefit payments are expected to be paid:

(In millions)	Pension Benefits	Postretirement Benefits
2017	$ 36.3	$ 0.4
2018	37.6	0.3
2019	39.3	0.3
2020	40.7	0.3
2021	42.2	0.2
Years 2022-2026	229.1	0.7

Estimated future retirement benefit payments above are estimates and could change significantly based on differences between actuarial assumptions and actual events and decisions related to lump sum distribution options that are available to participants in certain plans.

Defined Contribution Plan Contributions

We sponsor a number of defined contribution plans. Contributions are determined under various formulas. Cash contributions by the Company related to these plans amounted to $22.7 million, $18.3 million and $21.5 million in 2016, 2015 and 2014, respectively.

15. Income Taxes

The components of income from continuing operations before income taxes and noncontrolling interests were as follows:

(In millions)	2016	2015	2014
Domestic operations	$513.8	$387.7	$301.4
Foreign operations	68.3	72.2	90.5
Income before income taxes and noncontrolling interests	$582.1	$459.9	$391.9

A reconciliation of income taxes at the 35% federal statutory income tax rate to the income tax provision reported was as follows:

(In millions)	2016	2015	2014
Income tax expense computed at federal statutory income tax rate	$203.7	$161.0	$137.2
Other income taxes, net of federal tax benefit	12.6	9.4	7.2
Foreign taxes at a different rate than U.S. federal statutory income tax rate	(7.6)	(8.7)	(13.4)
Tax benefit on income attributable to domestic production activities	(13.0)	(12.5)	(7.6)
Net adjustments for uncertain tax positions	13.2	4.7	4.7
Adoption of ASU 2016-09	(27.8)	—	—
Net effect of rate changes on deferred taxes	(1.1)	0.2	(0.7)
Valuation allowance increase (decrease)	(2.1)	0.8	(4.1)
Miscellaneous other, net	(8.2)	(1.5)	(5.0)
Income tax expense as reported	$169.7	$153.4	$118.3
Effective income tax rate	29.2%	33.4%	30.2%

The effective income tax rates for 2016, 2015 and 2014 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 various extensions of the U.S. research and development credit, offset by state and local taxes and increases to uncertain tax positions. The 2016 effective income tax rate was favorably impacted by a tax benefit related to the adoption of ASU 2016-09, the new accounting guidance relating to share-based compensation. The benefit associated with the favorable tax rates in foreign jurisdictions is affected by overall allocation of income, rate changes and impact of foreign exchange rates. In 2015, the effective income tax rate benefit from foreign tax rates was reduced, as compared to prior years, due to the overall allocation of income within foreign jurisdictions and an expiration of a favorable tax incentive that in total increased the effective foreign tax rate by 6%. The 2015 effective income tax rate was unfavorably impacted by $2.4 million related to nondeductible acquisition costs. The effective tax rate in 2014 was favorably impacted by the release of valuation allowances related to state net operating loss carryforwards of $4.1 million.

A reconciliation of the beginning and ending amount of unrecognized tax benefits (“UTBs”) was as follows:

(In millions)	*2016*	2015	2014
Unrecognized tax benefits — beginning of year	$ 38.2	$ 31.0	$ 23.7
Gross additions — current year tax positions	10.7	4.6	8.7
Gross additions — prior year tax positions	10.4	8.3	2.2
Gross additions (reductions) — purchase accounting adjustments	9.7	0.1	(1.1)
Gross reductions — prior year tax positions	(9.8)	(2.1)	(2.5)
Gross reductions — settlements with taxing authorities	(1.0)	(3.6)	—
Impact of change in foreign exchange rates	(0.0)	(0.1)	—
Unrecognized tax benefits — end of year	$ 58.2	$ 38.2	$ 31.0

The amount of UTBs that, if recognized as of December 31, 2016, would affect the Company’s effective tax rate was $45.4 million. It is reasonably possible that, within the next twelve months, total UTBs may decrease in the range of $4.0 million to $5.0 million primarily as a result of the conclusion of U.S. federal, state and foreign income tax proceedings.

We classify interest and penalty accruals related to UTBs as income tax expense. In 2016, we recognized an interest and penalty expense of approximately $1.1 million. In 2015, we recognized an interest and penalty expense of approximately $1.0 million. In 2014, we recognized an interest and penalty expense of approximately $0.5 million. At December 31, 2016 and 2015, we had accruals for the payment of interest and penalties of $11.0 million and $10.2 million, respectively.

We file income tax returns in the U.S., various state and foreign jurisdictions. The Company is currently under examination by the U.S. Internal Revenue Service (“IRS”) for the periods related to 2013 through 2015. We have tax years that remain open and subject to examination by tax authorities in the following major taxing jurisdictions: Canada for years after 2011, Mexico for years after 2006 and China for years after 2012.

Table of Contents

Income taxes in 2016, 2015 and 2014 were as follows:

(In millions)	2016	2015	2014
Current			
Federal	$150.4	$130.6	$ 86.9
Foreign	22.3	19.7	12.3
State and other	22.9	16.1	12.0
Deferred			
Federal, state and other	(23.9)	(11.3)	2.7
Foreign	(2.0)	(1.7)	4.4
Total income tax expense	$169.7	$153.4	$118.3

The components of net deferred tax assets (liabilities) as of December 31, 2016 and 2015 were as follows:

(In millions)	2016	2015
Deferred tax assets:		
Compensation and benefits	$ 56.1	$ 32.8
Defined benefit plans	82.5	84.4
Capitalized inventories	13.6	12.1
Accounts receivable	10.3	7.7
Other accrued expenses	41.4	23.7
Net operating loss and other tax carryforwards	39.7	39.9
Valuation allowance	(16.4)	(19.7)
Miscellaneous	2.5	6.1
Total deferred tax assets	229.7	187.0
Deferred tax liabilities:		
LIFO inventories	(6.7)	(8.2)
Fixed assets	(57.1)	(48.5)
Identifiable intangible assets	(210.4)	(194.6)
Investment in partnership	(109.3)	(129.8)
Miscellaneous	(0.2)	(0.2)
Total deferred tax liabilities	(383.7)	(381.3)
Net deferred tax liability	$ (154.0)	$ (194.3)

In accordance with ASC requirements for Income Taxes, deferred taxes were classified in the consolidated balance sheets as of December 31, 2016 and 2015 as follows:

(In millions)	2016	2015
Other current assets	$ —	$ —
Other current liabilities	—	—
Other assets	9.5	7.4
Deferred income taxes	(163.5)	(201.7)
Net deferred tax liability	$ (154.0)	$ (194.3)

As of December 31, 2016 and 2015, the Company had deferred tax assets relating to net operating losses, capital losses, and other tax carryforwards of $39.7 million and $39.9 million, respectively, of which approximately $8.3 million will expire between 2017 and 2021, and the remainder of which will expire in 2022 and thereafter.

Table of Contents

The Company has provided a valuation allowance to reduce the carrying value of certain of these deferred tax assets, as management has concluded that, based on the available evidence, it is more likely than not that the deferred tax assets will not be fully realized.

The undistributed earnings of foreign subsidiaries that are considered indefinitely reinvested were $313.6 million at December 31, 2016. A quantification of the associated deferred tax liability on these undistributed earnings has not been made, as the determination of such liability is not practicable.

16. Restructuring and Other Charges

Pre-tax restructuring and other charges for the year ended December 31, 2016 were as follows:

	Year Ended December 31, 2016			
		Other Charges [a]		
(In millions)	Restructuring Charges	Cost of Products Sold	SG&A[b]	Total Charges
Cabinets	$ 1.8	$ —	$ —	$ 1.8
Plumbing	1.6	0.3	0.2	2.1
Doors	0.4	—	—	0.4
Security	10.1	4.2	0.7	15.0
Total	$ 13.9	$ 4.5	$ 0.9	$ 19.3

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

[b] Selling, general and administrative expenses

Restructuring and other charges in 2016 primarily related to severance costs and charges associated with the relocation of a manufacturing facility within our Security segment.

Pre-tax restructuring and other charges for the year ended December 31, 2015 were as follows:

	Year Ended December 31, 2015			
		Other Charges [a]		
(In millions)	Restructuring Charges	Cost of Products Sold	SG&A[b]	Total Charges
Cabinets	$ 1.2	$ 0.1	$ —	$ 1.3
Plumbing	6.4	0.1	0.6	7.1
Security	8.1	5.3	—	13.4
Corporate	0.9	—	—	0.9
Total	$ 16.6	$ 5.5	$ 0.6	$ 22.7

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

[b] Selling, general and administrative expenses

Restructuring and other charges in 2015 related to severance costs to relocate a Plumbing manufacturing facility in China and severance costs and accelerated depreciation to relocate a manufacturing facility within our Security segment, as well as severance costs in the Security, Cabinets and Corporate segments.

Table of Contents

Pre-tax restructuring and other charges for the year ended December 31, 2014 were as follows:

	Year Ended December 31, 2014			
		Other Charges [a]		
(In millions)	Restructuring Charges	Cost of Products Sold	SG&A[b]	Total Charges
Cabinets	$ 0.4	$ —	$ —	$ 0.4
Plumbing	0.5	0.1	0.6	1.2
Security	4.1	—	—	4.1
Corporate	2.0	—	—	2.0
Total	$ 7.0	$ 0.1	$ 0.6	$ 7.7

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

[b] Selling, general and administrative expenses

Restructuring and other charges in 2014 primarily resulted from severance charges in our Security, Plumbing and Corporate segments, partially offset by a benefit from release of a foreign currency gain associated with the dissolution of a foreign entity in the Plumbing segment.

Reconciliation of Restructuring Liability

(In millions)	Balance at 12/31/15	2016 Provision	Cash Expenditures [a]	Non-Cash Write-offs [b]	Balance at 12/31/16
Workforce reduction costs	$ 10.4	$ 9.3	$ (17.5)	$ 0.2	$ 2.4
Asset disposals	—	0.1	—	(0.1)	—
Other	0.5	4.5	(4.1)	(0.3)	0.6
	$ 10.9	$ 13.9	$ (21.6)	$ (0.2)	$ 3.0

[a] Cash expenditures primarily related to severance charges.

[b] Non-cash write-offs include long-lived asset impairment charges attributable to restructuring actions.

(In millions)	Balance at 12/31/14	2015 Provision	Cash Expenditures [c]	Non-Cash Write-offs [d]	Balance at 12/31/15
Workforce reduction costs	$ 7.9	$ 13.3	$ (11.2)	$ 0.4	$ 10.4
Asset disposals	—	0.7	—	(0.7)	—
Contract termination costs	—	0.2	—	(0.2)	—
Other	—	2.4	(0.7)	(1.2)	0.5
	$ 7.9	$ 16.6	$ (11.9)	$ (1.7)	$ 10.9

[c] Cash expenditures primarily related to severance charges.

[d] Non-cash write-offs include long-lived asset impairment charges attributable to restructuring actions and the benefit from release of a foreign currency gain associated with the dissolution of a foreign entity

17. Commitments

Purchase Obligations

Purchase obligations of the Company as of December 31, 2016 were $327.3 million, of which $305.1 million is due within one year. Purchase obligations include contracts for raw materials and finished goods purchases, selling and administrative services, and capital expenditures.

Table of Contents

Lease Commitments

Future minimum rental payments under non-cancelable operating leases as of December 31, 2016 were as follows:

(In millions)	
2017	$ 30.0
2018	22.5
2019	17.5
2020	13.0
2021	8.1
Remainder	46.0
Total minimum rental payments	$137.1

Total rental expense for all operating leases (reduced by minor amounts from subleases) amounted to $43.5 million, $34.9 million and $33.4 million in 2016, 2015 and 2014, respectively.

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 years ended December 31, 2016, 2015 and 2014.

(In millions)	2016	2015	2014
Reserve balance at the beginning of the year	$ 16.0	$ 13.0	$ 10.3
Provision for warranties issued	25.8	29.9	24.9
Settlements made (in cash or in kind)	(25.5)	(28.3)	(23.6)
Acquisition	0.3	1.6	1.4
Foreign currency	(0.4)	(0.2)	—
Reserve balance at end of year	$ 16.2	$ 16.0	$ 13.0

18. Information on Business Segments

We report our operating segments based on how operating results are regularly reviewed by our chief operating decision maker for making decisions about resource allocations to segments and assessing performance. The Company’s operating segments and types of products from which each segment derives revenues are described below.

The Cabinets segment includes custom, semi-custom and stock cabinetry for the kitchen, bath and other parts of the home under brand names including Aristokraft, Mid-Continent, Diamond, Kitchen Classics, Kitchen Craft, Schrock, Omega, Homecrest, Thomasville, StarMark and Ultracraft. In addition, cabinets are distributed under the Thomasville Cabinetry brand names. The Plumbing segment manufactures or assembles and sells faucets, bath furnishings, accessories and kitchen sinks and waste disposals predominantly under the Moen, Riobel, ROHL, Perrin & Rowe and Waste King brands. The Doors segment includes residential fiberglass and steel entry door systems under the Therma-Tru brand name and urethane millwork product lines under the Fypon brand name. The Security segment includes locks, safety and security devices and electronic security products under the Master Lock brand name and fire resistant safes, security containers and commercial cabinets under the SentrySafe brand name. Corporate expenses consist of headquarters administrative expenses and defined benefit plans costs, primarily interest costs and expected return on plan assets, as well as actuarial gains and losses arising from periodic remeasurement of our liabilities. Corporate assets consist primarily of cash.

Table of Contents

The Company's subsidiaries operate principally in the United States, Canada, Mexico, China and Western Europe.

