

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 28, 2019

or

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

For the transition period from _____ to _____

Commission File Number 001-05224

STANLEY BLACK & DECKER, INC.

(Exact Name Of Registrant As Specified In Its Charter)

Connecticut

06-0548860

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification Number)

1000 STANLEY DRIVE
NEW BRITAIN, CT 06053

(Address of Principal Executive Offices and Zip Code)

Registrant's Telephone Number, Including Area Code 860 225-5111

Securities Registered Pursuant to Section 12(b) of the Act:

Title Of Each Class	Trading Symbol(s)	Name Of Each Exchange on Which Registered
Common Stock \$2.50 Par Value per Share	SWK	New York Stock Exchange
Corporate Units	SWP	New York Stock Exchange
Corporate Units	SWT	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 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 every Interactive Data File required to be submitted 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 such files).

Yes No

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

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer Smaller Reporting Company

Emerging Growth Company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

As of June 28, 2019, the aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was \$21.9 billion based on the New York Stock Exchange closing price for such shares on that date. On February 17, 2020, the registrant had 154,025,464 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2020 annual meeting of shareholders (the "2020 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2020 Proxy Statement will be filed with the U.S. Securities Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

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PART I

ITEM 1. BUSINESS

Stanley Black & Decker, Inc. ("the Company") was founded in 1843 by Frederick T. Stanley and incorporated in Connecticut in 1852. In March 2010, the Company completed a merger ("the Merger") with The Black & Decker Corporation ("Black & Decker"), a company founded by S. Duncan Black and Alonzo G. Decker and incorporated in Maryland in 1910. At that time, the Company changed its name from The Stanley Works to Stanley Black & Decker, Inc.

The Company is a diversified global provider of hand tools, power tools and related accessories, engineered fastening systems and products, services and equipment for oil & gas and infrastructure applications, commercial electronic security and monitoring systems, healthcare solutions, and automatic doors, with 2019 consolidated annual revenues of \$14.4 billion. Approximately 59% of the Company's 2019 revenues were generated in the United States, with the remainder largely from Europe (20%), emerging markets (13%) and Canada (4%).

The Company continues to execute a growth and acquisition strategy that involves industry, geographic and customer diversification to foster sustainable revenue, earnings and cash flow growth. The Company remains focused on delivering above-market organic growth with margin expansion by leveraging its proven and long-standing operating model which has continually evolved over the past 15 years as times have changed. In light of the rapidly moving dynamics throughout the world, including acceleration of technological change, geopolitical instability and the changing nature of work, this past year the Company decided to contemporize its existing Stanley Fulfillment System ("SFS") 2.0 model for the 2020s and created the new Stanley Black & Decker Operating Model ("SBD Operating Model"). At the center of the new model is the concept of the interrelationship between people and technology, which intersect and interact with the other key elements: Performance Resiliency, Extreme Innovation, Operations Excellence and Extraordinary Customer Experience. Each of these elements co-exists synergistically with the others in a systems-based approach. The Company will leverage the SBD Operating Model to continue making strides towards achieving its vision of delivering top-quartile financial performance, becoming known as one of the world's leading innovators and elevating its commitment to social responsibility.

The above strategy has also resulted in approximately \$10.1 billion of acquisitions since 2002 (excluding the Merger and pending acquisition of Consolidated Aerospace Manufacturing, LLC, as discussed below), which was enabled by strong cash flow generation and increased debt capacity. In recent years, the Company completed the acquisitions of International Equipment Solutions Attachments Group ("IES Attachments") for approximately \$654 million, Nelson Fastener Systems ("Nelson") for approximately \$424 million, the Tools business of Newell Brands ("Newell Tools") for approximately \$1.84 billion, and the Craftsman® brand from Sears Holdings Corporation ("Sears Holdings") for an estimated cash purchase price of approximately \$937 million on a discounted basis. The IES Attachments acquisition further diversifies the Company's presence in the industrial markets, expands its portfolio of attachment solutions and provides a meaningful platform for continued growth. The Nelson acquisition was complementary to the Company's product offerings, enhanced its presence in the general industrial end markets, and expanded its portfolio of highly-engineered fastening solutions. The Newell Tools acquisition, which included the industrial cutting, hand tool and power tool accessory brands IRWIN® and LENOX®, enhanced the Company's position within the global tools & storage industry and broadened the Company's product offerings and solutions to customers and end users, particularly within power tool accessories. The Craftsman acquisition provided the Company with the rights to develop, manufacture and sell Craftsman®-branded products in non-Sears Holdings channels. Furthermore, the Company recently announced an agreement to acquire Consolidated Aerospace Manufacturing, LLC ("CAM"), an industry-leading manufacturer of specialty fasteners and components for the aerospace and defense markets. The acquisition is expected to further diversify the Company's presence in the industrial markets and expand its portfolio of specialty fasteners in the high-growth, high-margin aerospace and defense market. The acquisition is subject to customary closing conditions, including regulatory approval, and is expected to close in late February 2020.

In January 2019, the Company acquired a 20 percent interest in MTD Holdings Inc. ("MTD"), a privately held global manufacturer of outdoor power equipment, for \$234 million in cash. Under the terms of the agreement, the Company has the option to acquire the remaining 80 percent of MTD beginning on July 1, 2021. The investment in MTD increases the Company's presence in the \$20 billion outdoor power equipment market and allows the two companies to work together to pursue revenue and cost opportunities, improve operational efficiency, and introduce new and innovative products for professional and residential outdoor equipment customers, utilizing each company's respective portfolios of strong brands.

In May 2019, the Company sold its Sargent and Greenleaf mechanical locks business within the Security segment for net proceeds of \$9 million. This sale allows the Company to invest in other areas of the Company that fit into its long-term growth strategy.

In February 2017, the Company completed the sale of the majority of its mechanical security businesses, which included the commercial hardware brands of Best Access, phi Precision and GMT, for net proceeds of approximately \$717 million. This sale allowed the Company to deploy capital in a more accretive and growth-oriented manner. The Company has also divested several smaller businesses in recent years that did not fit into its long-term strategic objectives.

Refer to *Note E, Acquisitions and Investments*, and *Note T, Divestitures*, of the *Notes to Consolidated Financial Statements* in *Item 8* for further discussion.

At December 28, 2019, the Company employed 59,438 people worldwide. The Company's principal executive office is located at 1000 Stanley Drive, New Britain, Connecticut 06053 and its telephone number is (860) 225-5111.

Description of the Business

The Company's operations are classified into three reportable business segments, which also represent its operating segments: Tools & Storage, Industrial and Security. All segments have significant international operations and are exposed to translational and transactional impacts from fluctuations in foreign currency exchange rates.

Additional information regarding the Company's business segments and geographic areas is incorporated herein by reference to the material captioned "Business Segment Results" in *Item 7* and *Note P, Business Segments and Geographic Areas*, of the *Notes to Consolidated Financial Statements* in *Item 8*.

Tools & Storage

The Tools & Storage segment is comprised of the Power Tools and Equipment ("PTE") and Hand Tools, Accessories & Storage ("HTAS") businesses. Annual revenues in the Tools & Storage segment were \$10.1 billion in 2019, representing 70% of the Company's total revenues.

The PTE business includes both professional and consumer products. Professional products include professional grade corded and cordless electric power tools and equipment including drills, impact wrenches and drivers, grinders, saws, routers and sanders, as well as pneumatic tools and fasteners including nail guns, nails, staplers and staples, concrete and masonry anchors. Consumer products include corded and cordless electric power tools sold primarily under the BLACK+DECKER® brand, lawn and garden products, including hedge trimmers, string trimmers, lawn mowers, edgers and related accessories, and home products such as hand-held vacuums, paint tools and cleaning appliances.

The HTAS business sells hand tools, power tool accessories and storage products. Hand tools include measuring, leveling and layout tools, planes, hammers, demolition tools, clamps, vises, knives, saws, chisels and industrial and automotive tools. Power tool accessories include drill bits, screwdriver bits, router bits, abrasives, saw blades and threading products. Storage products include tool boxes, sawhorses, medical cabinets and engineered storage solution products.

The segment sells its products to professional end users, distributors, retail consumers and industrial customers in a wide variety of industries and geographies. The majority of sales are distributed through retailers, including home centers, mass merchants, hardware stores, and retail lumber yards, as well as third-party distributors and a direct sales force.

Industrial

The Industrial segment is comprised of the Engineered Fastening and Infrastructure businesses. Annual revenues in the Industrial segment were \$2.4 billion in 2019, representing 17% of the Company's total revenues.