(In millions)	*2016*	2015	2014
Net sales:			
Cabinets	$ 2,397.8	$ 2,173.4	$ 1,787.5
Plumbing	1,534.4	1,414.5	1,331.0
Doors	473.0	439.1	413.9
Security	579.7	552.4	481.2
Net sales	$ 4,984.9	$ 4,579.4	$ 4,013.6

Net sales to two of the Company's customers, The Home Depot, Inc. ("The Home Depot") and Lowe's Companies, Inc. ("Lowe's") each accounted for greater than 10% of the Company's net sales in 2016, 2015 and 2014. All segments sell to both The Home Depot and Lowe's. Net sales to The Home Depot were 13%, 14% and 15% of net sales in 2016, 2015 and 2014, respectively. Net sales to Lowe's were 14%, 14% and 14% of net sales in 2016, 2015 and 2014, respectively.

(In millions)	*2016*	2015	2014
Operating income:			
Cabinets	$257.8	$192.4	$137.9
Plumbing	326.3	285.4	258.9
Doors	61.9	44.0	29.2
Security	66.6	55.9	49.4
Less: Corporate expenses[(a)]	(79.9)	(81.6)	(71.9)
Operating income	$632.7	$496.1	$403.5
[(a)] Below is a table detailing Corporate expenses:			
General and administrative expense	$ (80.9)	$ (70.1)	$ (67.0)
Defined benefit plan income	2.9	6.1	8.8
Recognition of defined benefit plan actuarial losses	(1.9)	(2.5)	(13.7)
Norcraft transaction costs[(b)]	—	(15.1)	—
Total Corporate expenses	$ (79.9)	$ (81.6)	$ (71.9)

[(b)] Representing external costs directly related to the acquisition of Norcraft and primarily includes expenditures for banking, legal, accounting and other similar services.

Table of Contents

(In millions)	2016	2015	2014
Total assets:			
Cabinets	$ 2,349.4	$ 2,364.0	$ 1,603.6
Plumbing	1,626.8	1,341.4	1,270.2
Doors	480.6	483.9	459.3
Security	514.5	520.7	528.5
Corporate	157.2	165.7	109.3
Continuing operations	5,128.5	4,875.7	3,970.9
Discontinued operations	—	—	80.6
Total assets	$ 5,128.5	$ 4,875.7	$ 4,051.5
Depreciation expense:			
Cabinets	$ 40.1	$ 38.1	$ 31.0
Plumbing	24.6	21.3	18.5
Doors	9.0	11.2	11.7
Security	17.2	19.5	10.0
Corporate	3.7	3.4	2.0
Continuing operations	94.6	93.5	73.2
Discontinued operations	—	—	9.7
Depreciation expense	$ 94.6	$ 93.5	$ 82.9
Amortization of intangible assets:			
Cabinets	$ 18.4	$ 14.3	$ 8.0
Plumbing	3.6	1.2	—
Doors	3.8	3.8	3.8
Security	2.3	2.3	1.3
Continuing operations	28.1	21.6	13.1
Discontinued operations	—	—	2.8
Amortization of intangible assets	$ 28.1	$ 21.6	$ 15.9
Capital expenditures:			
Cabinets	$ 61.7	$ 61.3	$ 64.0
Plumbing	48.3	27.2	25.8
Doors	12.9	13.3	10.9
Security	25.9	17.3	16.2
Corporate	0.5	9.4	4.8
Continuing operations	149.3	128.5	121.7
Discontinued operations	—	—	5.8
Capital expenditures, gross	149.3	128.5	127.5
Less: proceeds from disposition of assets	(3.9)	(2.5)	(0.7)
Capital expenditures, net	$ 145.4	$ 126.0	$ 126.8
Net sales by geographic region[(a)]:			
United States	$ 4,258.5	$ 3,892.9	$ 3,313.1
Canada	406.4	385.1	405.8
China and other international	320.0	301.4	294.7
Net sales	$ 4,984.9	$ 4,579.4	$ 4,013.6
Property, plant and equipment, net[(b)]:			
United States	$ 499.8	$ 498.9	$ 429.1
Mexico	90.8	74.2	72.5
Canada	45.5	39.4	28.4
China and other international	26.4	15.4	9.8
Property, plant and equipment, net	$ 662.5	$ 627.9	$ 539.8

(a) Based on country of destination

(b) Purchases of property, plant and equipment not yet paid for as of December 31, 2016, 2015 and 2014 were $11.9 million, $20.0 million and $4.2 million, respectively.

19. Quarterly Financial Data

Unaudited

(In millions, except per share amounts)

2016	1st(a)	2nd	3rd	4th	Full Year
Net sales	$ 1,106.5	$ 1,297.8	$ 1,279.0	$ 1,301.6	$ 4,984.9
Gross profit	377.8	474.7	478.0	474.1	1,804.6
Operating income	95.5	187.7	183.1	166.4	632.7
Income from continuing operations, net of tax	61.0	125.1	121.9	104.4	412.4
Income (loss) from discontinued operations, net of tax	—	—	1.5	(0.7)	0.8
Net income	61.0	125.1	123.4	103.7	413.2
Net income attributable to Fortune Brands	61.0	125.2	123.4	103.6	413.2
Basic earnings (loss) per common share					
Continuing operations	0.39	0.82	0.79	0.68	2.67
Discontinued operations	—	—	0.01	(0.01)	0.01
Net income attributable to Fortune Brands	0.39	0.82	0.80	0.67	2.68
Diluted earnings (loss) per common share					
Continuing operations	0.38	0.80	0.77	0.67	2.61
Discontinued operations	—	—	0.01	(0.01)	0.01
Net income attributable to Fortune Brands	0.38	0.80	0.78	0.66	2.62

(a) Amounts revised to reflect adoption of ASU 2016-09 “Improvements to Employee Share-Based Payment Accounting.”

2015	1st	2nd	3rd	4th	Full Year
Net sales	$ 950.8	$ 1,165.1	$ 1,238.8	$ 1,224.7	$ 4,579.4
Gross profit	316.9	410.4	434.5	420.1	1,581.9
Operating income	67.3	128.2	160.3	140.3	496.1
Income from continuing operations, net of tax	40.9	78.0	100.0	87.6	306.5
Income (loss) from discontinued operations, net of tax	(0.6)	1.4	7.8	0.4	9.0
Net income	40.3	79.4	107.8	88.0	315.5
Net income attributable to Fortune Brands	40.0	79.7	107.5	87.8	315.0
Basic earnings (loss) per common share					
Continuing operations	0.26	0.49	0.62	0.55	1.92
Discontinued operations	(0.01)	0.01	0.05	—	0.05
Net income attributable to Fortune Brands	0.25	0.50	0.67	0.55	1.97
Diluted earnings (loss) per common share					
Continuing operations	0.25	0.48	0.61	0.54	1.88
Discontinued operations	—	0.01	0.05	—	0.05
Net income attributable to Fortune Brands	0.25	0.49	0.66	0.54	1.93

In 2016, we recorded pre-tax defined benefit plan actuarial losses of $1.9 million — $0.9 million ($0.6 million after tax) in the first quarter and $1.0 million ($0.7 million after tax) in the third quarter.

In 2015, we recorded pre-tax defined benefit plan actuarial losses of $2.5 million — $2.8 million ($1.8 million after tax or $0.01 per diluted share) in the third quarter, and $(0.3) million ($(0.2) million after tax or zero per diluted share) in the fourth quarter.

20. Earnings Per Share

The computations of earnings (loss) per common share were as follows:

(In millions, except per share data)	*2016*	2015	2014
Income from continuing operations, net of tax	$412.4	$306.5	$ 273.6
Less: Noncontrolling interests	—	0.5	1.2
Income from continuing operations for EPS	412.4	306.0	272.4
Income (loss) from discontinued operations	0.8	9.0	(114.3)
Net income attributable to Fortune Brands	$413.2	$315.0	$ 158.1
Earnings (loss) per common share			
Basic			
Continuing operations	$ 2.67	$ 1.92	$ 1.68
Discontinued operations	0.01	0.05	(0.70)
Net income attributable to Fortune Brands common stockholders	$ 2.68	$ 1.97	$ 0.98
Diluted			
Continuing operations	$ 2.61	$ 1.88	$ 1.64
Discontinued operations	0.01	0.05	(0.69)
Net income attributable to Fortune Brands common stockholders	$ 2.62	$ 1.93	$ 0.95
Basic average shares outstanding	154.3	159.5	161.8
Stock-based awards	3.5	3.5	4.5
Diluted average shares outstanding	157.8	163.0	166.3
Antidilutive stock-based awards excluded from weighted-average number of shares outstanding for diluted earnings per share	0.5	0.7	0.5

21. Other Expense, Net

The components of other expense, net for the years ended December 31, 2016, 2015 and 2014 were as follows:

(In millions)	*2016*	2015	2014
Asset impairment charges	$ —	$ —	$ 1.6
Other items, net	1.5	4.3	(0.4)
Total other expense, net	$1.5	$4.3	$ 1.2

In 2014, we recorded impairment charges of $1.6 million pertaining to different cost method investments due to an other-than-temporary declines in the fair value of the investments. As a result of the impairments, the carrying value of the investments was reduced to zero and the Company is not subject to further impairment or funding obligations with regard to this investment.

22. Contingencies

Litigation

The Company is a defendant in lawsuits that are ordinary routine litigation matters incidental to its businesses. 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. Accordingly the Company believes the likelihood of material loss is remote.

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. Several of our subsidiaries have been designated as potentially responsible parties (“PRP”) under “Superfund” or similar state laws. As of December 31, 2016, eleven such instances have not been dismissed, settled or otherwise resolved. In calendar year 2016, one of our subsidiaries was identified as a PRP in a new instance and no instances were settled, dismissed or otherwise resolved. In most instances where our subsidiaries are named as a PRP, we enter into cost-sharing arrangements with other PRPs. We give notice to insurance carriers of potential PRP liability, but very rarely, if ever, receive reimbursement from insurance for PRP costs. We believe that the cost of complying with the present environmental protection laws, before considering estimated recoveries either from other PRPs or insurance, will not have an adverse effect on our results of operations, cash flows or financial condition. At December 31, 2016 and 2015, we had accruals of $1.0 million and $2.8 million, respectively, relating to environmental compliance and cleanup including, but not limited to, the above mentioned Superfund sites. Our year over year accrual decreased after we completed the remediation at one location.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Fortune Brands Home & Security, Inc.

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Fortune Brands Home & Security, Inc. and its subsidiaries at December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

As described in Management's Report on Internal Control over Financial Reporting appearing under Item 9A, management has excluded Riobel Inc, ROHL LLC, and TCL Manufacturing Ltd. from its assessment of internal control over financial reporting as of December 31, 2016 because they were acquired by the Company in purchase business combinations during 2016. We have also excluded Riobel Inc, ROHL LLC, and TCL Manufacturing Ltd from our audit of internal control over financial reporting. Riobel Inc, ROHL LLC, and TCL Manufacturing Ltd are wholly-owned subsidiaries whose total assets and total revenues represent 6% and 1%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2016.

/s/ PricewaterhouseCoopers LLP
Chicago, Illinois
February 28, 2017

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. 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 December 31, 2016.

(b) Management's Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control — Integrated Framework* (2013) issued by the Committee of Sponsoring Organization of the Treadway Commission ("COSO"). Based on our evaluation under the framework in *Internal Control — Integrated Framework* (2013) issued by the COSO, our management concluded that our internal control over financial reporting was effective as of December 31, 2016. The Company acquired Riobel Inc. ("Riobel") in May 2016, ROHL LLC ("ROHL"), and TCL Manufacturing Ltd in September, and therefore as permitted by the Securities and Exchange Commission, we excluded Riobel, ROHL and TCL Manufacturing Ltd from the scope of our management's assessment of the effectiveness of our internal controls over financial reporting as of December 31, 2016. The total assets and total revenues of Riobel, ROHL and TCL Manufacturing Ltd represented 6% and 1%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2016.

PricewaterhouseCoopers LLP, the Company's independent public accounting firm, has audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2016, as stated in their report which appears herein.

(c) 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 December 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

See the information under the captions “Election of Directors,” “Corporate Governance — Board Committees — Audit Committee” and “Section 16(a) Beneficial Ownership Reporting Compliance” contained in the 2017 Proxy Statement, which information is incorporated herein by reference. See the information under the caption “Executive Officers of the Registrant” contained in Part I of this Annual Report on Form 10-K.

The Company’s Board of Directors has adopted a Code of Business Conduct & Ethics which sets forth various policies and procedures intended to promote the ethical behavior of all of the Company’s employees. The Company’s Board of Directors has also adopted a Code of Ethics for Senior Financial Officers that applies to the Company’s principal executive officer, principal financial officer and principal accounting officer. The Code of Business Conduct & Ethics and the Code of Ethics for Senior Financial Officers are available, free of charge, on the Company’s website, http://ir.fbhs.com/corporate-governance.cfm. A copy of these documents is also available and will be sent to stockholders free of charge upon written request to the Company’s Secretary. Any amendment to, or waiver from, the provisions of the Code of Business Conduct & Ethics or the Code of Ethics for Senior Financial Officers that applies to any of those officers will be posted to the same location on the Company’s website.

Item 11. Executive Compensation.

See the information under the captions “Director Compensation,” “Corporate Governance — Board Committees — Compensation Committee,” “Compensation Committee Interlocks and Insider Participation,” “Compensation Discussion and Analysis,” “Executive Compensation” and “Compensation Committee Report” contained in the 2017 Proxy Statement, which information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

See the information under the caption “Certain Information Regarding Security Holdings” contained in the 2017 Proxy Statement, which information is incorporated herein by reference. See also the “Equity Compensation Plan Information” table contained in the 2017 Proxy Statement, which information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

See the information under the captions “Director Independence,” “Board Committees,” “Policies with Respect to Transactions with Related Persons” and “Certain Relationships and Related Transactions” contained in the 2017 Proxy Statement, which information is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

See the information under the captions “Fees of Independent Registered Public Accounting Firm” and “Approval of Audit and Non-Audit Services” in the 2017 Proxy Statement, which information is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements, Financial Statement Schedules and Exhibits.

(1) Financial Statements (all financial statements listed below are of the Company and its consolidated subsidiaries):

Consolidated Statements of Income for the years ended December 31, 2016, 2015 and 2014 contained in Item 8 hereof.

Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, 2015 and 2014 contained in Item 8 hereof.

Consolidated Balance Sheets as of December 31, 2016 and 2015 contained in Item 8 hereof.

Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014 contained in Item 8 hereof.

Consolidated Statements of Equity for the years ended December 31, 2016, 2015 and 2014 contained in Item 8 hereof.

Notes to Consolidated Financial Statements contained in Item 8 hereof.

Report of Independent Registered Public Accounting Firm contained in Item 8 hereof.

(2) Financial Statement Schedules

See Financial Statement Schedule of the Company and subsidiaries at page 92.

(3) Exhibits

See Exhibit Index that follows the Signature page contained herein.

Item 16. Form 10-K Summary

None.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FORTUNE BRANDS HOME & SECURITY, INC.
(The Company)

Date: February 28, 2017

By:

/s/ CHRISTOPHER J. KLEIN
Christopher J. Klein
Chief Executive Officer (principal executive officer)

/s/ E. LEE WYATT, JR.
E. Lee Wyatt, Jr.
Senior Vice President and Chief Financial Officer (principal financial officer)

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

/s/ CHRISTOPHER J. KLEIN
Christopher J. Klein, Chief Executive Officer and Director
(principal executive officer)
Date: February 28, 2017

/s/ E. LEE WYATT, JR.
E. Lee Wyatt, Jr., Senior Vice President and Chief Financial Officer (principal financial officer)
Date: February 28, 2017

/s/ DANNY LUBURIC
Danny Luburic, Vice President — Controller
(principal accounting officer)
Date: February 28, 2017

/s/ ANN FRITZ HACKETT*
Ann Fritz Hackett, Director
Date: February 28, 2017

/s/ SUSAN S. KILSBY*
Susan S. Kilsby, Director
Date: February 28, 2017

/s/ A.D. DAVID MACKAY*
A.D. David Mackay, Director
Date: February 28, 2017

/s/ JOHN G. MORIKIS*
John G. Morikis, Director
Date: February 28, 2017

/s/ DAVID M. THOMAS*
David M. Thomas, Director
Date: February 28, 2017

/s/ RONALD V. WATERS, III*
Ronald V. Waters, III, Director
Date: February 28, 2017

/s/ NORMAN H. WESLEY*
Norman H. Wesley, Director
Date: February 28, 2017

*By: /s/ ROBERT K. BIGGART
Robert K. Biggart, Attorney-in-Fact

[Table of Contents](#)

Schedule II Valuation and Qualifying Accounts
For the years ended December 31, 2016, 2015 and 2014

(In millions)	Balance at Beginning of Period	Charged to Expense	Write-offs and Deductions[(a)]	Business Acquisition[(b)]	Balance at End of Period
2016:					
Allowance for cash discounts, returns and sales allowances	$ 50.3	$ 148.6	$ 130.7	$ —	$ 68.2
Allowance for doubtful accounts	5.8	4.3	2.7	—	7.4
Allowance for deferred tax assets	19.7	(3.3)	—	—	16.4
2015:					
Allowance for cash discounts, returns and sales allowances	$ 45.1	$ 150.7	$ 145.5	$ —	$ 50.3
Allowance for doubtful accounts	5.4	2.8	2.4	—	5.8
Allowance for deferred tax assets	12.0	6.4	—	1.3	19.7
2014:					
Allowance for cash discounts, returns and sales allowances	$ 33.9	$ 129.6	$ 118.4	$ —	$ 45.1
Allowance for doubtful accounts	5.8	1.3	1.7	—	5.4
Allowance for deferred tax assets	19.8	(7.8)	—	—	12.0

(a) Net of recoveries of amounts written off in prior years and immaterial foreign currency impact.

(b) Represents a valuation allowance on an acquired net operating loss carryforward (Norcraft Canada)

Exhibit Index

2.1. Stock Purchase Agreement dated as of August 19, 2014 by and among Fortune Brands Home & Security, Inc., Fortune Brands Windows & Doors, Inc. and Ply Gem Industries, Inc. is incorporated herein by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q filed on October 31, 2014, Commission file number 1-35166.†

2.2. Agreement and Plan of Merger, dated as of March 30, 2015, by and among Fortune Brands Home & Security, Inc., Tahiti Acquisition Corp. and Norcraft Companies, Inc. is incorporated herein by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed on March 30, 2015, Commission file number 1-35166. †

3.1. Restated Certificate of Incorporation of Fortune Brands Home & Security, Inc., dated as of September 27, 2011, is incorporated herein by reference to Exhibit 3(i) to the Company's Quarterly Report on Form 10-Q filed on November 5, 2012, Commission file number 1-35166.

3.2. Amended and Restated Bylaws of Fortune Brands Home & Security, Inc., as adopted September 27, 2011, are incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on September 30, 2011, Commission file number 1-35166.

4.1. Indenture, dated as of June 15, 2015, by and among Fortune Brands Home & Security, Inc., Wilmington Trust, National Association, as Trustee, and Citibank, N.A., as Securities Agent is incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 16, 2015, Commission file number 1-35166.

4.2. First Supplemental Indenture, dated as of June 15, 2015, by and among Fortune Brands Home & Security, Inc., Wilmington Trust, National Association, as Trustee, and Citibank, N.A., as Securities Agent is incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on June 16, 2015, Commission file number 1-35166.

4.3. Form of global certificate for the Company's 3.000% Senior Notes due 2020 is incorporated herein by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on June 16, 2015, Commission file number 1-35166.

4.4. Form of global certificate for the Company's 4.000% Senior Notes due 2025 is incorporated herein by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K on June 16, 2015, Commission file number 1-35166.

10.1. Tax Allocation Agreement, dated as of September 28, 2011, by and between Fortune Brands Home & Security, Inc. and Fortune Brands, Inc. (N/K/A Beam Suntory Inc.) is incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 30, 2011, Commission file number 1-35166.

10.2. Indemnification Agreement, dated as of September 14, 2011, by and between Fortune Brands Home & Security, Inc. and Fortune Brands, Inc. (N/K/A Beam Suntory Inc.) is incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 15, 2011, Commission file number 1-35166.

10.3. Credit Agreement, dated as of August 22, 2011, among Fortune Brands Home & Security, Inc., the lenders party thereto and JPMorgan Chase Bank, N.A. is incorporated herein by reference to Exhibit 10.6 to Amendment No. 6 to the Company's Registration Statement on Form 10 filed on August 31, 2011, Commission file number 1-35166.

Exhibit Index

10.4. Amendment No. 1 to Credit Agreement dated July 23, 2013, among Fortune Brands Home & Security, Inc., JPMorgan Chase Bank, N.A., as administrative agent and the lenders party thereto, is incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 1, 2013, Commission file number 1-35166.

10.5. Amendment No. 2 to Credit Agreement dated August 20, 2014, among Fortune Brands Home & Security, Inc., JPMorgan Chase Bank, N.A., as administrative agent and the lenders party thereto, is incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on October 31, 2014, Commission file number 1-35166.

10.6. $200,000,000 Credit Agreement, dated as of March 30, 2015, by and among Fortune Brands Home & Security, Inc., the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent, is incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 5, 2015, Commission file number 1-35166.

10.7. $1,250,000,000 Amended and Restated Credit Agreement, dated as of June 30, 2016, by and among the Company, the lenders party thereto and JPMorgan Chas Bank, N.A., as Administrative Agent, is incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 4, 2016, Commission file number 1-35166.

10.8. Fortune Brands Home & Security, Inc. 2011 Long-Term Incentive Plan is incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-8 filed on October 3, 2011, Commission file number 333-177145.*

10.9. Fortune Brands Home & Security, Inc. Annual Executive Incentive Compensation Plan is incorporated herein by reference to Appendix B to the Company's Definitive Proxy Statement filed on March 5, 2013, Commission file number 1-35166.*

10.10. Fortune Brands Home & Security, Inc. 2013 Long-Term Incentive Plan is incorporated by reference to Appendix A to the Company's Definitive Proxy Statement filed on March 5, 2013, Commission file number 1-35166.*

10.11. Amendment Number One to the Fortune Brands Home & Security, Inc. 2013 Long-Term Incentive Plan, dated as of August 2, 2016, is incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 2, 2016, Commission file number 1-35166.*

10.12. Form of Founders Grant Stock Option Award Notice & Agreement for awards under the Fortune Brands Home & Security, Inc. 2011 Long-Term Incentive Plan is incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on October 11, 2011, Commission file number 1-35166.*

10.13. Form of 2012 Option Award Notice and Agreement for awards under the Fortune Brands Home & Security, Inc. 2011 Long-Term Incentive Plan is incorporated herein by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K filed on February 22, 2012, Commission file number 1-35166.*

10.14. Form of 2013 Performance Share Award Notice and Agreement for awards under the Fortune Brands Home & Security, Inc. 2011 Long-Term Incentive Plan is incorporated herein by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K filed on February 27, 2013, Commission file number 1-35166.*

Exhibit Index

10.15.	Form of 2013 Stock Option Award Notice and Agreement for awards under the Fortune Brands Home & Security, Inc. 2011 Long-Term Incentive Plan is incorporated herein by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K filed on February 27, 2013, Commission file number 1-35166.*
10.16.	Form of 2013 Restricted Stock Unit Award Notice and Agreement for awards under the Fortune Brands Home & Security, Inc. 2013 Long-Term Incentive Plan is incorporated herein by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K filed on February 27, 2013, Commission file number 1-35166.*
10.17.	Form of 2014 Performance Share Award Notice and Agreement for awards under the Fortune Brands Home & Security, Inc. 2013 Long-Term Incentive Plan is incorporated herein by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K filed on February 26, 2014, Commission file number 1-35166.*
10.18.	Form of 2014 Stock Option Award Notice and Agreement for awards under the Fortune Brands Home & Security, Inc. 2013 Long-Term Incentive Plan is incorporated herein by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K filed on February 26, 2014, Commission file number 1-35166.*
10.19.	Form of 2014 Restricted Stock Unit Award Notice and Agreement for awards under the Fortune Brands Home & Security, Inc. 2013 Long-Term Incentive Plan is incorporated herein by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K filed on February 26, 2014, Commission file number 1-35166.*
10.20.	Form of 2016 Performance Share Award Notice and Agreement for awards under the Fortune Brands Home & Security, Inc. 2013 Long-Term Incentive Plan is incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q on April 28, 2016, Commission file number 1-35166.*
10.21.	Form of 2016 Stock Option Award Notice and Agreement for awards under the Fortune Brands Home & Security, Inc. 2013 Long-Term Incentive Plan is incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q on April 28, 2016, Commission file number 1-35166.*
10.22.	Form of 2016 Restricted Stock Unit Award Notice and Agreement for awards under the Fortune Brands Home & Security, Inc. 2013 Long-Term Incentive Plan.*
10.23	Form of Performance Share Award Notice and Agreement for awards under the Fortune Brands Home & Security, Inc. 2013 Long-Term Incentive Plan. *
10.24	Form of Stock Option Award Notice and Agreement for awards under the Fortune Brands Home & Security, Inc. 2013 Long-Term Incentive Plan. *
10.25	Form of Restricted Stock Unit Award Notice and Agreement for awards under the Fortune Brands Home & Security, Inc. 2013 Long-Term Incentive Plan. *
10.26.	Form of Agreement for the Payment of Benefits Following Termination of Employment between the Company and each of Christopher J. Klein, E. Lee Wyatt Jr., Nicholas I. Fink, Robert K. Biggart, Sheri R. Grissom, Tracey Belcourt, Charles E. Elias, and Edward A. Wiertel is incorporated herein by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K filed on February 26, 2014, Commission file number 1-35166.*
10.27.	Form of Agreement for the Payment of Benefits Following Termination of Employment for each of Michael P. Bauer, Brett E. Finley, David B. Lingafelter and David M. Randich is incorporated herein by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K filed on February 26, 2014, Commission file number 1-35166.*

Exhibit Index

10.28.	Fortune Brands Home & Security, Inc. Directors' Deferred Compensation Plan (as Amended and Restated Effective January 1, 2013) is incorporated herein by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K filed on February 27, 2013, Commission file number 1-35166.*
10.29.	Fortune Brands Home & Security, Inc. Non-Employee Director Stock Election Program is incorporated herein by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K filed on February 22, 2012, Commission file number 1-35166.*
10.30.	Fortune Brands Home & Security, Inc. Deferred Compensation Plan, Amended and Restated as of February 27, 2017.*
21.	Subsidiaries of the Company.
23.	Consent of Independent Registered Public Accounting Firm, PricewaterhouseCoopers LLP.
24.	Powers of Attorney relating to execution of this Annual Report on Form 10-K.
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 Certification Required Under Section 906 of the Sarbanes-Oxley Act of 2002.
101.	The following materials from the Fortune Brands Home & Security, Inc. Annual Report on Form 10-K for the year ended December 31, 2016 formatted in extensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Comprehensive Income (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Equity, and (vi) the Notes to the Consolidated Financial Statements.

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

† The Company agrees to furnish supplementally a copy of any omitted schedule to the Securities and Exchange Commission upon request.

Exhibit 10.22

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

Form of 2016 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 xx 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:	[Grant Date]
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: [One-third] or [x%] of the RSUs [Date] [One-third] or [x%] of the RSUs [Date] [One-third] or [x%] of the RSUs [Date] OR 100% of the RSUs [Date] If the New York Stock Exchange is not open for trading on such date, the vesting date will be the next date on which the NYSE (or successor exchange) is open for trading.
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 [established performance period]. 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 2016 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.

Exhibit 10.23

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

Form of [GRANT DATE] Performance Share Award Notice (the “Notice”)

Executive

Company

You have been awarded XXXX 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: [GRANT DATE]

Performance Period: January 1, XXX – December 31, XXX

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	Target	Maximum
		xx%	xx%	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 [*Grant 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. 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 at the time of Holder's termination of employment.