The Engineered Fastening business primarily sells engineered fastening products and systems designed for specific applications. The product lines include blind rivets and tools, blind inserts and tools, drawn arc weld studs and systems, engineered plastic and mechanical fasteners, self-piercing riveting systems and precision nut running systems, micro fasteners, and high-strength structural fasteners. The business sells to customers in the automotive, manufacturing, electronics, construction, and aerospace industries, amongst others, and its products are distributed through direct sales forces and, to a lesser extent, third-party distributors.

The Infrastructure business consists of the Oil & Gas and Attachment Tools product lines. Oil & Gas sells and rents custom pipe handling, joint welding and coating equipment used in the construction of large and small diameter pipelines, and provides pipeline inspection services. Attachment Tools sells hydraulic tools, attachments and accessories. The Infrastructure business sells to the oil and natural gas pipeline industry and other industrial customers. The products and services are primarily distributed through a direct sales force and, to a lesser extent, third-party distributors.

Security

The Security segment is comprised of the Convergent Security Solutions ("CSS") and Mechanical Access Solutions ("MAS") businesses. Annual revenues in the Security segment were \$1.9 billion in 2019, representing 13% of the Company's total revenues.

The CSS business designs, supplies and installs commercial electronic security systems and provides electronic security services, including alarm monitoring, video surveillance, fire alarm monitoring, systems integration and system maintenance. Purchasers of these systems typically contract for ongoing security systems monitoring and maintenance at the time of initial equipment installation. The business also sells healthcare solutions, which include asset tracking, infant protection, pediatric protection, patient protection, wander management, fall management, and emergency call products. The CSS business sells to consumers, retailers, educational, financial and healthcare institutions, as well as commercial, governmental and industrial customers. The MAS business primarily sells automatic doors to commercial customers. Products for both businesses are sold predominantly on a direct sales basis.

Other Information

Competition

The Company competes on the basis of its reputation for product quality, its well-known brands, its commitment to customer service, its strong customer relationships, the breadth of its product lines, its innovative products and customer value propositions.

The Company encounters active competition in the Tools & Storage and Industrial segments from both larger and smaller companies that offer the same or similar products and services. Certain large customers offer private label brands ("house brands") that compete across a wide spectrum of the Company's Tools & Storage segment product offerings. Competition in the Security segment is generally fragmented via both large international companies and regional providers. Competition tends to be based primarily on price and the quality and comprehensiveness of services offered to customers.

Major Customers

A significant portion of the Company's Tools & Storage products are sold to home centers and mass merchants in the U.S. and Europe. A consolidation of retailers both in North America and abroad has occurred over time. While this consolidation and the domestic and international expansion of these large retailers have provided the Company with opportunities for growth, the increasing size and importance of individual customers creates a certain degree of exposure to potential sales volume loss. Lowe's accounted for approximately 15%, 12% and 11% of the Company's consolidated net sales in 2019, 2018 and 2017, respectively, while The Home Depot accounted for approximately 10% of the Company's consolidated net sales in 2019. No other customer exceeded 10% of the Company's consolidated net sales in 2019, 2018 or 2017.

Working Capital

The Company continues to practice the five operating principles encompassed by Operations Excellence (formerly Core SFS), one element of the SBD Operating Model, which work in concert: sales and operations planning ("S&OP"), operational lean, complexity reduction, global supply management, and order-to-cash excellence. As part of the evolution of the new operating model, technology, the application of Industry 4.0 and upskilling the Company's workforce have become formally integrated into Operations Excellence. The Company develops standardized business processes and system platforms to reduce costs and provide scalability. The continued focus on the five operating principles above has been instrumental in reducing working capital and creating significant opportunities to generate incremental free cash flow (defined as cash flow from operations less capital and software expenditures). Working capital turns were 9.8 at the end of 2019, up 1.0 turn from 2018, reflecting a focus on working capital management and lower inventory investment associated with recent Tools & Storage brand roll-outs. The Company plans to continue leveraging Operations Excellence to generate ongoing improvements, both in the existing business and future acquisitions, in working capital turns, cycle times, complexity reduction and customer service levels, with a long-term goal of sustaining 10+ working capital turns.

Raw Materials

The Company's products are manufactured using resins, ferrous and non-ferrous metals including, but not limited to, steel, zinc, copper, brass, aluminum and nickel. The Company also purchases components such as batteries, motors, and electronic components to use in manufacturing and assembly operations along with resin-based molded parts. The raw materials required are procured globally and generally available from multiple sources at competitive prices. As part of the Company's Enterprise Risk Management, the Company has implemented a supplier risk mitigation strategy in order to identify and address any potential supply disruption associated with commodities, components, finished goods and critical services. The Company does not anticipate difficulties in obtaining supplies for any raw materials or energy used in its production processes.

Backlog

Due to short order cycles and rapid inventory turnover primarily in the Company's Tools & Storage segment, backlog is generally not considered a significant indicator of future performance. At February 1, 2020, the Company had approximately \$991 million in unfilled orders, which mainly related to the Engineered Fastening and Security businesses. Substantially all of these orders are reasonably expected to be filled within the current fiscal year. As of February 2, 2019 and February 3, 2018, unfilled orders amounted to \$1,001 million and \$929 million, respectively.

Patents and Trademarks

No business segment is solely dependent, to any significant degree, on patents, licenses, franchises or concessions, and the loss of one or several of these patents, licenses, franchises or concessions would not have a material adverse effect on any of the Company's businesses. The Company owns numerous patents, none of which individually is material to the Company's operations as a whole. These patents expire at various times over the next 20 years. The Company holds licenses, franchises and concessions, none of which individually or in the aggregate are material to the Company's operations as a whole. These licenses, franchises and concessions vary in duration, but generally run from one to 40 years.

The Company has numerous trademarks that are used in its businesses worldwide. In the Tools & Storage segment, significant trademarks include STANLEY®, BLACK+DECKER®, DEWALT®, FLEXVOLT®, IRWIN®, LENOX®, CRAFTSMAN®, PORTER-CABLE®, BOSTITCH®, FATMAX®, Powers®, Guaranteed Tough®, MAC TOOLS®, PROTO®, Vidmar®, FACOM®, USAG™, Expert®, SIDCHROME™, LISTA® and the yellow & black color scheme for power tools and accessories. Significant trademarks in the Industrial segment include STANLEY®, CRC®, NELSON®, LaBounty®, Dubuis®, CribMaster®, POP®, Avdel®, Heli-Coil®, Tucker®, NPR®, Spiralock®, PALADIN®, PENGO® and STANLEY® Assembly Technologies. The Security segment includes significant trademarks such as STANLEY®, Blick™, HSM®, SONITROL®, Stanley Access Technologies™, AeroScout®, Hugs®, WanderGuard®, Roam Alert®, MyCall®, Arial® and Bed-Check®. The terms of these trademarks typically vary from 10 to 20 years, with most trademarks being renewable indefinitely for like terms.

Environmental Regulations

The Company is subject to various environmental laws and regulations in the U.S. and foreign countries where it has operations. In the normal course of business, the Company is involved in various legal proceedings relating to environmental issues. The Company's policy is to accrue environmental investigatory and remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. In the event that no amount in the range of probable loss is considered most likely, the minimum loss in the range is accrued. The amount of liability recorded is based on an evaluation of currently available facts with respect to each individual site and includes such factors as existing technology, presently enacted laws and regulations, and prior experience in remediation of contaminated sites. The liabilities recorded do not take into account any claims for recoveries from insurance or third parties. As assessments and remediation progress at individual sites, the amounts recorded are reviewed periodically and adjusted to reflect additional technical and legal information that becomes available. As of December 28, 2019 and December 29, 2018, the Company had reserves of \$213.8 million and \$246.6 million, respectively, for remediation activities associated with Company-owned properties, as well as for Superfund sites, for losses that are probable and estimable. Of the 2019 amount, \$57.8 million is classified as current and \$156.0 million as long-term, which is expected to be paid over the estimated remediation period. As of December 28, 2019, the Company has recorded \$15.6 million in other assets related to funding by the Environmental Protection Agency ("EPA") and monies received have been placed in trust in accordance with the Consent Decree associated with the West Coast Loading Corporation ("WCLC") proceedings, as further discussed in *Note S, Contingencies*, of the *Notes to Consolidated Financial Statements* in *Item 8*. Accordingly, the Company's cash obligation as of December 28, 2019 associated with the aforementioned remediation activities is \$198.2 million. The range of environmental remediation costs that is reasonably possible is \$149.1 million to \$286.1 million, which is subject to change in the near term. The Company may be liable for environmental remediation of sites it no longer owns. Liabilities have been recorded on those sites in accordance with the Company's policy.