(c) 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 be forfeited and terminated 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 shall mean termination of employment for: (A) dishonesty or fraud; (B) commission of any act, or omission to act, that causes or may cause damage or detriment to the business, employees, property or reputation of the Company or its Subsidiaries; (C) dereliction of duty; (D) gross misconduct, gross negligence or gross malfeasance; or (E) violation of the code of conduct and/or personnel policies of the Company or its Subsidiaries.

(d) Except as otherwise provided in Section 4 below, if Holder's employment 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.

(e) 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, using a 29-month period rather than 6-months per U.S. Treasury Regulation §1.409A-1(h)(1)(i) for a leave of absence due to any medically determinable physical or mental impairment as contemplated under such section).

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, 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 shall mean the Holder's termination of the Holder's employment for any of the following reasons without the Holder's consent: (A) a material diminution in the Holder's duties, responsibilities and status as in effect immediately preceding the Change in Control; (B) a material reduction in the Holder's base salary as in effect immediately preceding the Change in Control; or (C) requiring Holder to relocate to an office more than 50 miles from the offices at which the Holder was based immediately preceding the Change in Control, except for required travel on Company business to an extent substantially consistent with Holder's position; provided, however, that in order to terminate Holder's employment for Good Reason, Holder must (x) provide written notice of his or her intent to terminate employment within 30 days following the initial existence of the event or circumstance giving rise to Good Reason, (y) the Company must be provided an opportunity to cure the event or circumstance giving rise to "Good Reason for a period of 30 days; and (z) if not cured, the Holder must terminate his or her employment due to Good Reason within 30 days following the expiration of the Company's cure period.

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 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 may not have an aggregate Fair Market Value in excess of the amount determined by applying the maximum statutory withholding rate in the applicable jurisdiction. The number of shares to be delivered to the Company or withheld from the Holder shall be determined by applying the maximum statutory withholding rate, if the Holder makes such an election. 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) actuarial 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. General Counsel, 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 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.

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

Exhibit 10.24

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

Form of [GRANT DATE] Option Award Notice (the "Notice")

Executive

Company

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 [xxx] 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.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, XXXX
	One-third of the Option	February 28, XXXX
	One-third of the Option	February 28, XXXX
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 [GRANT 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, 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 and provided that Optionee has been continuously employed with the Company for at least one (1) year following the Award Date. 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 employment is terminated for Cause (as defined below) while the Award is outstanding, then all options (including without limitation any vested but unexercised Options) will be forfeited and cancelled immediately upon such termination. 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 shall mean termination of employment for: (A) dishonesty or fraud; (B) commission of any act, or omission to act, that causes or may cause damage or detriment to the business, employees, property or reputation of the Company or its Subsidiaries; (C) dereliction of duty; (D) gross misconduct, gross negligence or gross malfeasance; or (E) violation of the code of conduct and/or personnel policies of the Company or its Subsidiaries.

(v) Except as provided in Section 5 below, if Optionee's employment 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 through the earlier of: (A) three (3) months following Optionee's termination, or (B) the Expiration Date. Any vested Options not exercised within three (3) months of the Optionee's termination will be forfeited and cancelled by the Company.

(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, the Award will become subject to Section 5.8 of the Plan. In the event that Options remain outstanding following a Change in Control and Optionee's employment is terminated either: (i) by the Company other than for Cause (as defined in Paragraph 2(b)(iv) above), or (ii) by Optionee for Good Reason (as defined below), in each case, on or within two years after such Change in Control but while the Options are outstanding, the Options will become fully vested, exercisable and nonforfeitable as of the date of such 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 shall mean the Optionee's termination of the Optionee's employment for any of the following reasons without the Optionee's consent: (A) a material diminution in the Optionee's duties, responsibilities and status as in effect immediately preceding the Change in Control; (B) a material reduction in the Optionee's base salary as in effect immediately preceding the Change in Control; or (C) requiring Optionee to relocate to an office more than 50 miles from the offices at which the Optionee was based immediately preceding the Change in Control, except for required travel on Company business to an extent substantially consistent with Optionee's position; provided, however, that in order to terminate Holder's employment for Good Reason, Holder must (x) provide written notice of his or her intent to terminate employment within 30 days following the initial existence of the event or circumstance giving rise to Good Reason, (y) the Company must be provided an opportunity to cure the event or circumstance giving rise to "Good Reason for a period of 30 days; and (z) if not cured, the Holder must terminate his or her employment due to Good Reason within 30 days following the expiration of the Company's cure period.

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 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 may not have an aggregate Fair Market Value in excess of the amount determined by applying the maximum statutory withholding rate in the applicable jurisdiction. The number of shares to be delivered to the Company or withheld from the Holder shall be determined by applying the maximum statutory withholding rate, if the Holder makes such an election. 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. General Counsel, 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.

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

Exhibit 10.25

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

Form of [GRANT DATE] Restricted Stock Unit Award Notice (the "Notice")

Executive

Company

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 [xx] RSUs, which will be paid in shares of Company common stock (par value $0.01), when the Award vests, subject to adjustment as provided under Section 11 of the Award Agreement.	
Award Date:	[GRANT DATE]	
Vesting Schedule:	Except as otherwise provided in and subject to the Plan, the Agreement or any other agreement between the Company and the Holder, the RSUs will vest [annually] in the following increments on the following dates:	
	[One-third] or [x%] of the RSUs	[Date]
	[One-third] or [x%] of the RSUs	[Date]
	[One-third] or [x%] of the RSUs	[Date]
	OR	
	100% of the RSUs	[Date]
	If the New York Stock Exchange is not open for trading on such date, the vesting date will be the next date on which the NYSE (or successor exchange) is open for trading.	
Performance Condition for 162(m) Officers	If you are an executive subject to Section 162(m) of the Internal Revenue Code at any time while the Award is outstanding, your RSUs will not vest unless the Company attains the performance goal of earnings per share of Company common stock (diluted, and before gains or charges) of [$xx] for the period [established performance period]. 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 [GRANT 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 [continuously] 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 the 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 approved for long-term disability 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 forfeited and 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 shall mean termination of employment for: (A) dishonesty or fraud; (B) commission of any act, or omission to act, that causes or may cause damage or detriment to the business, employees, property or reputation of the Company or its Subsidiaries; (C) dereliction of duty; (D) gross misconduct, gross negligence or gross malfeasance; or (E) violation of the code of conduct and/or personnel policies of the Company or its Subsidiaries.

(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 forfeited and 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 (which certification shall occur no later than 60 days following the end of the applicable performance period).

(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, using a 29-month period rather than 6-months per U.S. Treasury Regulation §1.409A-1(h)(1)(i) for a leave of absence due to any medically determinable physical or mental impairment as contemplated under such 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 sixty (60) 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 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, 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 immediately eligible for distribution as of the date of Holder's termination of employment. 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 shall mean the Holder's termination of the Holder's employment for any of the following reasons without the Holder's consent: (A) a material diminution in the Holder's duties, responsibilities and status as in effect immediately preceding the Change in Control; (B) a material reduction in the Holder's base salary as in effect immediately preceding the Change in Control; or (C) requiring Holder to relocate to an office more than 50 miles from

the offices at which the Holder was based immediately preceding the Change in Control, except for required travel on Company business to an extent substantially consistent with Holder's position; provided, however, that in order to terminate Holder's employment for Good Reason, Holder must (x) provide written notice of his or her intent to terminate employment within 30 days following the initial existence of the event or circumstance giving rise to Good Reason, (y) the Company must be provided an opportunity to cure the event or circumstance giving rise to "Good Reason for a period of 30 days; and (z) if not cured, the Holder must terminate his or her employment due to Good Reason within 30 days following the expiration of the Company's cure period.

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 may not have an aggregate Fair Market Value in excess of the amount determined by applying the maximum statutory withholding rate in the applicable jurisdiction. The number of shares to be delivered to the Company or withheld from the Holder shall be determined by applying the maximum statutory withholding rate, if the Holder makes such an election. 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. General Counsel, 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.

Exhibit 10.30

FORTUNE BRANDS HOME & SECURITY, INC.

DEFERRED COMPENSATION PLAN

Amended and Restated Effective February 27, 2017

TABLE OF CONTENTS

ARTICLE I Establishment and Purpose	3
ARTICLE II Definitions	3
ARTICLE III Eligibility and Participation	9
ARTICLE IV Deferrals	9
ARTICLE V Company Contributions	11
ARTICLE VI Benefits	12
ARTICLE VII Modifications to Payment Schedules	14
ARTICLE VIII Valuation of Account Balances; Investments	15
ARTICLE IX Administration	16
ARTICLE X Amendment and Termination	17
ARTICLE XI Informal Funding	17
ARTICLE XII Claims	17
ARTICLE XIII General Provisions	19

ARTICLE I

Establishment and Purpose

Fortune Brands Home & Security, Inc. (the “Company”) established the Fortune Brands Home and Security, Inc. Deferred Compensation Plan (the “Plan”), effective November 1, 2015, and the Plan was subsequently amended and restated, effective **February 27, 2017**. The purpose of the Plan is to attract and retain key personnel by providing opportunities to defer receipt of salary, bonus, or other specified compensation. The Plan is not intended to meet the qualification requirements of Code Section 401(a), but is intended to meet the requirements of Code Section 409A, and shall be operated and interpreted consistent with that intent.

The Plan constitutes an unsecured promise by a Participating Employer to pay benefits in the future. Participants in the Plan shall have the status of general unsecured creditors of the Company or the Adopting Employer, as applicable. Each Participating Employer shall be solely responsible for payment of the benefits of its employees and their beneficiaries. The Plan is unfunded for Federal tax purposes and is intended to be an unfunded arrangement for eligible employees who are part of a select group of management or highly compensated employees of the Employer within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA. Any amounts set aside to defray the liabilities assumed by the Company or an Adopting Employer will remain the general assets of the Company or the Adopting Employer and shall remain subject to the claims of the Company’s or the Adopting Employer’s creditors until such amounts are distributed to the Participants.

ARTICLE II

Definitions

2.1 Account. Account means a bookkeeping account maintained by the Plan Administrator to record the payment obligation of a Participating Employer to a Participant as determined under the terms of the Plan. The Plan Administrator may maintain an Account to record the total obligation to a Participant and component Accounts to reflect amounts payable at different times and in different forms and/or deferred at different times. Reference to an Account means any such Account established by the Plan Administrator, as the context requires. Accounts are intended to constitute unfunded obligations within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA.

2.2 Account Balance. Account Balance means, with respect to any Account, the total payment obligation owed to a Participant from such Account as of the most recent Valuation Date.

2.3 Adopting Employer. Adopting Employer means an Affiliate who, with the consent of the Company, has adopted the Plan for the benefit of its eligible employees.

2.4 Affiliate. Affiliate means a corporation, trade or business that, together with the Company, is treated as a single employer under Code Section 414(b) or (c).

2.5 Beneficiary. Beneficiary means a natural person, estate, or trust designated by a Participant to receive payments to which a Beneficiary is entitled in accordance with provisions of the Plan. The Participant’s spouse, if living, otherwise the Participant’s estate, shall be the Beneficiary if: (i) the Participant has failed to properly designate a Beneficiary, or (ii) all designated Beneficiaries have predeceased the Participant.

A former spouse shall have no interest under the Plan, as Beneficiary or otherwise, unless the Participant designates such person as a Beneficiary after dissolution of the marriage, except to the extent provided under the terms of a domestic relations order as described in Code Section 414(p)(1)(B).

2.6 Business Day. Business Day means each day on which the New York Stock Exchange is open for business.

2.7 Change in Control. Change in Control means, with respect to the Company, any of the following events as defined below: (a) a change in the ownership of the Company, (b) a change in the effective control of the Company, or (c) a change in the ownership of a substantial portion of the assets of the Company.

(a) For purposes of this Section, a change in the ownership of the Company occurs on the date on which any person (as that term is used in Sections 13(d) and 14(d) of the Exchange Act), or more than one person acting as a group becomes the beneficial owner (as that term is used in Sections 13(d) and 14(d) of the Exchange Act) of more than 50% of the total fair market value or total voting power of the stock of the Company (“Voting Securities”) excluding the following: (i) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company; (ii) any acquisition by the Company; (C) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company; (D) the acquisition of additional stock or voting power by a person considered to own more than 50% of the total fair market value or Voting Securities or (E) any acquisition pursuant to a transaction that complies with clauses (A), (B) and (C) of paragraph (c) below.

(b) For purposes of this Section, a change in the effective control of the Company occurs on the date on which either: (i) a person (as that term is used in Sections 13(d) and 14(d) of the Exchange Act), or more than one person acting as a group, acquires ownership of stock of the Company possessing 30% or more of Voting Securities, taking into account all such stock acquired during the 12-month period ending on the date of the most recent acquisition excluding the following: (A) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company; (B) any acquisition by the Company; (C) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company; (D) the acquisition of additional stock or voting power by a person considered to own more than 30% of the Voting Securities or (E) any acquisition pursuant to a transaction that complies with clauses (A), (B) and (C) of paragraph (c) below, or (ii) more than 50% of the members of the Company’s Board of Directors during any 12-month period cease to be Continuing Directors (which term, as used in this Plan, means the directors of the Company: (A) who were members of the Company’s Board of Directors on the Effective Date; or (B) who subsequently became directors of the Company and who were elected or designated to be candidates for election as nominees of the Company’s Board of Directors, or whose election or nomination for election by the Company’s stockholders was otherwise approved, by a vote of a majority of the Continuing Directors then on the Company’s Board of Directors but shall not include, in any event, any individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14(a)-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Company’s Board of Directors).