The amount recorded for identified contingent liabilities is based on estimates. Amounts recorded are reviewed periodically and adjusted to reflect additional technical and legal information that becomes available. Actual costs to be incurred in future periods may vary from the estimates, given the inherent uncertainties in evaluating certain exposures. Subject to the imprecision in estimating future contingent liability costs, the Company does not expect that any sum it may have to pay in connection with these matters in excess of the amounts recorded will have a materially adverse effect on its financial position, results of operations or liquidity. Additional information regarding environmental matters is available in *Note S, Contingencies*, of the *Notes to Consolidated Financial Statements* in *Item 8*.

Employees

At December 28, 2019, the Company had 59,438 employees, 17,582 of whom were employed in the U.S. Employees in the U.S. totaling 1,359 are covered by collective bargaining agreements negotiated with 30 different local labor unions who are, in turn, affiliated with approximately 7 different international labor unions. The majority of the Company's hourly-paid and weekly-paid employees outside the U.S. are not covered by collective bargaining agreements. The Company's labor agreements in the U.S. expire between 2020 and 2021. There have been no significant interruptions of the Company's operations in recent years due to labor disputes. The Company believes it has a good relationship with its employees.

Research and Development Costs

Research and development costs, which are classified in Selling, general and administrative ("SG&A"), were \$255.2 million, \$275.8 million and \$252.3 million for fiscal years 2019, 2018 and 2017, respectively. The Company continues to focus on becoming known as one of the world's greatest innovators and remains committed to generating new core and breakthrough innovations.

Available Information

The Company's website is located at <http://www.stanleyblackanddecker.com>. This URL is intended to be an inactive textual reference only. It is not intended to be an active hyperlink to the Company's website. The information on the Company's website is not, and is not intended to be, part of this Form 10-K and is not incorporated into this report by reference. The Company makes its Forms 10-K, 10-Q, 8-K and amendments to each available free of charge on its website as soon as reasonably practicable after filing them with, or furnishing them to, the U.S. Securities and Exchange Commission ("SEC").

ITEM 1A. RISK FACTORS

The Company's business, operations and financial condition are subject to various risks and uncertainties. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including those risks set forth under the heading entitled "Cautionary Statements Under the Private Securities Litigation Reform Act of 1995" in Item 7, and in other documents that the Company files with the SEC, before making any investment decision with respect to its securities. If any of the risks or uncertainties actually occur or develop, the Company's business, financial condition, results of operations and future growth prospects could change. Under these circumstances, the trading prices of the Company's securities could decline, and you could lose all or part of your investment in the Company's securities.

Changes in customer preferences, the inability to maintain mutually beneficial relationships with large customers, inventory reductions by customers, and the inability to penetrate new channels of distribution could adversely affect the Company's business.

The Company has certain significant customers, particularly home centers and major retailers. In 2019, the two largest customers comprised approximately 25% of net sales, with U.S. and international mass merchants and home centers collectively comprising approximately 40% of net sales. The loss or material reduction of business, the lack of success of sales initiatives, or changes in customer preferences or loyalties for the Company's products, related to any such significant customer could have a material adverse impact on the Company's results of operations and cash flows. In addition, the Company's major customers are volume purchasers, a few of which are much larger than the Company and have strong bargaining power with suppliers. This limits the ability to recover cost increases through higher selling prices. Furthermore, unanticipated inventory adjustments by these customers can have a negative impact on the Company's net sales.

If customers in the Convergent Security Solutions ("CSS") business are dissatisfied with services and switch to competitive services, or disconnect for other reasons such as preference for digital technology products or other technology enhancements not then offered by CSS, the Company's attrition rates may increase. In periods of increasing attrition rates, recurring revenue and results of operations may be materially adversely affected. The risk is more pronounced in times of economic uncertainty, as customers may reduce amounts spent on the products and services the Company provides.

In times of tough economic conditions, the Company has experienced significant distributor inventory corrections reflecting de-stocking of the supply chain associated with difficult credit markets. Such distributor de-stocking exacerbated sales volume declines pertaining to weak end user demand and the broader economic recession. The Company's results may be adversely impacted in future periods by such customer inventory adjustments. Further, the inability to continue to penetrate new channels of distribution may have a negative impact on the Company's future results.

The Company faces active global competition and if it does not compete effectively, its business may suffer.

The Company faces active competition and resulting pricing pressures. The Company's products compete on the basis of, among other things, its reputation for product quality, its well-known brands, price, innovation and customer service capabilities. The Company competes with both larger and smaller companies that offer the same or similar products and services or that produce different products appropriate for the same uses. These companies are often located in countries such as China, Taiwan and India where labor and other production costs are substantially lower than in the U.S., Canada and Western Europe. Also, certain large customers offer house brands that compete with some of the Company's product offerings as a lower-cost alternative. To remain profitable and defend market share, the Company must maintain a competitive cost structure, develop new products and services, lead product innovation, respond to competitor innovations and enhance its existing products in a timely manner. The Company may not be able to compete effectively on all of these fronts and with all of its competitors, and the failure to do so could have a material adverse effect on its sales and profit margins.

Operations Excellence, an element of the new SBD Operating Model, is a continuous operational improvement process applied to many aspects of the Company's business such as procurement, quality in manufacturing, maximizing customer fill rates, integrating acquisitions and other key business processes. In the event the Company is not successful in effectively applying the Operations Excellence principles to its key business processes, including those of acquired businesses, its ability to compete and future earnings could be adversely affected.

In addition, the Company may have to reduce prices on its products and services, or make other concessions, to stay competitive and retain market share. Price reductions taken by the Company in response to customer and competitive pressures, as well as price reductions and promotional actions taken to drive demand that may not result in anticipated sales levels, could also negatively impact its business. The Company engages in restructuring actions, sometimes entailing shifts of production to low-cost countries, as part of its efforts to maintain a competitive cost structure. If the Company does not execute restructuring

actions well, its ability to meet customer demand may decline, or earnings may otherwise be adversely impacted. Similarly, if such efforts to reform the cost structure are delayed relative to competitors or other market factors, the Company may lose market share and profits.

Customer consolidation could have a material adverse effect on the Company's business.

A significant portion of the Company's products are sold through home centers and mass merchant distribution channels in the U.S. and Europe. A consolidation of retailers in both North America and abroad has occurred over time and the increasing size and importance of individual customers creates risk of exposure to potential volume loss. The loss of certain larger home centers as customers would have a material adverse effect on the Company's business until either such customers were replaced or the Company made the necessary adjustments to compensate for the loss of business.

Low demand for new products and the inability to develop and introduce new products at favorable margins could adversely impact the Company's performance and prospects for future growth.

The Company's competitive advantage is due in part to its ability to develop and introduce new products in a timely manner at favorable margins. The uncertainties associated with developing and introducing new products, such as market demand and costs of development and production, may impede the successful development and introduction of new products on a consistent basis. Introduction of new technology may result in higher costs to the Company than that of the technology replaced. That increase in costs, which may continue indefinitely or until increased demand and greater availability in the sources of the new technology drive down its cost, could adversely affect the Company's results of operations. Market acceptance of the new products introduced in recent years and scheduled for introduction in future years may not meet sales expectations due to various factors, such as the failure to accurately predict market demand, end-user preferences, evolving industry standards, or the emergence of new or disruptive technologies. Moreover, the ultimate success and profitability of the new products may depend on the Company's ability to resolve technical and technological challenges in a timely and cost-effective manner, and to achieve manufacturing efficiencies. The Company's investments in productive capacity and commitments to fund advertising and product promotions in connection with these new products could erode profits if those expectations are not met.

The Company's brands are important assets of its businesses and violation of its trademark rights by imitators, or the failure of its licensees or vendors to comply with the Company's product quality, manufacturing requirements, marketing standards, and other requirements could negatively impact revenues and brand reputation. Any inability to protect the Company's other intellectual property rights could also reduce the value of its products and services or diminish its competitiveness.

The Company considers its intellectual property rights, including patents, trademarks, copyrights and trade secrets, and licenses held, to be a significant part and valuable aspect of its business. The Company attempts to protect its intellectual property rights through a combination of patent, trademark, copyright and trade secret laws, as well as licensing agreements and third party nondisclosure and assignment agreements.

The Company's trademarks have a reputation for quality and value and are important to the Company's success and competitive position. Unauthorized use of the Company's trademark rights may not only erode sales of the Company's products, but may also cause significant damage to its brand name and reputation, interfere with its ability to effectively represent the Company to its customers, contractors, suppliers, and/or licensees, and increase litigation costs. Similarly, failure by licensees or vendors to adhere to the Company's standards of quality and other contractual requirements could result in loss of revenue, increased litigation, and/or damage to the Company's reputation and business. There can be no assurance that the Company's ongoing efforts to protect its brand and trademark rights and ensure compliance with its licensing and vendor agreements will prevent all violations.