(c) For purposes of this Section, a change in the ownership of a substantial portion of assets occurs if there is consummated a merger or consolidation of the Company with, or, any transaction or series of transactions in which, substantially all of the business or assets of the Company shall be sold or otherwise acquired by, another corporation or entity unless, as a result of the transaction(s): (A) the stockholders of the Company immediately prior to the transaction(s) shall beneficially own, directly or indirectly, at least 60% of the combined Voting Securities of the surviving, resulting or transferee corporation or entity (including, without limitation, a corporation that as a result of such transaction owns the Company or all or substantially all of the assets of the Company, either directly or through one or more subsidiaries) (“Newco”) immediately after in substantially the same proportions as their ownership immediately prior to such corporate transaction; (B) no person beneficially owns (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act, and the rules and applicable regulations), directly or indirectly, 30% or more of the combined Voting Securities of Newco immediately after such corporate transaction except to the extent that such ownership of the Company existed prior to such corporate transaction, and (C) more than 50% of the members of the board of directors of Newco shall be Continuing Directors.

An event constitutes a Change in Control with respect to a Participant only if the Participant performs services for the Company, or the Participant's relationship to the Company otherwise satisfies the requirements of Treasury Regulation Section 1.409A-3(i)(5)(ii).

With respect to any event(s) relating to an Adopting Employer, the Committee shall, in its sole discretion, make any determination as to the occurrence of a Change in Control in a manner that is similar to the above provisions of this Section 2.7.

Any determination under this Section 2.7 as to the occurrence of a Change in Control shall be based on objective facts and in accordance with the requirements of Code Section 409A.

2.8 Claimant. Claimant means a Participant or Beneficiary filing a claim under Article XII of this Plan.

2.9 Code. Code means the Internal Revenue Code of 1986, as amended from time to time.

2.10 Code Section 409A. Code Section 409A means section 409A of the Code, and regulations and other guidance issued by the Treasury Department and Internal Revenue Service thereunder.

2.11 Committee. Committee means the Compensation Committee of the Board of Directors of the Company.

2.12 Company. Company means Fortune Brands Home & Security, Inc., a Delaware corporation, or any successor.

2.13 Company Contribution. Company Contribution means a credit by the Committee to a Participant's Account(s) in accordance with the provisions of Article V of the Plan. Company Contributions are credited at the sole discretion of the Committee and the fact that a Company Contribution is credited in one year shall not obligate the Committee to continue to make such Company Contribution in subsequent years. Unless the context clearly indicates otherwise, a reference to Company Contribution shall include Earnings attributable to such contribution.

2.14 Company Stock. Company Stock means the common stock, par value $0.01, of the Company, and all appurtenant rights.

2.15 Compensation. Compensation means a Participant's base salary, bonus, commission, Director cash fees, Restricted Stock Units ("RSUs"), Company Stock and such other cash or equity-based compensation (if any) (which, with respect to Directors only, may include equity awards issued under any of the Company's Long-Term Incentive Plans) approved by the Plan Administrator as Compensation that may be deferred under this Plan. Compensation shall not include any compensation that has been previously deferred under this Plan or any other arrangement subject to Code Section 409A.

2.16 Compensation Deferral Agreement. Compensation Deferral Agreement means an agreement between a Participant and a Participating Employer that specifies: (i) the amount of each component of Compensation that the Participant has elected to defer to the Plan in accordance with the provisions of Article IV, and (ii) the Payment Schedule applicable to one or more Accounts. The Plan Administrator may permit different deferral amounts for each component of Compensation and may establish a minimum or maximum deferral amount for each such component. Unless otherwise specified by the Plan Administrator in the Compensation Deferral Agreement, Participants may defer up to 80% of deferrable Compensation for a Plan Year. A Compensation Deferral Agreement may also specify the investment allocation described in Section 8.4.

2.17 Death Benefit. Death Benefit means the benefit payable under the Plan to a Participant's Beneficiary(ies) upon the Participant's death as provided in Section 6.1 of the Plan.

2.18 Deferral. Deferral means a credit to a Participant's Account(s) that records that portion of the Participant's Compensation that the Participant has elected to defer to the Plan in accordance with the provisions of Article IV. Unless the context of the Plan clearly indicates otherwise, a reference to Deferrals includes Earnings attributable to such Deferrals.

Deferrals shall be calculated with respect to the gross cash Compensation payable to the Participant prior to any deductions or withholdings, but shall be reduced by the Plan Administrator as necessary so that it does not exceed 100% of the cash Compensation of the Participant remaining after deduction of all required income and employment taxes, 401(k) and other employee benefit deductions, and other deductions required by law. Changes to payroll withholdings that affect the amount of Compensation being deferred to the Plan shall be allowed only to the extent permissible under Code Section 409A.

2.19 Director. Director means a non-employee member of the Board of Directors of the Company.

2.20 Earnings. Earnings means an adjustment to the value of an Account in accordance with Article VIII.

2.21 Effective Date. Effective Date means November 1, 2015.

2.22 Eligible Employee. Eligible Employee means a member of a "select group of management or highly compensated employees" of a Participating Employer within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, as determined by the Plan Administrator from time to time in its sole discretion.

2.23 Employee. Employee means a common-law employee of an Employer.

2.24 Employer. Employer means, with respect to Employees it employs, the Company and each Affiliate.

2.25 ERISA. ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.26 Exchange Act. Exchange Act means the Securities Exchange Act of 1934, as amended.

2.27 Participant. Participant means an Eligible Employee or a Director who has received notification of his or her eligibility to defer Compensation under the Plan under Section 3.1 and any other person with an Account Balance greater than zero, regardless of whether such individual continues to be an Eligible Employee or a Director. A Participant's continued participation in the Plan shall be governed by Section 3.2 of the Plan.

2.28 Participating Employer. Participating Employer means the Company and each Adopting Employer.

2.29 Payment Schedule. Payment Schedule means the date as of which payment of an Account under the Plan will commence and the form in which payment of such Account will be made.

2.30 Performance-Based Compensation. Performance-Based Compensation means Compensation where the amount of, or entitlement to, the Compensation is contingent on the satisfaction of pre-established organizational or individual performance criteria relating to a performance period of at least 12 consecutive months. Organizational or individual performance criteria are considered pre-established if established in writing by not later than 90 days after the commencement of the period of service to which the criteria relate, provided that the outcome is substantially uncertain at the time the criteria are established. The determination of whether Compensation qualifies as "Performance-Based Compensation" will be made in accordance with Treas. Reg. Section 1.409A-1(e) and subsequent guidance.

2.31 Plan. Generally, the term Plan means the "Fortune Brands Home & Security, Inc. Deferred Compensation Plan" as documented herein and as may be amended from time to time hereafter. However, to the extent permitted or required under Code Section 409A, the term Plan may in the appropriate context also mean a portion of the Plan that is treated as a single plan under Treas. Reg. Section 1.409A-1(c), or the Plan or portion of the Plan and any other nonqualified deferred compensation plan or portion thereof that is treated as a single plan under such section.

2.32 Plan Administrator. Plan Administrator means the Employee Benefits Action Committee of the Company or such other committee or person(s) as may be appointed by the Committee as its delegate to serve as the Plan Administrator with one or more of the authorities, duties, responsibilities, or obligations described herein. In the absence of any such appointment, the Plan Administrator shall be the Committee.

2.33 Plan Year. Plan Year means January 1 through December 31.

2.34 Record Keeper. Record Keeper means the person(s) or entity/entities with such obligations, authorities, or responsibilities with respect to the Plan as may be delegated by the Plan Administrator and agreed to by the Record Keeper from time to time.

2.35 Restricted Stock Units or RSUs means restricted stock units awarded to a Participant under any of the Company's Long-Term Incentive Plans or under any other similar plan or arrangement, which the Plan Administrator has designated as Compensation that may be deferred to the Plan.

2.36 Retirement. Retirement means a Participant's Separation from Service after attainment of age 55 and completion of five Years of Service.

2.37 Retirement Benefit. Retirement Benefit means the benefit payable to a Participant under the Plan following the Retirement of the Participant.

2.38 Retirement/Termination Account. Retirement/Termination Account means an Account established by the Plan Administrator to record the amounts payable to a Participant upon Separation from Service. Unless the Participant has established a Specified Date Account, all Deferrals and Company Contributions shall be allocated to a Retirement/Termination Account on behalf of the Participant.

2.39 Separation from Service. Separation from Service means an Employee's termination of employment with the Employer. A Director incurs a Separation from Service upon his or her separation from the Board, including due to the expiration of the director's term in the event he or she does not stand for re-election at the end of his or her term. Whether a Separation from Service has occurred shall be determined by the Plan Administrator in accordance with Code Section 409A.

Except in the case of an Employee on a bona fide leave of absence as provided below, an Employee is deemed to have incurred a Separation from Service if the Employer and the Employee reasonably anticipated that the level of services to be performed by the Employee after a date certain would be reduced to 20% or less of the average services rendered by the Employee during the immediately preceding 36-month period (or the total period of employment, if less than 36 months), disregarding periods during which the Employee was on a bona fide leave of absence.

An Employee who is absent from work due to military leave, sick leave, or other bona fide leave of absence shall incur a Separation from Service on the first date immediately following the later of: (i) the six month anniversary of the commencement of the leave, or (ii) the expiration of the Employee's right, if any, to reemployment under statute or contract.

For purposes of determining whether a Separation from Service has occurred, the Employer means the Employer as defined in Section 2.24 of the Plan, except that in applying Code sections 1563(a)(1), (2) and (3) for purposes of determining whether another organization is an Affiliate of the Company under Code Section 414(b), and in applying Treasury Regulation Section 1.414(c)-2 for purposes of determining whether another organization is an Affiliate of the Company under Code Section 414(c), "at least 50 percent" shall be used instead of "at least 80 percent" each place it appears in those sections.

The Plan Administrator specifically reserves the right to determine whether a sale or other disposition of substantial assets to an unrelated party constitutes a Separation from Service with respect to a Participant providing services to the seller immediately prior to the transaction and providing services to the buyer after the transaction. Such determination shall be made in accordance with the requirements of Code Section 409A.

2.40 Specified Date Account. Specified Date Account means an Account established by the Plan Administrator to record the amounts payable at a future date as specified in the Participant's Compensation Deferral Agreement. Unless otherwise determined by the Plan Administrator, a Participant may maintain no more than five Specified Date Accounts. A Specified Date Account may be identified in enrollment materials as an "In-Service Account" or such other name as established by the Plan Administrator without affecting the meaning thereof.

2.41 Specified Date Benefit. Specified Date Benefit means the benefit payable to a Participant under the Plan in accordance with Section 6.1(c).

2.42 Specified Employee. Specified Employee means an Employee who, as of the date of his or her Separation from Service, is a "key employee" of the Company or any Affiliate. An Employee is a key employee if he or she meets the requirements of Code Section 416(i)(1)(A)(i), (ii), or (iii) (applied in accordance with applicable regulations thereunder and without regard to Code Section 416(i)(5)) at any time during the 12-month period ending on the Specified Employee Identification Date. Such Employee shall be treated as a key employee for the entire 12-month period beginning on the Specified Employee Effective Date.

For purposes of determining whether an Employee is a Specified Employee, the compensation of the Employee shall be determined in accordance with the definition of compensation provided under Treas. Reg. Section 1.415(c)-2(d)(2) (wages, salaries, fees for professional services, and other amounts received for personal services actually rendered in the course of employment with the employer maintaining the plan, to the extent such amounts are includible in gross income or would be includible but for an election under section 125(a), 132(f)(4), 402(e)(3), 402(h)(1)(B), 402(k) or 457(b), including the earned income of a self-employed individual); provided, however, that, with respect to a nonresident alien who is not a Participant in the Plan, compensation shall not include compensation that is not includible in the gross income of the Employee under Code Sections 872, 893, 894, 911, 931 and 933, provided such compensation is not effectively connected with the conduct of a trade or business within the United States.

Notwithstanding anything in this paragraph to the contrary: (i) if a different definition of compensation has been designated by the Company with respect to another nonqualified deferred compensation plan in which a key employee participates, the definition of compensation shall be the definition provided in Treas. Reg. Section 1.409A-1(i)(2), and (ii) the Company may through action that is legally binding with respect to all nonqualified deferred compensation plans maintained by the Company, elect to use a different definition of compensation.

In the event of corporate transactions described in Treas. Reg. Section 1.409A-1(i)6), the identification of Specified Employees shall be determined in accordance with the default rules described therein, unless the Employer elects to utilize the available alternative methodology through designations made within the timeframes specified therein.

2.43 Specified Employee Identification Date. Specified Employee Identification Date means December 31, unless the Employer has elected a different date through action that is legally binding with respect to all nonqualified deferred compensation plans maintained by the Employer.

2.44 Specified Employee Effective Date. Specified Employee Effective Date means the first day of the fourth month following the Specified Employee Identification Date, or such earlier date as is selected by the Plan Administrator through action that is legally binding with respect to all nonqualified deferred compensation plans maintained by the Employer.

2.45 Substantial Risk of Forfeiture. Substantial Risk of Forfeiture means the description specified in Treas. Reg. Section 1.409A-1(d).

2.46 Termination Benefit. Termination Benefit means the benefit payable to a Participant under the Plan following the Participant's Separation from Service prior to Retirement.

2.47 Unforeseeable Emergency. Unforeseeable Emergency means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's dependent (as defined in Code section 152, without regard to section 152(b)(1), (b)(2), and (d)(1)(B)), or a Beneficiary; loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The types of events which may qualify as an Unforeseeable Emergency may be limited by the Plan Administrator.

2.48 Valuation Date. Valuation Date means each Business Day.

2.49 Year of Service. Year of Service means each 12-month period of continuous service with the Employer.

ARTICLE III

Eligibility and Participation

3.1 Eligibility and Participation. An Eligible Employee or a Director becomes a Participant upon the earlier to occur of: (i) a credit of Company Contributions under Article V, or (ii) receipt of notification of eligibility to participate.