In addition, the Company's ability to compete could be negatively impacted by its failure to obtain and adequately protect its intellectual property rights, including patents, copyrights, trade secrets, and licenses, as well as its products and any new features of its products or processes. The Company's patent applications may not be approved and any patents owned could be challenged, invalidated or designed around by third parties. In addition, the Company's patents may not be of sufficient scope or strength to provide meaningful protection or commercial advantage.

The successful execution of the Company's business strategy depends on its ability to recruit and retain highly qualified employees.

The success of the Company's efforts to grow its business depends on the contributions and abilities of key executives and management personnel, its sales force and other personnel, including the ability of its sales force to adapt to any changes made in the sales organization and achieve adequate customer coverage. The Company must therefore continue to recruit, retain and

motivate management, sales and other personnel sufficiently to maintain its current business and support its projected growth. In addition, the Company must invest heavily in reskilling and upskilling its employees, including placing an emphasis on lifelong learning. A shortage of key employees might jeopardize the Company's ability to implement its growth strategy.

The pace of technological change continues to accelerate and the Company's ability to react effectively to such change may present significant competitive risks.

The pace of technological change is increasing at an exponential rate. The continued creation, development and advancement of new technologies such as 5G data networks, artificial intelligence, blockchain, quantum computing, data analytics, 3-D printing, robotics, sensor technology, data storage, neural networks, augmented reality, amongst others, as well as other technologies in the future that are not foreseen today, continue to transform processes, products and services. The Company will need to stay abreast of such technologies, require its employees to continue to learn and adapt to new technologies and be able to integrate them into its current and future business models, products, services and processes and also guard against existing and new competitors disrupting its business using such technologies. In addition, the Company will need to compete for talent that is familiar with such technologies including upskilling its workforce. There can be no assurance that the Company will continue to compete effectively with its industry peers due to technological changes, which could result in a material adverse effect on the Company's business and results of operations.

The Company has significant operations outside of the United States, which are subject to political, legal, economic and other risks arising from operating outside of the United States.

The Company generates a significant portion of its total revenue outside of the United States. Business operations outside of the United States are subject to political, economic and other risks inherent in operating in certain countries, such as:

- the difficulty of enforcing agreements and protecting assets through legal systems outside the U.S. including intellectual property rights, which may not be recognized, and which the Company may not be able to protect outside the U.S. to the same extent as under U.S. law;
- managing widespread operations and enforcing internal policies and procedures such as compliance with U.S. and foreign anti-bribery, anti-corruption, and sanctions regulations;
- trade protection measures and import or export licensing requirements including those related to the U.S.'s relationship with China;
- the application of certain labor regulations outside of the United States;
- compliance with a wide variety of non-U.S. laws and regulations;
- changes in the general political and economic conditions in the countries where the Company operates, particularly in emerging markets;
- the threat of nationalization and expropriation;
- increased costs and risks of doing business in a wide variety of jurisdictions;
- the increased possibility of cyber threats in certain jurisdictions;
- government controls limiting importation of goods;
- government controls limiting payments to suppliers for imported goods;
- limitations on, or impacts from, the repatriation of foreign earnings; and
- exposure to wage, price and capital controls.

Changes in the political or economic environments in the countries in which the Company operates could have a material adverse effect on its financial condition, results of operations or cash flows. In early 2020, an outbreak of the coronavirus occurred in China and other jurisdictions. The extent of the outbreak and its impact on the Company's operations is uncertain. A prolonged outbreak could cause interruptions to the Company's operations and its customers and suppliers. Additionally, the Company is subject to complex U.S., foreign and other local laws and regulations that are applicable to its operations abroad, such as the Foreign Corrupt Practices Act of 1977, the UK Bribery Act of 2010 and other anti-bribery and anti-corruption laws. Although the Company has implemented internal controls, policies and procedures and employee training and compliance programs to deter prohibited practices, such measures may not be effective in preventing employees, contractors or agents from violating or circumventing such internal policies and violating applicable laws and regulations. Any determination that the Company has violated anti-bribery or anti-corruption laws or sanctions regulations could have a material adverse effect on the Company's business, operating results and financial condition. Compliance with international and U.S. laws and regulations

that apply to the Company's international operations increases the cost of doing business in foreign jurisdictions. Violations of such laws and regulations may result in severe fines and penalties, criminal sanctions, administrative remedies or restrictions on business conduct, and could have a material adverse effect on the Company's reputation, its ability to attract and retain employees, its business, operating results and financial condition.

The Company's business is subject to risks associated with sourcing and manufacturing overseas.

The Company imports large quantities of finished goods, component parts and raw materials. Substantially all of its import operations are subject to customs requirements and to tariffs and quotas set by governments through mutual agreements, bilateral actions or, in some cases unilateral action. In addition, the countries in which the Company's products and materials are manufactured or imported from (including importation into the U.S. of the Company's products manufactured overseas) may from time to time impose additional quotas, duties, tariffs or other restrictions on its imports (including restrictions on manufacturing operations) or adversely modify existing restrictions. In recent years, changes in U.S. policy regarding international trade, including import and export regulation and international trade agreements, have negatively impacted the Company's business. For example, in 2018 the U.S. imposed tariffs on steel and aluminum as well as on goods imported from China and certain other countries, which resulted in retaliatory tariffs by China and other countries. Additional tariffs imposed by the U.S. on a broader range of imports, or further retaliatory trade measures taken by China or other countries in response, could result in an increase in supply chain costs that the Company may not be able to offset or otherwise adversely impact the Company's results of operations. Furthermore, imported products and materials may be subject to future tariffs or other trade measures in the U.S. Imports are also subject to unpredictable foreign currency variation which may increase the Company's cost of goods sold. Adverse changes in these import costs and restrictions, or failure by the Company's suppliers to comply with customs regulations or similar laws, could harm the Company's business.

The Company's operations are also subject to the effects of international trade agreements and regulations such as the United States-Mexico-Canada Agreement, and the activities and regulations of the World Trade Organization. Although these trade agreements generally have positive effects on trade liberalization, sourcing flexibility and cost of goods by reducing or eliminating the duties and/or quotas assessed on products manufactured in a particular country, trade agreements can also impose requirements that adversely affect the Company's business, such as setting quotas on products that may be imported from a particular country into key markets including the U.S. or the European Union ("EU"), or making it easier for other companies to compete, by eliminating restrictions on products from countries where the Company's competitors source products.

The Company's ability to import products in a timely and cost-effective manner may also be affected by conditions at ports or issues that otherwise affect transportation and warehousing providers, such as port and shipping capacity, labor disputes, severe weather or increased homeland security requirements in the U.S. and other countries. These issues could delay importation of products or require the Company to locate alternative ports or warehousing providers to avoid disruption to customers. These alternatives may not be available on short notice or could result in higher transit costs, which could have an adverse impact on the Company's business and financial condition.

In addition, the Company has a number of key suppliers in South Korea. Escalation of hostilities with North Korea and/or military action in the region could cause disruptions in the Company's supply chain which could, in turn, cause product shortages, delays in delivery and/or increases in the Company's cost incurred to produce and deliver products to its customers.

The Company's success depends on its ability to improve productivity and streamline operations to control or reduce costs.

The Company is committed to continuous productivity improvement and evaluating opportunities to reduce fixed costs, simplify or improve processes, and eliminate excess capacity. The Company has undertaken restructuring actions, the savings of which may be mitigated by many factors, including economic weakness, competitive pressures, and decisions to increase costs in areas such as sales promotion or research and development above levels that were otherwise assumed. Failure to achieve, or delays in achieving, projected levels of efficiencies and cost savings from such measures, or unanticipated inefficiencies resulting from manufacturing and administrative reorganization actions in progress or contemplated, would adversely affect the Company's results.

The Company is exposed to risks related to cybersecurity.

The Company's operations rely on the secure processing, storage and transmission of confidential, sensitive, proprietary and other types of information relating to its business operations, as well as confidential and sensitive information about its customers and employees maintained in the Company's computer systems and networks, certain products and services, and in the computer systems and networks of its third-party vendors. Cyber threats are rapidly evolving as data thieves and hackers have become increasingly sophisticated and carry out large-scale, complex automated attacks. The Company may not be able to

anticipate or prevent all such attacks and could be held liable for any resulting security breach or data loss. In addition, it is not always possible to deter misconduct by employees or third-party vendors.