3.2 Duration. A Participant shall be eligible to defer Compensation and receive allocations of Company Contributions (if any), subject to the terms of the Plan, for as long as such Participant remains an Eligible Employee or a Director. A Participant who is no longer an Eligible Employee but has not Separated from Service, or who is no longer a Director, may not defer Compensation under the Plan beyond the Plan Year in which he or she became ineligible but may otherwise exercise all of the rights of a Participant under the Plan with respect to his or her Account(s). On and after a Separation from Service, a Participant shall remain a Participant as long as his or her Account Balance is greater than zero (0), and during such time may continue to make allocation elections as provided in Section 8.4. An individual shall cease being a Participant in the Plan when all benefits under the Plan to which he or she is entitled have been paid.

ARTICLE IV

Deferrals

4.1 Deferral Elections, Generally.

(a) A Participant may elect to defer Compensation by submitting a Compensation Deferral Agreement during the enrollment periods established by the Plan Administrator and in the manner specified by the Plan Administrator, but in any event, in accordance with Section 4.2. A Compensation Deferral Agreement that is not timely filed with respect to a service period or component of Compensation shall be considered void and shall have no effect with respect to such service period or Compensation. The Plan Administrator may modify any Compensation Deferral Agreement prior to the date the election becomes irrevocable under the rules of Section 4.2, as may be needed, to comply with the terms of the Plan (as it may be amended from time to time) and/or as may be required by law.

(b) The Participant shall specify on his or her Compensation Deferral Agreement the amount of Deferrals and whether to allocate Deferrals to a Retirement/Termination Account or to a Specified Date Account. If no designation is made, Deferrals shall be allocated to the Retirement/Termination Account. A Participant may also specify in his or her Compensation Deferral Agreement the Payment Schedule applicable to his or her Plan Accounts. If the Payment Schedule is not specified in a Compensation Deferral Agreement, the Payment Schedule shall be the Payment Schedule specified in Section 6.2.

4.2 Timing Requirements for Compensation Deferral Agreements.

(a) *First Year of Eligibility.* In the case of the first year in which an Eligible Employee or a Director becomes eligible to participate in the Plan following the annual enrollment period, he or she has up to 30 days following his or her initial eligibility to submit a Compensation Deferral Agreement with respect to Compensation to be earned during such year. The Compensation Deferral Agreement described in this paragraph becomes irrevocable upon the end of such 30-day period. The determination of whether an Eligible Employee or a Director may file a Compensation Deferral Agreement under this paragraph shall be determined in accordance with the rules of Code Section 409A, including the provisions of Treas. Reg. Section 1.409A-2(a)(7).

A Compensation Deferral Agreement filed under this paragraph applies to Compensation earned on and after the date the Compensation Deferral Agreement becomes irrevocable.

(b) *Prior Year Election.* Except as otherwise provided in this Section 4.2, Participants may defer Compensation by filing a Compensation Deferral Agreement no later than December 31 of the year prior to the year in which the Compensation to be deferred is earned. A Compensation Deferral Agreement described in this paragraph shall become irrevocable with respect to such Compensation as of January 1 of the year in which such Compensation is earned.

(c) *Performance-Based Compensation.* Participants may file a Compensation Deferral Agreement with respect to Performance-Based Compensation no later than the date that is six months before the end of the performance period, provided that:

(i) the Participant performs services continuously from the later of the beginning of the performance period or the date the criteria are established through the date the Compensation Deferral Agreement is submitted; and

(ii) the Compensation is not readily ascertainable as of the date the Compensation Deferral Agreement is filed.

A Compensation Deferral Agreement becomes irrevocable with respect to Performance-Based Compensation as of the day immediately following the latest date for filing such election. Any election to defer Performance-Based Compensation that is made in accordance with this paragraph and that becomes payable as a result of the Participant’s death or disability (as defined in Treas. Reg. Section 1.409A-1(e)) or upon a Change in Control (as defined in Treas. Reg. Section 1.409A-3(i)(5)) prior to the satisfaction of the performance criteria, will be void.

(d) *Short-Term Deferrals.* Compensation that meets the definition of a “short-term deferral” described in Treas. Reg. Section 1.409A-1(b)(4) may be deferred in accordance with the rules of Article VII, applied as if the date the Substantial Risk of Forfeiture lapses is the date payments were originally scheduled to commence, provided, however, that the provisions of Section 7.3 shall not apply to payments attributable to a Change in Control (as defined in Treas. Reg. Section 1.409A-3(i)(5)).

(e) *Certain Forfeitable Rights.* With respect to a legally binding right to a payment in a subsequent year that is subject to a forfeiture condition requiring the Participant’s continued services for a period of at least 12 months from the date the Participant obtains the legally binding right, an election to defer such Compensation may be made on or before the 30th day after the Participant obtains the legally

binding right to the Compensation, provided that the election is made at least 12 months in advance of the earliest date at which the forfeiture condition could lapse. The Compensation Deferral Agreement described in this paragraph becomes irrevocable after such 30th day. If the forfeiture condition applicable to the payment lapses before the end of the required service period as a result of the Participant's death or disability (as defined in Treas. Reg. Section 1.409A-3(i)(4)) or upon a Change in Control (as defined in Treas. Reg. Section 1.409A-3(i)(5)), the Compensation Deferral Agreement will be void unless it would be considered timely under another rule described in this Section.

(f) *Company Awards.* The Committee may unilaterally provide for deferrals of Company awards prior to the date of such awards. Deferrals of Company awards (such as sign-on, retention, or severance pay) may be negotiated with a Participant prior to the date the Participant has a legally binding right to such Compensation.

(g) "Evergreen" Deferral Elections. The Plan Administrator, in its discretion, may provide in the Compensation Deferral Agreement that such Compensation Deferral Agreement will continue in effect for each subsequent year or performance period. Such "evergreen" Compensation Deferral Agreements will become effective with respect to an item of Compensation on the date such election becomes irrevocable under this Section 4.2. An evergreen Compensation Deferral Agreement may be terminated or modified prospectively with respect to Compensation for which such election remains revocable under this Section 4.2. A Participant whose Compensation Deferral Agreement is cancelled in accordance with Section 4.6 will be required to file a new Compensation Deferral Agreement under this Article IV in order to recommence Deferrals under the Plan.

4.3 Allocation of Deferrals. A Compensation Deferral Agreement may allocate Deferrals to one or more Specified Date Accounts and/or to the Retirement/Termination Account. The Plan Administrator may, in its discretion, establish a minimum deferral period for the establishment of a Specified Date Account (for example, the third Plan Year following the year Compensation is allocated to such accounts), and the minimum deferral period so established may vary according to the type of Compensation being deferred to such Account.

4.4 Deductions from Pay. The Plan Administrator has the authority to determine the payroll practices under which any component of Compensation subject to a Compensation Deferral Agreement will be deducted from a Participant's Compensation.

4.5 Vesting. Participant Deferrals of RSUs and any other unvested compensation at the time of the deferral shall become vested in accordance with the vesting schedule contained in the underlying award notice and award agreement with which the RSUs or other unvested compensation were granted; all other Participant Deferrals shall be 100% vested at all times.

4.6 Cancellation of Deferrals. The Plan Administrator may cancel a Participant's Deferrals: (i) for the balance of the Plan Year in which an Unforeseeable Emergency occurs, (ii) if the Participant receives a hardship distribution under the Employer's qualified 401(k) plan, through the end of the Plan Year in which the six month anniversary of the hardship distribution falls, and (iii) during periods in which the Participant is unable to perform the duties of his or her position or any substantially similar position due to a mental or physical impairment that can be expected to result in death or last for a continuous period of at least six months, provided cancellation occurs by the later of the end of the taxable year of the Participant or the 15th day of the third month following the date the Participant incurs the disability (as defined in this paragraph (iii)).

ARTICLE V

Company Contributions

5.1 Discretionary Company Contributions. The Committee may, from time to time in its sole and absolute discretion, credit Company Contributions to any Participant in any amount determined by the Committee. Such contributions will be credited to a Participant's Retirement/Termination Account.

5.2 Vesting. Company Contributions described in Section 5.1, above, and the Earnings thereon, shall vest in accordance with the vesting schedule(s) established by the Committee at the time that the Company Contribution is made. All Company Contributions shall become 100% vested if, while actively employed, the Participant (i) dies, (ii) Retires, or (iii) is affected by a Change in Control. The Committee may, at any time, in its sole discretion, increase a Participant's vested interest in a Company Contribution. The portion of a Participant's Accounts that remains unvested upon his or her Separation from Service after the application of the terms of this Section 5.2 shall be forfeited.

ARTICLE VI

Benefits

6.1 Benefits, Generally. A Participant shall be entitled to the following benefits under the Plan:

(a) *Retirement Benefit.* Upon the Participant's Separation from Service due to Retirement, he or she shall be entitled to a Retirement Benefit. The Retirement Benefit shall be equal to the vested portion of the Retirement/Termination Account based on the value of that Account as of the end of the month in which Separation from Service occurs or such later date as the Plan Administrator, in its sole discretion, shall determine. Payment of the Retirement Benefit will be made or begin the first day of the month following the month in which Separation from Service occurs, provided, however, that with respect to a Participant who is a Specified Employee as of the date such Participant incurs a Separation from Service, payment will be made or begin on the first day of the seventh month following the month in which such Separation from Service occurs. If the Retirement Benefit is to be paid in the form of installments, any subsequent installment payments to a Specified Employee will be paid on the anniversary of the date the initial installment was made.

(b) *Termination Benefit.* Upon the Participant's Separation from Service for reasons other than death or Retirement, he or she shall be entitled to a Termination Benefit. The Termination Benefit shall be equal to the vested portion of the Retirement/Termination Account based on the value of that Account as of the end of the month in which Separation from Service occurs or such later date as the Plan Administrator, in its sole discretion, shall determine. Payment of the Termination Benefit will be made on the first day of the month following the month in which Separation from Service occurs, provided, however, that with respect to a Participant who is a Specified Employee as of the date such Participant incurs a Separation from Service, payment will be made on the first day of the seventh month following the month in which such Separation from Service occurs.

(c) *Specified Date Benefit.* If the Participant has established one or more Specified Date Accounts, he or she shall be entitled to a Specified Date Benefit with respect to each such Specified Date Account. The Specified Date Benefit shall be equal to the vested portion of the Specified Date Account, based on the value of that Account as of the end of the month designated by the Participant at the time the Account was established. Payment of the Specified Date Benefit will be made or begin the first day of the month following the designated month. Notwithstanding the preceding sentence, balances remaining in Specified Date Accounts on the date the Participant Separates from Service shall be distributed on the first day of the month following the month in which Separation from Service occurs, provided, however, that with respect to a Participant who is a Specified Employee as of the date such Participant incurs a Separation from Service, payment will be made on the first day of the seventh month following the month in which such Separation from Service occurs

(d) *Death Benefit.* In the event of the Participant's death, his or her designated Beneficiary(ies) shall be entitled to a Death Benefit. The Death Benefit shall be equal to the vested portion of the Retirement/Termination Account and the vested and unpaid balances of any Specified Date Accounts, based on the value of the Accounts as of the end of the month in which death occurred, with payment made in the following month.

A Participant who consents to the Employer's purchase of insurance on his or her life shall also be entitled to a Supplemental Death Benefit if the Participant dies while actively employed. The Supplemental Death Benefit shall be in the amount of $50,000 and shall be paid at the same time as payment of other death benefits hereunder.

(e) *Unforeseeable Emergency Payments.* A Participant who experiences an Unforeseeable Emergency may submit a written request to the Plan Administrator to receive payment of all or any portion of his or her vested Accounts. Whether a Participant or Beneficiary is faced with an Unforeseeable Emergency permitting an emergency payment shall be determined by the Plan Administrator based on the relevant facts and circumstances of each case, but, in any case, a distribution on account of Unforeseeable Emergency may not be made to the extent that such emergency is or may be reimbursed through insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or by cessation of Deferrals under this Plan. If an emergency payment is approved by the Plan Administrator, the amount of the payment shall not exceed the amount reasonably necessary to satisfy the need, taking into account the additional compensation that is available to the Participant as the result of cancellation of deferrals to the Plan, including amounts necessary to pay any taxes or penalties that the Participant reasonably anticipates will result from the payment. The amount of the emergency payment shall be subtracted pro rata from the vested portion of each Account. Emergency payments shall be paid in a single lump sum within the 90-day period following the date the payment is approved by the Plan Administrator.

6.2 Form of Payment.

(a) *Retirement Benefit.* A Participant who is entitled to receive a Retirement Benefit shall receive payment of such benefit in a single lump sum, unless the Participant elects on his or her initial Compensation Deferral Agreement to have such benefit paid in one of the following alternative forms of payment (i) substantially equal annual installments over a period of two to fifteen years, as elected by the Participant, or (ii) a lump sum payment of a percentage of the balance in the Retirement/Termination Account, with the balance paid in substantially equal annual installments over a period of two to fifteen years, as elected by the Participant.

(b) *Termination Benefit*. A Participant who is entitled to receive a Termination Benefit shall receive payment of such benefit in a single lump sum.

(c) *Specified Date Benefit.* The Specified Date Benefit shall be paid in a single lump sum, unless the Participant elects on the Compensation Deferral Agreement with which the account was established to have the Specified Date Account paid in substantially equal annual installments over a period of two to five years, as elected by the Participant.

Notwithstanding any election of a form of payment by the Participant, upon a Separation from Service the unpaid balances of any Specified Date Accounts shall be paid in a single lump sum.

(d) *Death Benefit.* A designated Beneficiary who is entitled to receive a Death Benefit shall receive payment of such benefit in a single lump sum. If a Supplemental Death Benefit is payable in accordance with Section 6.1(d), such benefit shall also be payable in a single lump sum.

(e) *Change in Control.* A Participant will receive a single lump sum payment equal to the unpaid balance of all of his or her Accounts if Separation from Service occurs within 24 months following a Change in Control.

A Participant or Beneficiary receiving installment payments when a Change in Control occurs, will receive the remaining account balance in a single lump sum within 90 days following the Change in Control.