Breaches of the Company's technology and systems, or those of the Company's vendors, whether from circumvention of security systems, denial-of-service attacks or other cyber-attacks, hacking, "phishing" attacks, computer viruses, ransomware or malware, employee or insider error, malfeasance, social engineering, physical breaches or other actions, may result in manipulation or corruption of sensitive data, material interruptions or malfunctions in the Company's or such vendors' websites, applications, data processing, and certain products and services, or disruption of other business operations. Furthermore, any such breaches could compromise the confidentiality and integrity of material information held by the Company (including information about the Company's business, employees or customers), as well as sensitive personally identifiable information ("PII"), the disclosure of which could lead to identity theft. Measures that the Company takes to avoid, detect, mitigate or recover from material incidents, including implementing and conducting training on insider trading policies for the Company's employees and maintaining contractual obligations for the Company's third-party vendors, can be expensive, and may be insufficient, circumvented, or may become ineffective.

The Company has invested and continues to invest in risk management and information security and data privacy measures in order to protect its systems and data, including employee training, organizational investments, incident response plans, table top exercises and technical defenses. The cost and operational consequences of implementing, maintaining and enhancing further data or system protection measures could increase significantly to overcome increasingly intense, complex, and sophisticated global cyber threats. Despite the Company's best efforts, it is not fully insulated from data breaches and system disruptions. Recent well-publicized security breaches at other companies have led to enhanced government and regulatory scrutiny of the measures taken by companies to protect against cyber-attacks, and may in the future result in heightened cybersecurity requirements, including additional regulatory expectations for oversight of vendors and service providers. Any material breaches of cybersecurity, including the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data, or media reports of perceived security vulnerabilities to the Company's systems, products and services or those of the Company's third parties, even if no breach has been attempted or occurred, could cause the Company to experience reputational harm, loss of customers and revenue, fines, regulatory actions and scrutiny, sanctions or other statutory penalties, litigation, liability for failure to safeguard the Company's customers' information, or financial losses that are either not insured against or not fully covered through any insurance maintained by the Company. Any of the foregoing may have a material adverse effect on the Company's business, operating results and financial condition.

The Company is exposed to risks related to compliance with data privacy laws.

To conduct its operations, the Company regularly moves data across national borders, and consequently is subject to a variety of continuously evolving and developing laws and regulations in the United States and abroad regarding privacy, data protection and data security. The scope of the laws that may be applicable to the Company is often uncertain and may be conflicting, particularly with respect to foreign laws. For example, the European Union's General Data Protection Regulation ("GDPR"), which became effective in May 2018, greatly increased the jurisdictional reach of European Union law and added a broad array of requirements for handling personal data, including the public disclosure of significant data breaches. Similarly, the California Consumer Privacy Act of 2018 ("CCPA"), which was enacted in June 2018 and came into effect on January 1, 2020, provides a new private right of action for data breaches and requires companies that process information on California residents to make new disclosures to consumers about their data collection, use and sharing practices and allow consumers to opt out of certain data sharing with third parties. The Company's reputation and brand and its ability to attract new customers could also be adversely impacted if the Company fails, or is perceived to have failed, to properly respond to security breaches of its or third party's information technology systems. Such failure to properly respond could also result in similar exposure to liability.

Additionally, other countries have enacted or are enacting data localization laws that require data to stay within their borders. In many cases, these laws and regulations apply not only to transfers between unrelated third parties but also to transfers between the Company and its subsidiaries. All of these evolving compliance and operational requirements impose significant costs that are likely to increase over time. Implementation of the GDPR and CCPA and other data localization laws will continue to require changes to certain business practices, thereby increasing costs, or may result in negative publicity, require significant management time and attention, and may subject the Company to remedies that may harm its business, including fines or demands or orders that the Company modify or cease existing business practices.

The performance of the Company may suffer from business disruptions or other costs associated with information technology, system implementations, or catastrophic losses affecting distribution centers and other infrastructure.

The Company relies heavily on computer systems, including those of third parties, to manage and operate its businesses, and record and process transactions. Computer systems are important to production planning, customer service and order fulfillment among other business-critical processes. Consistent and efficient operation of the computer hardware and software systems is imperative to the successful sales and earnings performance of the Company's various businesses in many countries.

Despite efforts to prevent such situations and maintaining insurance policies and loss control and risk management practices that partially mitigate these risks, the Company's systems may be affected by damage or interruption from, among other causes, power outages, system failures or computer viruses. Computer hardware and storage equipment that is integral to efficient operations, such as e-mail, telephone and other functionality, is concentrated in certain physical locations in the various continents in which the Company operates. Additionally, the Company relies on software applications and enterprise cloud storage systems and cloud computing services provided by third-party vendors, and the Company's business may be adversely affected by service disruptions or security breaches in such third-party systems.

In addition, the Company is in the process of system conversions to SAP as well as other applications to provide a common platform across most of its businesses. There can be no assurances that expected expense synergies will be achieved or that there will not be delays to the expected timing of such synergies. It is possible the costs to complete the system conversions may exceed current expectations, and that significant costs may be incurred that will require immediate expense recognition as opposed to capitalization. The risk of disruption to key operations is increased when complex system changes such as SAP conversions are undertaken. If systems fail to function effectively, or become damaged, operational delays may ensue and the Company may be forced to make significant expenditures to remedy such issues. Any significant disruption in the Company's computer operations could have a material adverse impact on its business and results.

The Company's operations are significantly dependent on infrastructure, notably certain distribution centers and security alarm monitoring facilities, which are concentrated in various geographic locations. Factors that are hard to predict or beyond the Company's control, like weather (including any potential effects of climate change), natural disasters, supply and commodity shortages, fire, explosions, terrorism, political unrest, cybersecurity breaches, generalized labor unrest or health pandemics could damage or disrupt the Company's infrastructure, or that of its suppliers or distributors. If the Company does not effectively plan for or respond to disruptions in its operations, or cannot quickly repair damage to its information, production or supply systems, the Company may be late in delivering or unable to deliver products and services to its customers, and the quality and safety of its products and services might be negatively affected. If a material or extended disruption occurs, the Company may lose its customers' or business partners' confidence or suffer damage to its reputation, and long-term consumer demand for its products and services could decline. Although the Company maintains business interruption insurance, it may not fully protect the Company against all adverse effects that could result from significant disruptions. These events could materially and adversely affect the Company's product sales, financial condition and results of operations.

The Company's results of operations could be negatively impacted by inflationary or deflationary economic conditions which could affect the ability to obtain raw materials, component parts, freight, energy, labor and sourced finished goods in a timely and cost-effective manner.

The Company's products are manufactured using both ferrous and non-ferrous metals including, but not limited to, steel, zinc, copper, brass, aluminum, and nickel. Additionally, the Company uses other commodity-based materials for components and packaging including, but not limited to, plastics, resins, wood and corrugated products. The Company's cost base also reflects significant elements for freight, energy and labor. The Company also sources certain finished goods directly from vendors. If the Company is unable to mitigate any inflationary increases through various customer pricing actions and cost reduction initiatives, its profitability may be adversely affected.

Conversely, in the event there is deflation, the Company may experience pressure from its customers to reduce prices, and there can be no assurance that the Company would be able to reduce its cost base (through negotiations with suppliers or other measures) to offset any such price concessions which could adversely impact results of operations and cash flows.

Further, as a result of inflationary or deflationary economic conditions, the Company believes it is possible that a limited number of suppliers may either cease operations or require additional financial assistance from the Company in order to fulfill their obligations. In a limited number of circumstances, the magnitude of the Company's purchases of certain items is of such significance that a change in established supply relationships with suppliers or increase in the costs of purchased raw materials, component parts or finished goods could result in manufacturing interruptions, delays, inefficiencies or an inability to market products. Changes in value-added tax rebates, currently available to the Company or to its suppliers, could also increase the costs of the Company's manufactured products, as well as purchased products and components, and could adversely affect the Company's results.

In addition, many of the Company's products incorporate battery technology. As other industries begin to adopt similar battery technology for use in their products, the increased demand could place capacity constraints on the Company's supply chain. In addition, increased demand for battery technology may also increase the costs to the Company for both the battery cells as well as the underlying raw materials. If the Company is unable to mitigate any possible supply constraints or related increased costs, its profitability and financial results could be negatively impacted.

Uncertainty about the financial stability of economies outside the U.S. could have a significant adverse effect on the Company's business, results of operations and financial condition.

The Company generates approximately 41% of its revenues outside the U.S., including 20% from Europe and 13% from various emerging market countries. Each of the Company's segments generates sales in these marketplaces. While the Company believes any downturn in the European or emerging marketplaces might be offset to some degree by the relative stability in North America, the Company's future growth, profitability and financial liquidity could be affected, in several ways, including but not limited to the following:

- depressed consumer and business confidence may decrease demand for products and services;
- customers may implement cost reduction initiatives or delay purchases to address inventory levels;
- significant declines of foreign currency values in countries where the Company operates could impact both the revenue growth and overall profitability in those geographies;
- a slowing or contracting Chinese economy could reduce China's consumption and negatively impact the Company's sales in that region, as well as globally;
- a devaluation of foreign currencies could have an effect on the credit worthiness (as well as the availability of funds) of customers in those regions impacting the collectability of receivables;
- a devaluation of foreign currencies could have an adverse effect on the value of financial assets of the Company in the effected countries;
- the impact of an event (individual country default, Brexit, or break up of the Euro) could have an adverse impact on the global credit markets and global liquidity potentially impacting the Company's ability to access these credit markets and to raise capital.

Continuing uncertainty associated with Brexit could adversely affect the Company's business.

While the UK parliament has voted to approve the withdrawal/transition agreement negotiated by the EU and the UK government, significant uncertainty remains with respect to the impacts of Brexit. Brexit could adversely affect European or worldwide political, regulatory, economic or market conditions and could contribute to instability in global political institutions, regulatory agencies and financial markets. Any impact from Brexit on the Company's business and operations over the long term will depend, in part, on the outcome of tariff, tax treaties, trade, regulatory, and other negotiations the UK conducts.

In particular, the Company's operations in the UK will be particularly exposed to the risks and uncertainties relating to Brexit. Depending on the terms of Brexit, the UK could lose access to the single EU market and to the global trade deals negotiated by the EU on behalf of its members. The Bank of England and other observers have warned of a significant probability of a Brexit-related recession in the UK. Volatility in exchange rates, including potential declines in the value of the British Pound, and in interest rates are also expected. Disruptions and uncertainty caused by Brexit may also cause customers to closely monitor their costs and reduce their spending budget on the Company's products and services. These impacts could cause a significant decline in revenue as the Company generates approximately 4% of its revenues in the UK. In addition, as the UK determines which EU laws to replace or replicate, Brexit could lead to potentially divergent national laws and regulations, which could result in an uncertain and difficult regulatory environment that could negatively impact the Company's UK business.

The Company is exposed to market risk from changes in foreign currency exchange rates which could negatively impact profitability.

The Company manufactures and sells its products in many countries throughout the world. As a result, there is exposure to foreign currency risk as the Company enters into transactions and makes investments denominated in multiple currencies. The Company's predominant currency exposures are related to the Euro, Canadian Dollar, British Pound, Australian Dollar, Brazilian Real, Argentine Peso, Chinese Renminbi ("RMB") and the Taiwan Dollar. In preparing its financial statements, for foreign operations with functional currencies other than the U.S. dollar, asset and liability accounts are translated at current exchange rates, while income and expenses are translated using average exchange rates. With respect to the effects on

translated earnings, if the U.S. dollar strengthens relative to local currencies, the Company's earnings could be negatively impacted. Although the Company utilizes risk management tools, including hedging, as it deems appropriate, to mitigate a portion of potential market fluctuations in foreign currencies, there can be no assurance that such measures will result in all market fluctuation exposure being eliminated. The Company generally does not hedge the translation of its non-U.S. dollar earnings in foreign subsidiaries, but may choose to do so in certain instances.

The Company sources many products from China and other low-cost countries for resale in other regions. To the extent the RMB or other currencies appreciate, the Company may experience cost increases on such purchases. The Company may not be successful at implementing customer pricing or other actions in an effort to mitigate the related cost increases and thus its profitability may be adversely impacted.

The Company has incurred, and may incur in the future, significant indebtedness, and may in the future issue additional equity securities, in connection with mergers or acquisitions which may impact the manner in which it conducts business or the Company's access to external sources of liquidity. The potential issuance of such securities may limit the Company's ability to implement elements of its growth strategy and may have a dilutive effect on earnings.

As described in *Note H, Long-Term Debt and Financing Arrangements*, of the *Notes to Consolidated Financial Statements* in *Item 8*, the Company has a five-year \$2.0 billion committed credit facility and a 364-day \$1.0 billion committed credit facility. No amounts were outstanding against either of these facilities at December 28, 2019.

The instruments and agreements governing certain of the Company's current indebtedness contain requirements or restrictive covenants that include, among other things:

- a limitation on creating liens on certain property of the Company and its subsidiaries;
- a restriction on entering into certain sale-leaseback transactions;
- customary events of default. If an event of default occurs and is continuing, the Company might be required to repay all amounts outstanding under the respective instrument or agreement; and
- maintenance of a specified financial ratio. The Company has an interest coverage covenant that must be maintained to permit continued access to its committed revolving credit facilities. The interest coverage ratio tested for covenant compliance compares adjusted Earnings Before Interest, Taxes, Depreciation and Amortization to adjusted Interest Expense ("adjusted EBITDA"/"adjusted Interest Expense"); such adjustments to interest or EBITDA include, but are not limited to, removal of non-cash interest expense and stock-based compensation expense. The interest coverage ratio must not be less than 3.5 times and is computed quarterly, on a rolling twelve months (last twelve months) basis. Under this covenant definition, the interest coverage ratio was 7.8 times EBITDA or higher in each of the 2019 quarterly measurement periods. Management does not believe it is reasonably likely the Company will breach this covenant. Failure to maintain this ratio could adversely affect further access to liquidity.

Future instruments and agreements governing indebtedness may impose other restrictive conditions or covenants. Such covenants could restrict the Company in the manner in which it conducts business and operations as well as in the pursuit of its growth and repositioning strategies.

The Company is exposed to counterparty risk in its hedging arrangements.

From time to time, the Company enters into arrangements with financial institutions to hedge exposure to fluctuations in currency and interest rates, including forward contracts, options and swap agreements. The failure of one or more counterparties to the Company's hedging arrangements to fulfill their obligations could adversely affect the Company's results of operations.

Tight capital and credit markets or the failure to maintain credit ratings could adversely affect the Company by limiting the Company's ability to borrow or otherwise access liquidity.

The Company's long-term growth plans are dependent on, among other things, the availability of funding to support corporate initiatives and complete appropriate acquisitions and the ability to increase sales of existing product lines. While the Company has not encountered financing difficulties to date, the capital and credit markets have experienced extreme volatility and disruption in the past and may again in the future. Market conditions could make it more difficult for the Company to borrow or otherwise obtain the cash required for significant new corporate initiatives and acquisitions.

Furthermore, there could be a number of follow-on effects from a credit crisis on the Company's businesses, including insolvency of key suppliers resulting in product delays; inability of customers to obtain credit to finance purchases of the Company's products and services and/or customer insolvencies.

In addition, the major rating agencies regularly evaluate the Company for purposes of assigning credit ratings. The Company's ability to access the credit markets, and the cost of these borrowings, is affected by the strength of its credit ratings and current market conditions. Failure to maintain credit ratings that are acceptable to investors may adversely affect the cost and other terms upon which the Company is able to obtain financing, as well as its access to the capital markets.

Discontinuation, reform or replacement of the London Inter-bank Offered Rate ("LIBOR") and other benchmark rates, or uncertainty related to the potential for any of the foregoing, may adversely affect the Company.

The UK Financial Conduct Authority announced in 2017 that it intends to phase out LIBOR by the end of 2021. In addition, other regulators have suggested reforming or replacing other benchmark rates. These may be replaced by the Secured Overnight Financing Rate ("SOFR") or other benchmark rates over the next several years. The discontinuation, reform or replacement of LIBOR or any other benchmark rates may have an unpredictable impact on contractual mechanics in the credit markets or cause disruption to the broader financial markets. These changes, and related uncertainty as to the nature of such potential discontinuation, reform or replacement may create incremental uncertainty in obtaining financing or increase the cost of borrowing. At this time, the Company cannot predict the overall effect of the modification or discontinuation of LIBOR or the establishment of alternative benchmark rates.

The Company's acquisitions, as well as general business reorganizations, may result in significant costs and certain risks for its business and operations.

In 2019, the Company completed the IES Attachments acquisition as well as a number of other smaller acquisitions. In addition, the Company reached an agreement in January 2020 to acquire Consolidated Aerospace Manufacturing, LLC ("CAM") and may make additional acquisitions in the future.

Acquisitions involve a number of risks, including:

- the failure to identify the most suitable candidates for acquisitions;
- the ability to identify and close on appropriate acquisition opportunities within desired time frames at reasonable cost;
- the anticipated additional revenues from the acquired companies do not materialize, despite extensive due diligence;
- the possibility that the acquired companies will not be successfully integrated or that anticipated cost savings, synergies, or other benefits will not be realized;
- the acquired businesses will lose market acceptance or profitability;
- the diversion of Company management's attention and other resources;
- the incurrence of unexpected costs and liabilities, including those associated with undisclosed pre-closing regulatory violations by the acquired business; and
- the loss of key personnel, clients or customers of acquired companies.

In addition, the success of the Company's long-term growth and repositioning strategy will depend in part on successful general reorganization including its ability to:

- combine businesses and operations;
- integrate departments, systems and procedures; and
- obtain cost savings and other efficiencies from such reorganizations, including the Company's margin resiliency initiative.