(f) *Small Account Balances.* The Plan Administrator shall pay the value of the Participant's Accounts upon a Separation from Service in a single lump sum if the balance of such Accounts is not greater than the applicable dollar amount under Code Section 402(g)(1)(B), provided the payment represents the complete liquidation of the Participant's interest in the Plan.

(g) *Rules Applicable to Installment Payments.* If a Payment Schedule specifies installment payments, annual payments will be made beginning as of the payment commencement date for such installments and shall continue on each anniversary thereof until the number of installment payments specified in the Payment Schedule has been paid. The amount of each installment payment shall be determined by dividing (a) by (b), where (a) equals the Account Balance as of the Valuation Date and (b) equals the remaining number of installment payments.

For purposes of Article VII, installment payments will be treated as a single form of payment. If a lump sum equal to less than 100% of the Retirement/Termination Account is paid, the payment commencement date for the installment form of payment will be the first anniversary of the payment of the lump sum.

6.3 Acceleration of or Delay in Payments. The Committee, in its sole and absolute discretion, may elect to accelerate the time or form of payment of a benefit owed to the Participant hereunder, provided such acceleration is permitted under Treas. Reg. Section 1.409A-3(j)(4). The Committee may also, in its sole and absolute discretion, delay the time for payment of a benefit owed to the Participant hereunder, to the extent permitted under Treas. Reg. Section 1.409A-2(b)(7). If the Plan receives a domestic relations order (within the meaning of Code Section 414(p)(1)(B)) directing that all or a portion of a Participant's Accounts be paid to an "alternate payee," any amounts to be paid to the alternate payee(s) shall be paid in a single lump sum.

6.4 Six-Month Delay. To the extent a benefit payable under this Plan is payable upon the Participant's Separation from Service and that Participant is a Specified Employee as of the date such Participant incurs such Separation from Service, any benefit payments that would have occurred prior to the six-month anniversary of the Participant's Separation from Service will be made on the first day of the seventh month following the month in which such Separation from Service occurs.

ARTICLE VII

Modifications to Payment Schedules

7.1 Participant's Right to Modify. A Participant may modify any or all of the alternative Payment Schedules with respect to an Account, consistent with the permissible Payment Schedules available under the Plan, provided such modification complies with the requirements of this Article VII.

7.2 Time of Election. The date on which a modification election is submitted to the Plan Administrator must be at least 12 months prior to the date on which payment is scheduled to commence under the Payment Schedule in effect prior to the modification.

7.3 Date of Payment under Modified Payment Schedule. Except with respect to modifications that relate to the payment of a Death Benefit, the date payments are to commence under the modified Payment Schedule must be no earlier than five years after the date payment would have commenced under the original Payment Schedule. Under no circumstances may a modification election result in an acceleration of payments in violation of Code Section 409A.

7.4 Effective Date. A modification election submitted in accordance with this Article VII is irrevocable upon receipt by the Plan Administrator and becomes effective 12 months after such date.

7.5 Effect on Accounts. An election to modify a Payment Schedule is specific to the Account or payment event to which it applies, and shall not be construed to affect the Payment Schedules of any other Accounts.

ARTICLE VIII

Valuation of Account Balances; Investments

8.1 Valuation. Deferrals shall be credited to appropriate Accounts on the date such Compensation would have been paid to the Participant absent the Compensation Deferral Agreement. Company Contributions shall be credited to the Retirement/Termination Account at the times determined by the Plan Administrator. Valuation of Accounts shall be performed under procedures approved by the Plan Administrator.

8.2 Earnings Credit. Each Account will be credited with Earnings on each Business Day, based upon the Participant's investment allocation among a menu of investment options selected in advance by the Plan Administrator, in accordance with the provisions of this Article VIII ("investment allocation").

8.3 Investment Options. Investment options will be determined by the Plan Administrator. The Plan Administrator, in its sole discretion, shall be permitted to add or remove investment options from the Plan menu from time to time, provided that any such additions or removals of investment options shall not be effective with respect to any period prior to the effective date of such change.

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

A Participant shall specify an investment allocation for each of his Accounts in accordance with procedures established by the Plan Administrator. Allocation among the investment options must be designated in increments of 1% (or such other minimum percentage or amount as may be specified by the Plan Administrator).

8.5 Unallocated Deferrals and Accounts. If the Participant fails to make an investment allocation with respect to an Account, such Account shall be invested in an investment option, the primary objective of which is the preservation of capital, as determined by the Plan Administrator.

8.6 Company Stock Account. The Plan Administrator shall make available a Company Stock Account as one of the investment options described in Section 8.3. All Company Stock Deferrals and RSU Deferrals shall be irrevocably allocated to the Company Stock Account. A Participant may only allocate Company Stock Deferrals or RSU Deferrals to the Company Stock Account. Dividend equivalents with respect to Company Stock Deferrals or RSU Deferrals will be credited to the applicable Accounts in cash in accordance with the Participant's most recent investment allocation for such Account or, if none, as provided in Section 8.5.

8.7 Payments from the Company Stock Account. The portion of an Account that is invested in Company Stock Account will be paid under Article VI in the form of whole shares of Company Stock. If such portion is to be paid in installments, any fractional shares will be paid in cash and will be distributed with the final installment.

ARTICLE IX

Administration

9.1 Plan Administration. The Plan Administrator shall have discretionary authority to make, amend, interpret and enforce all appropriate rules and regulations for the administration of this Plan and to utilize its discretion to decide or resolve any and all questions, including but not limited to eligibility for benefits and interpretations of this Plan and its terms, as may arise in connection with the Plan. Claims for benefits shall be filed with the Plan Administrator and resolved in accordance with the claims procedures in Article XII. The Plan Administrator is the named fiduciary (within the meaning of Section 402(a)(1) of ERISA) with respect to the Supplemental Death Benefit described in Section 6.1(d).

9.2 Administration Upon Change in Control. Upon a Change in Control, the Plan Administrator and Committee, as constituted immediately prior to such Change in Control, shall continue to act respectively as the Plan Administrator and Committee. Notwithstanding the foregoing, neither the Committee nor the Plan Administrator shall have authority to direct investment of trust assets under any rabbi trust described in Section 11.2.

The Participating Employer shall, with respect to the Plan Administrator and Committee identified under this Section: (i) pay all reasonable expenses and fees of the Plan Administrator and Committee, (ii) indemnify the Plan Administrator and Committee (including individuals serving as Committee members) against any costs, expenses and liabilities including, without limitation, attorneys' fees and expenses arising in connection with the performance of the Plan Administrator and/or the Committee's duties hereunder, except with respect to matters resulting from the Plan Administrator and/or the Committee's gross negligence or willful misconduct, and (iii) supply full and timely information to the Plan Administrator and/or Committee on all matters related to the Plan, any rabbi trust, Participants, Beneficiaries and Accounts as the Plan Administrator and/or Committee may reasonably require.

9.3 Withholding. The Participating Employer shall have the right to withhold from any payment due under the Plan (or with respect to any amounts credited to the Plan) any Federal, state, local or other taxes which may be required to be withheld or paid as in respect of such payment (or credit). To the extent permitted by Treas. Reg. Section 1.409A-3(j)(4)(vi), the amounts credited to the Plan shall be reduced by the amount necessary to pay employment taxes on compensation deferred under the Plan. Withholdings other than with respect to employment taxes shall be deducted from Compensation that has not been deferred to the Plan.

9.4 Indemnification. The Participating Employers shall indemnify and hold harmless each employee, officer, director, agent or organization, to whom or to which are delegated duties, responsibilities, and authority under the Plan or otherwise with respect to administration of the Plan, including, without limitation, the Plan Administrator and the Committee and their agents, against all claims, liabilities, fines and penalties, and all expenses reasonably incurred by or imposed upon him or it (including but not limited to reasonable attorney fees) which arise as a result of his or its actions or failure to act in connection with the operation and administration of the Plan to the extent lawfully allowable and to the extent that such claim, liability, fine, penalty, or expense is not paid for by liability insurance purchased or paid for by the Participating Employer. Notwithstanding the foregoing, the Participating Employer shall not indemnify any person or organization if his or its actions or failure to act are due to gross negligence or willful misconduct or for any such amount incurred through any settlement or compromise of any action unless the Participating Employer consents in writing to such settlement or compromise.

9.5 Delegation of Authority. In the administration of this Plan, the Plan Administrator and/or the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with legal counsel who shall be legal counsel to the Company.

9.6 Binding Decisions or Actions. The decision or action of the Plan Administrator and/or the Committee in respect of any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations thereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

ARTICLE X

Amendment and Termination

10.1 Amendment and Termination. The Company may at any time and from time to time as it shall deem advisable amend the Plan or may terminate the Plan as provided in this Article X. Each Participating Employer may also terminate its participation in the Plan.

10.2 Amendments. The Company, by action taken by the Committee, may amend the Plan at any time and for any reason, provided that any such amendment shall not reduce the vested Account Balances of any Participant accrued as of the date of any such amendment or restatement (as if the Participant had incurred a voluntary Separation from Service on such date) or reduce any rights of a Participant under the Plan or other Plan features with respect to Deferrals made prior to the date of any such amendment or restatement without the consent of the Participant. The Committee has the authority to amend the Plan without the consent of the Board of Directors for the purpose of: (i) conforming the Plan to the requirements of law; (ii) facilitating the administration of the Plan; (iii) clarifying provisions based on the Committee's interpretation of the document; and (iv) making such other amendments as the Board of Directors may authorize.

10.3 Termination. The Company, by action taken by the Committee, may terminate the Plan and pay Participants and Beneficiaries their Account Balances in a single lump sum at any time, to the extent and in accordance with Treas. Reg. Section 1.409A-3(j)(4)(ix). If a Participating Employer terminates its participation in the Plan, the benefits of affected Employees shall be paid at the time provided in Article VI.

10.4 Accounts Taxable Under Code Section 409A. The Plan is intended to constitute a plan of deferred compensation that meets the requirements for deferral of income taxation under Code Section 409A. The Committee, pursuant to its authority to interpret the Plan, may sever from the Plan or any Compensation Deferral Agreement any provision or exercise of a right that otherwise would result in a violation of Code Section 409A.

ARTICLE XI

Informal Funding

11.1 General Assets. Obligations established under the terms of the Plan may be satisfied from the general funds of the Participating Employers, or a trust described in this Article XI. No Participant, spouse or Beneficiary shall have any right, title or interest whatever in assets of the Participating Employers. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Participating Employers and any Employee, spouse, or Beneficiary. To the extent that any person acquires a right to receive payments hereunder, such rights are no greater than the right of an unsecured general creditor of the Participating Employer.

11.2 Rabbi Trust. The Company may, in its sole discretion, establish a grantor trust, commonly known as a rabbi trust, as a vehicle for accumulating assets to pay benefits under the Plan. Payments under the Plan may be paid from the general assets of the Participating Employer or from the assets of any such rabbi trust. Payment from any such source shall reduce the obligation owed to the Participant or Beneficiary under the Plan.

ARTICLE XII

Claims

12.1 Filing a Claim. Any controversy or claim arising out of or relating to the Plan shall be filed in writing with the Plan Administrator which shall make all determinations concerning such claim. Any claim filed with the Plan Administrator and any decision by the Plan Administrator denying such claim shall be in writing and shall be delivered to the Participant or Beneficiary filing the claim (the "Claimant").

(a) *In General.* Notice of a denial of benefits will be provided within 90 days of the Committee's receipt of the Claimant's claim for benefits. If the Plan Administrator determines that it needs additional time to review the claim, the Plan Administrator will provide the Claimant with a notice of the extension before the end of the initial 90-day period. The extension will not be more than 90 days from the end of the initial 90-day period and the notice of extension will explain the special circumstances that require the extension and the date by which the Plan Administrator expects to make a decision.

(b) *Contents of Notice.* If a claim for benefits is completely or partially denied, notice of such denial shall be in writing and shall set forth the reasons for denial in plain language. The notice shall: (i) cite the pertinent provisions of the Plan document, and (ii) explain, where appropriate, how the Claimant can perfect the claim, including a description of any additional material or information necessary to complete the claim and why such material or information is necessary. The claim denial also shall include an explanation of the claims review procedures and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse decision on review.

12.2 Appeal of Denied Claims. A Claimant whose claim has been completely or partially denied shall be entitled to appeal the claim denial by filing a written appeal with a committee designated to hear such appeals (the "Appeals Committee"). A Claimant who timely requests a review of the denied claim (or his or her authorized representative) may review, upon request and free of charge, copies of all documents, records and other information relevant to the denial and may submit written comments, documents, records and other information relevant to the claim to the Appeals Committee. All written comments, documents, records, and other information shall be considered "relevant" if the information: (i) was relied upon in making a benefits determination, (ii) was submitted, considered or generated in the course of making a benefits decision regardless of whether it was relied upon to make the decision, or (iii) demonstrates compliance with administrative processes and safeguards established for making benefit decisions. The Appeals Committee may, in its sole discretion and if it deems appropriate or necessary, decide to hold a hearing with respect to the claim appeal.

(a) *In General.* Appeal of a denied benefits claim must be filed in writing with the Appeals Committee no later than 60 days after receipt of the written notification of such claim denial. The Appeals Committee shall make its decision regarding the merits of the denied claim within 60 days following receipt of the appeal (or within 120 days after such receipt, in a case where there are special circumstances requiring extension of time for reviewing the appealed claim). If an extension of time for reviewing the appeal is required because of special circumstances, written notice of the extension shall be furnished to the Claimant prior to the commencement of the extension. The notice will indicate the special circumstances requiring the extension of time and the date by which the Appeals Committee expects to render the determination on review. The review will take into account comments, documents, records and other information submitted by the Claimant relating to the claim without regard to whether such information was submitted or considered in the initial benefit determination.

(b) *Contents of Notice.* If a benefits claim is completely or partially denied on review, notice of such denial shall be in writing and shall set forth the reasons for denial in plain language.