Failure to effectively consummate or manage the pending CAM acquisition and any future acquisitions or general business reorganizations, and mitigate the related risks, may adversely affect the Company's existing businesses and harm its operational results due to large write-offs, significant restructuring costs, contingent liabilities, substantial depreciation, and/or adverse tax or other consequences. The Company cannot ensure that such integrations and reorganizations will be successfully completed or that all of the planned synergies and other benefits will be realized.

Expansion of the Company's activity in emerging markets may result in risks due to differences in business practices and cultures.

The Company's growth plans include efforts to increase revenue from emerging markets through both organic growth and acquisitions. Local business practices in these regions may not comply with U.S. laws, local laws or other laws applicable to the Company. When investigating potential acquisitions, the Company seeks to identify historical practices of target companies that would create liability or other exposures for the Company were they to continue post-completion or as a successor to the target. Where such practices are discovered, the Company assesses the risk to determine whether it is prepared to proceed with the transaction. In assessing the risk, the Company looks at, among other factors, the nature of the violation, the potential liability, including any fines or penalties that might be incurred, the ability to avoid, minimize or obtain indemnity for the risks, and the likelihood that the Company would be able to ensure that any such practices are discontinued following completion of the acquisition through implementation of its own policies and procedures. Due diligence and risk assessment are, however, imperfect processes, and it is possible that the Company will not discover problematic practices until after completion, or that the Company will underestimate the risks associated with historical activities. Should that occur, the Company may incur fees, fines, penalties, injury to its reputation or other damage that could negatively impact the Company's earnings.

Significant judgment and certain estimates are required in determining the Company's worldwide provision for income taxes. Future tax law changes and audit results may materially increase the Company's prospective income tax expense.

The Company is subject to income taxation in the U.S. as well as numerous foreign jurisdictions. Significant judgment is required in determining the Company's worldwide income tax provision and accordingly there are many transactions and computations for which the final income tax determination is uncertain. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments, and which may not accurately anticipate actual outcomes. The Company periodically assesses its liabilities and contingencies for all tax years still subject to audit based on the most currently available information, which involves inherent uncertainty. The Company is routinely audited by income tax authorities in many tax jurisdictions. Although management believes the recorded tax estimates are reasonable, the ultimate outcome of any audit (or related litigation) could differ materially from amounts reflected in the Company's income tax accruals. Additionally, the global income tax provision can be materially impacted due to foreign currency fluctuations against the U.S. dollar since a significant amount of the Company's earnings are generated outside the United States. Lastly, it is possible that future income tax legislation may be enacted that could have a material impact on the Company's worldwide income tax provision beginning with the period that such legislation becomes enacted.

The Company's failure to continue to successfully avoid, manage, defend, litigate and accrue for claims and litigation could negatively impact its results of operations or cash flows.

The Company is exposed to and becomes involved in various litigation matters arising out of the ordinary routine conduct of its business, including, from time to time, actual or threatened litigation relating to such items as commercial transactions, product liability, workers compensation, arrangements between the Company and its distributors, franchisees or vendors, intellectual property claims and regulatory actions.

In addition, the Company is subject to environmental laws in each jurisdiction in which business is conducted. Some of the Company's products incorporate substances that are regulated in some jurisdictions in which it conducts manufacturing operations. The Company could be subject to liability if it does not comply with these regulations. In addition, the Company is currently, and may in the future be held responsible for remedial investigations and clean-up costs resulting from the discharge of hazardous substances into the environment, including sites that have never been owned or operated by the Company but at which it has been identified as a potentially responsible party under federal and state environmental laws and regulations. Changes in environmental and other laws and regulations in both domestic and foreign jurisdictions could adversely affect the Company's operations due to increased costs of compliance and potential liability for non-compliance.

The Company manufactures products, configures and installs security systems and performs various services that create exposure to product and professional liability claims and litigation. If such products, systems and services are not properly manufactured, configured, installed, designed or delivered, personal injuries, property damage or business interruption could result, which could subject the Company to claims for damages. The costs associated with defending product liability claims and payment of damages could be substantial. The Company's reputation could also be adversely affected by such claims, whether or not successful.

There can be no assurance that the Company will be able to continue to successfully avoid, manage and defend such matters. In addition, given the inherent uncertainties in evaluating certain exposures, actual costs to be incurred in future periods may vary from the Company's estimates for such contingent liabilities.

The Company's products could be recalled.

The Company maintains an awareness of and responsibility for the potential health and safety impacts on its customers. The Company's product development processes include tollgates for product safety review, and extensive testing is conducted on product safety. Safety reviews are performed at various product development milestones, including a review of product labeling and marking to ensure safety and operational hazards are identified for the customer.

Despite safety and quality reviews, the Consumer Product Safety Commission or other applicable regulatory bodies may require, or the Company may voluntarily institute, the recall, repair or replacement of the Company's products if those products are found not to be in compliance with applicable standards or regulations. A recall could increase the Company's costs and adversely impact its reputation.

The Company is exposed to credit risk on its accounts receivable.

The Company's outstanding trade receivables are not generally covered by collateral or credit insurance. While the Company has procedures to monitor and limit exposure to credit risk on its trade and non-trade receivables, there can be no assurance such procedures will effectively limit its credit risk and avoid losses, which could have an adverse effect on the Company's financial condition and operating results.

If the Company were required to write-down all or part of its goodwill, indefinite-lived trade names, or other definite-lived intangible assets, its net income and net worth could be materially adversely affected.

As a result of the Black and Decker merger and other acquisitions, the Company has approximately \$9.2 billion of goodwill, approximately \$2.2 billion of indefinite-lived trade names and approximately \$1.4 billion of net definite-lived intangible assets at December 28, 2019. The Company is required to periodically, at least annually, determine if its goodwill or indefinite-lived trade names have become impaired, in which case it would write down the impaired portion of the asset. The definite-lived intangible assets, including customer relationships, are amortized over their estimated useful lives and are evaluated for impairment when appropriate. Impairment of intangible assets may be triggered by developments outside of the Company's control, such as worsening economic conditions, technological change, intensified competition or other factors resulting in deleterious consequences.

If the investments in employee benefit plans do not perform as expected, the Company may have to contribute additional amounts to these plans, which would otherwise be available to cover operating expenses or other business purposes.

The Company sponsors pension and other post-retirement defined benefit plans. The Company's defined benefit plan assets are currently invested in equity securities, government and corporate bonds and other fixed income securities, money market instruments and insurance contracts. The Company's funding policy is generally to contribute amounts determined annually on an actuarial basis to provide for current and future benefits in accordance with applicable law which require, among other things, that the Company make cash contributions to under-funded pension plans. During 2019, the Company made cash contributions to its defined benefit plans of approximately \$48 million and expects to contribute \$38 million to its defined benefit plans in 2020.

There can be no assurance that the value of the defined benefit plan assets, or the investment returns on those plan assets, will be sufficient in the future. It is therefore possible that the Company may be required to make higher cash contributions to the plans in future years which would reduce the cash available for other business purposes, and that the Company will have to recognize a significant pension liability adjustment which would decrease the net assets of the Company and result in higher expense in future years. The fair value of the defined benefit plan assets at December 28, 2019 was approximately \$2.2 billion.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 28, 2019, the Company and its subsidiaries owned or leased significant facilities used for manufacturing, distribution and sales offices in 21 states and 18 countries. The Company leases its corporate headquarters in New Britain, Connecticut. The Company has 92 facilities including its corporate headquarters that are larger than 100,000 square feet, as follows:

	Owned	Leased	Total
Tools & Storage	45	20	65
Industrial	15	6	21
Security	1	2	3
Corporate	2	1	3
Total	<u>63</u>	<u>29</u>	<u>92</u>

The combined size of these facilities is approximately 25 million square feet. The buildings are in good condition, suitable for their intended use, adequate to support the Company's operations, and generally fully utilized.

ITEM 3. LEGAL PROCEEDINGS

In the normal course of business, the Company is involved in various lawsuits and claims, including product liability, environmental and distributor claims, and administrative proceedings. The Company does not expect that the resolution of these matters will have a materially adverse effect on the Company's consolidated financial position, results of operations or liquidity.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company’s common stock is listed and traded on the New York Stock Exchange, Inc. (“NYSE”) under the abbreviated ticker symbol “SWK”, and is a component of the Standard & Poor’s (“S&P”) 500 Composite Stock Price Index. The Company’s high and low quarterly stock prices on the NYSE for the years ended December 28, 2019 and December 29, 2018 follow:

	2019			2018		
	High	Low	Dividend Per Common Share	High	Low	Dividend Per Common Share
QUARTER:						
First	\$ 138.92	\$ 115.69	\$ 0.66	\$ 175.91	\$ 150.84	\$ 0.63
Second	\$ 153.08	\$ 127.22	\$ 0.66	\$ 157.38	\$ 132.81	\$ 0.63
Third	\$ 152.51	\$ 128.85	\$ 0.69	\$ 154.36	\$ 131.84	\$ 0.66
Fourth	\$ 167.76	\$ 135.09	\$ 0.69	\$ 147.51	\$ 108.45	\$ 0.66
Total			\$ 2.70			\$ 2.58

As of February 6, 2020, there were 9,348 holders of record of the Company’s common stock. Information required by Item 201(d) of Regulation S-K concerning securities authorized for issuance under equity compensation plans can be found under Item 12 of this Annual Report on Form 10-K.