The decision on review shall set forth: (i) the specific reason or reasons for the denial, (ii) specific references to the pertinent Plan provisions on which the denial is based, (iii) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, or other information relevant (as defined above) to the Claimant's claim, and (iv) a statement describing any voluntary appeal procedures offered by the plan and a statement of the Claimant's right to bring an action under Section 502(a) of ERISA.

12.3 Claims Appeals Upon Change in Control. Upon a Change in Control, the Appeals Committee, as constituted immediately prior to such Change in Control, shall continue to act as the Appeals Committee. The Appeals Committee shall have the exclusive authority at the appeals stage to interpret the terms of the Plan and resolve appeals under the Claims Procedure.

Each Participating Employer shall, with respect to the Committee identified under this Section: (i) pay its proportionate share of all reasonable expenses and fees of the Appeals Committee, (ii) indemnify the Appeals Committee (including individual committee members) against any costs, expenses and liabilities including, without limitation, attorneys' fees and expenses arising in connection with the performance of

the Appeals Committee hereunder, except with respect to matters resulting from the Appeals Committee's gross negligence or willful misconduct, and (iii) supply full and timely information to the Appeals Committee on all matters related to the Plan, any rabbi trust, Participants, Beneficiaries and Accounts as the Appeals Committee may reasonably require.

12.4 Legal Action. A Claimant may not bring any legal action, including commencement of any arbitration, relating to a claim for benefits under the Plan unless and until the Claimant has followed the claims procedures under the Plan and exhausted his or her administrative remedies under such claims procedures.

If a Participant or Beneficiary prevails in a legal proceeding brought under the Plan to enforce the rights of such Participant or any other similarly situated Participant or Beneficiary, in whole or in part, the Participating Employer shall reimburse such Participant or Beneficiary for all legal costs, expenses, attorneys' fees and such other liabilities incurred as a result of such proceedings. If the legal proceeding is brought in connection with a Change in Control, or a "change in control" as defined in a rabbi trust described in Section 11.2, the Participant or Beneficiary may file a claim directly with the trustee for reimbursement of such costs, expenses and fees. For purposes of the preceding sentence, the amount of the claim shall be treated as if it were an addition to the Participant's or Beneficiary's Account Balance.

12.5 Discretion of Appeals Committee. All interpretations, determinations and decisions of the Appeals Committee with respect to any claim shall be made in its sole discretion, and shall be final and conclusive.

ARTICLE XIII

General Provisions

13.1 Assignment. No interest of any Participant, spouse or Beneficiary under this Plan and no benefit payable hereunder shall be assigned as security for a loan, and any such purported assignment shall be null, void and of no effect, nor shall any such interest or any such benefit be subject in any manner, either voluntarily or involuntarily, to anticipation, sale, transfer, assignment or encumbrance by or through any Participant, spouse or Beneficiary. Notwithstanding anything to the contrary herein, however, the Plan Administrator has the discretion to make payments to an alternate payee in accordance with the terms of a domestic relations order (as defined in Code Section 414(p)(1)(B)).

The Company may assign any or all of its liabilities under this Plan in connection with any restructuring, recapitalization, sale of assets or other similar transactions affecting a Participating Employer without the consent of the Participant.

13.2 No Legal or Equitable Rights or Interest. No Participant or other person shall have any legal or equitable rights or interest in this Plan that are not expressly granted in this Plan. Participation in this Plan does not give any person any right to be retained in the service of the Participating Employer. The right and power of a Participating Employer to dismiss or discharge an Employee is expressly reserved. The Participating Employers make no representations or warranties as to the tax consequences to a Participant or a Participant's beneficiaries resulting from a deferral of income pursuant to the Plan.

13.3 No Right of Participation, Employment or Service. Unless otherwise set forth in an employment agreement, no person shall have any right to participate in this Plan. This Plan shall not confer upon any person any right to continued employment by or service with a Participating Employer or an Affiliate or affect in any manner the right of a Participating Employer or an Affiliate to terminate the employment of any person at any time without liability.

13.4 Notice. Any notice or filing required or permitted to be delivered to the Plan Administrator under this Plan shall be delivered in writing, in person, or through such electronic means as is established by the Plan Administrator. Notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Written transmission shall be sent by certified mail to:

FORTUNE BRANDS HOME & SECURITY, INC.
ATTN: VICE PRESIDENT, TOTAL REWARDS
520 LAKE COOK ROAD
SUITE 300
DEERFIELD, IL 60015

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing or hand-delivered, or sent by mail to the last known address of the Participant.

13.5 Headings. The headings of Sections are included solely for convenience of reference, and if there is any conflict between such headings and the text of this Plan, the text shall control.

13.6 Invalid or Unenforceable Provisions. If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof and each of the Plan Administrator and/or Committee, as may be applicable, may elect in its sole discretion to construe such invalid or unenforceable provisions in a manner that conforms to applicable law or as if such provisions, to the extent invalid or unenforceable, had not been included.

13.7 Lost Participants or Beneficiaries. Any Participant or Beneficiary who is entitled to a benefit from the Plan has the duty to keep the Plan Administrator advised of his or her current mailing address. If benefit payments are returned to the Plan or are not presented for payment after a reasonable amount of time, the Plan Administrator shall presume that the payee is missing. The Plan Administrator, after making such efforts as in its discretion it deems reasonable and appropriate to locate the payee, shall stop payment on any uncashed checks and may discontinue making future payments until contact with the payee is restored.

13.8 Facility of Payment to a Minor. If a distribution is to be made to a minor, or to a person who is otherwise incompetent, then the Plan Administrator may, in its discretion, make such distribution: (i) to the legal guardian, or if none, to a parent of a minor payee with whom the payee maintains his or her residence, or (ii) to the conservator or committee or, if none, to the person having custody of an incompetent payee. Any such distribution shall fully discharge the Plan Administrator, the Committee, the Company, and the Plan from further liability on account thereof.

13.9 Governing Law. This Plan and all determinations made and actions taken under the Plan, to the extent not otherwise governed by ERISA, the Code or the laws of the United States, shall be governed by, and construed in accordance with, the laws of the State of Delaware without giving effect to principles of conflicts of laws.

13.10 Forfeiture and Recoupment.

(a) *Generally*. A Participant's rights, payments, and benefits under this Plan shall be subject to reduction, cancellation, forfeiture, clawback, or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions, without limit as to time. Such events shall include, but shall not be limited to, termination of service under certain or all circumstances, violation of material policies of a Participating Employer, misstatement of financial or other material information about a Participating Employer, fraud, misconduct, breach of noncompetition, confidentiality, non-solicitation, noninterference, corporate property protection, or other agreement that may apply to the Participant, or other conduct by the Participant that the Committee determines is detrimental to the business or reputation of a Participating Employer (and/or any parent, subsidiary, or Affiliate of the Participating Employer) including facts and circumstances discovered after termination of employment.

(b) *Manner of Recoupment*. Subject to Section 409A of the Code, the Committee shall determine, as late as the time of the recoupment whether the Participating Employer shall effect any such recoupment:

(i) by seeking repayment from the Participant; (ii) by reducing (subject to applicable law and the terms and conditions of the applicable plan, program or arrangement) the amount that would otherwise be payable to the Participant under any compensatory plan, program or arrangement maintained by a Participating Employer (and/or any parent, subsidiary, or Affiliate of the Participating Employer); (iii) by withholding payment of future increases in compensation (including the payment of any discretionary bonus amount) or grants of compensatory benefits that would otherwise have been made to the Participant in accordance with the Participating Employer's otherwise applicable compensation practices; (iv) by a holdback or escrow (before or after taxation) of part or all of the shares of common stock, payment or property received upon exercise or satisfaction of the benefit; or (v) by any combination of the foregoing. Notwithstanding the foregoing provisions, the Committee's rights under this Section 13.10 shall be in addition to, and not in place of, any such rights that the Company and/or the Committee may have under any other applicable recoupment policy or procedure, including but not limited, under any clawback policy or under any separate written agreement in effect between the Participant and a Participating Employer.

13.11 No Guarantee of Benefits. Nothing contained in the Plan shall constitute a guarantee by the Company or any other person or entity that the assets of any Participating Employer will be sufficient to pay any benefits hereunder.

IN WITNESS WHEREOF, the undersigned executed this Plan, as amended and restated, as of the 27th day of February, 2017.

Fortune Brands Home & Security, Inc.

By: Robert K. Biggart
(Print Name)

Its: SVP, General Counsel & Secretary
(Title)

/s/ Robert K. Biggart
(Signature)

Exhibit 21

The following is a list of subsidiaries as of the date hereof and the state or other jurisdiction of incorporation of each. Except as indicated below, each subsidiary does business under its own name. The names of certain subsidiaries are omitted. Such subsidiaries would not, if considered in the aggregate as a single subsidiary, constitute a significant subsidiary within the meaning of Item 601(b)(21)(ii) of Regulation S-K.

Name of Company	Place of Incorporation
1700 Insurance Company Ltd.	Bermuda
Fortune Brands Finance Canada Ltd.	Ontario, Canada
Fortune Brands Plumbing Holding LLC	Delaware
Rohl LLC	California
Fortune Brands Storage & Security LLC	Delaware
Sentry Safe, Inc.	New York
Master Lock Company LLC	Delaware
Master Lock Canada, Inc./Serrures Master Lock Canada, Inc.	Canada
Master Lock de Nogales, S.A. de C.V.	Mexico
Master Lock Europe, S.A.S.	France
TMLC Safes, S.A. de C.V.	Mexico
MasterBrand Cabinets, Inc.	Delaware
MasterBrand US Holdings Corp.	Delaware
Global Plumbing Group Holdings Luxembourg SCS	Luxembourg
Global Plumbing Group I S.A.R.L.	Luxembourg
Global Plumbing Group II S.A.R.L.	Luxembourg
Global Plumbing Group Canada ULC	Nova Scotia, Canada
FBHS Holding Luxembourg S.a.r.l.	Luxembourg
KCMB Nova Scotia Corp.	Nova Scotia, Canada
MBCI Canada Partnership	Manitoba, Canada
Kitchen Craft of Canada	Canada
Norcraft Companies, Inc.	Delaware
Norcraft Companies, L.P.	Delaware
Norcraft Canada Corporation	Nova Scotia, Canada
Moen	Ontario, Canada
Global Plumbing LLC	Delaware
Moen Holding LLC	Delaware
MI Sales & Service Company	Delaware
Anafree Holdings, Inc.	Delaware
Anaheim Manufacturing Company	Delaware
Moen Incorporated	Delaware
Moen China, Limited	Hong Kong
Moen (Shanghai) Kitchen & Bath Products Co., Ltd.	China
Moen Hong Kong Holding Co. Limited	Hong Kong
Moen (Changshu) Kitchen and Bath Products Co.,Ltd.	China
NHB Industries Limited	Canada
Master Woodcrafters Holding Luxembourg S.C.sp.	Luxembourg
Woodcrafters Home Products S.ar.l.	Luxembourg
MI Service Company LLC	Delaware
Woodcrafters Home Products, S de RL de CV	Mexico
Woodcrafters Mexico Holding, S de RL de CV	Mexico
Woodcrafters Home Products, LLC	Delaware
Riobel Inc	Quebec, Canada
TCL Manufacturing Ltd.	England
Fortune Brands Doors, Inc.	Delaware
Winwood Insurance Company, Ltd.	Bermuda
Therma-Tru Corp.	Ohio
Fypon LLC	Delaware
Fypon Chemical Industry (Yantai) Co., Ltd.	China
Puertas y Vidrios de Matamoros, S.A. de C.V.	Mexico

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 333-177164, 333-177163, 333-177145 and 333-188598) of Fortune Brands Home & Security, Inc. of our report dated February 28, 2017 relating to the financial statements, financial statement schedule, and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Chicago, Illinois
February 28, 2017

Exhibit 24

POWER OF ATTORNEY

Each of the undersigned, acting in the capacity or capacities stated next to their respective names below, constitute and appoint CHRISTOPHER J. KLEIN and ROBERT K. BIGGART, and each of them severally, as his or her true and lawful attorney-in-fact and agent, with full power of substitution, to sign for and in the name of the undersigned in the capacities indicated below, the Annual Report on Form 10-K of Fortune Brands Home & Security, Inc. for the fiscal year ended December 31, 2016, and any and all amendments thereto, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents may lawfully do or cause to be done by virtue hereof.

Signature	Title	Date
/s/ Christopher J. Klein Christopher J. Klein	Chief Executive Officer and Director (principal executive officer)	February 27, 2017
/s/ E. Lee Wyatt, Jr. E. Lee Wyatt, Jr.	Senior Vice President and Chief Financial Officer (principal financial officer)	February 27, 2017
/s/ Danny Luburic Danny Luburic	Vice President and Corporate Controller (principal accounting officer)	February 27, 2017
/s/ Ann F. Hackett Ann F. Hackett	Director	February 27, 2017
/s/ Susan S. Kilsby Susan S. Kilsby	Director	February 27, 2017
/s/ A.D. David Mackay A. D. David Mackay	Director	February 27, 2017
/s/ John G. Morikis John G. Morikis	Director	February 27, 2017

/s/ David M. Thomas David M. Thomas	Director	February 27, 2017
/s/ Ronald V. Waters, III Ronald V. Waters, III	Director	February 27, 2017
/s/ Norman H. Wesley Norman H. Wesley	Director	February 27, 2017

EXHIBIT 31.1

CERTIFICATION

I, Christopher J. Klein, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 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: February 28, 2017

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

EXHIBIT 31.2

CERTIFICATION

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

1. I have reviewed this annual report on Form 10-K for the year ended December 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: February 28, 2017

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

EXHIBIT 32

JOINT CEO/CFO CERTIFICATE REQUIRED UNDER 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 Annual Report of the Company on Form 10-K for the year ended December 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: February 28, 2017

/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.