Issuer Purchases of Equity Securities

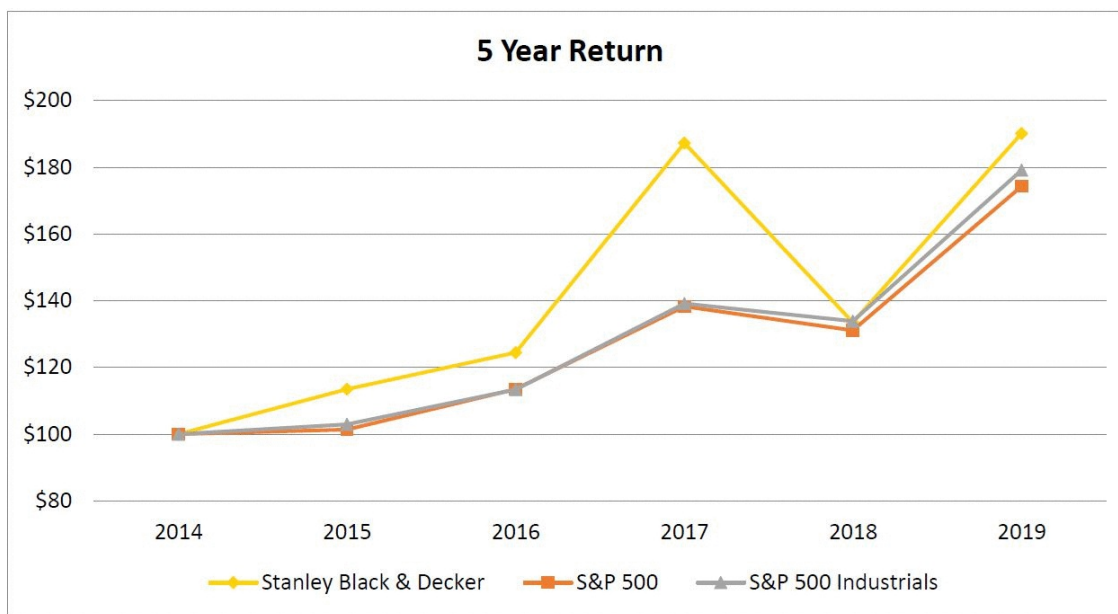
The following table provides information about the Company’s purchases of equity securities that are registered by the Company pursuant to Section 12 of the Securities Exchange Act of 1934 for the three months ended December 28, 2019:

2019	Total Number Of Shares Purchased (a)	Average Price Paid Per Share	Total Number Of Shares Purchased As Part Of A Publicly Announced Plan or Program	Maximum Number Of Shares That May Yet Be Purchased Under The Program (b)
September 29 - November 2	6,078	\$ 146.11	—	11,500,000
November 3 - November 30	—	\$ —	—	11,500,000
December 1 - December 28	93,854	\$ 155.57	—	11,500,000
Total	99,932	\$ 154.99	—	11,500,000

- (a) The shares of common stock in this column were deemed surrendered to the Company by participants in various benefit plans of the Company to satisfy the participants’ taxes related to vesting or delivery of time-vesting restricted share units under those plans.
- (b) On July 20, 2017, the Board of Directors approved a new repurchase program for up to 15.0 million shares of the Company’s common stock and terminated its previously approved repurchase program. As of December 28, 2019, the authorized shares available for repurchase under the new repurchase program totaled approximately 11.5 million shares. The currently authorized shares available for repurchase do not include approximately 3.6 million shares reserved and authorized for purchase under the Company’s previously approved repurchase program relating to a forward share purchase contract entered into in March 2015. Refer to *Note J, Capital Stock*, of the *Notes to Consolidated Financial Statements* in *Item 8* for further discussion.

Stock Performance Graph

The following line graph compares the yearly percentage change in the Company's cumulative total shareholder return for the last five years to that of the S&P 500 Index and the S&P 500 Industrials Index. The Company has decided to use the S&P 500 Industrials Index, which is utilized by a number of the Company's industrial peers, for the purpose of this disclosure.



THE POINTS IN THE ABOVE TABLE ARE AS FOLLOWS:

	2014	2015	2016	2017	2018	2019
Stanley Black & Decker	\$ 100.00	\$ 113.49	\$ 124.45	\$ 187.28	\$ 133.56	\$ 190.15
S&P 500	\$ 100.00	\$ 101.40	\$ 113.51	\$ 138.29	\$ 131.08	\$ 174.29
S&P 500 Industrials	\$ 100.00	\$ 102.95	\$ 113.41	\$ 139.18	\$ 133.88	\$ 179.13

The comparison assumes \$100 invested at the closing price on January 2, 2015 in the Company's common stock, S&P 500 Index, and S&P 500 Industrials Index. Total return assumes reinvestment of dividends.

ITEM 6. SELECTED FINANCIAL DATA

Acquisitions and divestitures completed by the Company during the five-year period presented below affect comparability of results. Refer to *Note E, Acquisitions and Investments*, and *Note T, Divestitures*, of the *Notes to Consolidated Financial Statements* in *Item 8* and prior year 10-K filings for further information.

<i>(Millions of Dollars, Except Per Share Amounts)</i>	2019 (a)	2018 (b)	2017 (c)	2016	2015 ¹
Net sales	\$ 14,442	\$ 13,982	\$ 12,967	\$ 11,594	\$ 11,172
Net earnings from continuing operations attributable to common shareowners	\$ 956	\$ 605	\$ 1,227	\$ 968	\$ 904
Net loss from discontinued operations(d)	\$ —	\$ —	\$ —	\$ —	\$ (20)
Net Earnings Attributable to Common Shareowners	\$ 956	\$ 605	\$ 1,227	\$ 968	\$ 884
Basic earnings (loss) per share:					
Continuing operations	\$ 6.44	\$ 4.06	\$ 8.20	\$ 6.63	\$ 6.10
Discontinued operations(d)	\$ —	\$ —	\$ —	\$ —	\$ (0.14)
Total basic earnings per share	\$ 6.44	\$ 4.06	\$ 8.20	\$ 6.63	\$ 5.96
Diluted earnings (loss) per share:					
Continuing operations	\$ 6.35	\$ 3.99	\$ 8.05	\$ 6.53	\$ 5.92
Discontinued operations(d)	\$ —	\$ —	\$ —	\$ —	\$ (0.13)
Total diluted earnings per share	\$ 6.35	\$ 3.99	\$ 8.05	\$ 6.53	\$ 5.79
Percent of net sales (Continuing operations):					
Cost of sales	66.7%	65.3%	63.1%	63.2%	63.6%
Selling, general and administrative(e)	21.1%	22.7%	23.1%	22.7%	22.3%
Other, net	1.7%	2.1%	2.1%	1.6%	2.0%
Restructuring charges	1.1%	1.1%	0.4%	0.4%	0.4%
Interest, net	1.6%	1.5%	1.4%	1.5%	1.5%
Earnings before income taxes and equity interest	7.8%	7.3%	11.8%	10.6%	10.3%
Net earnings from continuing operations attributable to common shareowners	6.6%	4.3%	9.5%	8.3%	8.1%
Balance sheet data:					
Total assets(f)	\$ 20,597	\$ 19,408	\$ 19,098	\$ 15,655	\$ 15,128
Long-term debt, including current maturities	\$ 3,180	\$ 3,822	\$ 3,806	\$ 3,806	\$ 3,797
Stanley Black & Decker, Inc.'s shareowners' equity	\$ 9,136	\$ 7,836	\$ 8,302	\$ 6,374	\$ 5,816
Ratios:					
Total debt to total capital	27.8%	34.9%	31.5%	37.4%	39.5%
Income tax rate - continuing operations	14.2%	40.7%	19.7%	21.3%	21.6%
Common stock data:					
Dividends per share	\$ 2.70	\$ 2.58	\$ 2.42	\$ 2.26	\$ 2.14
Equity per basic share at year-end	\$ 60.97	\$ 53.07	\$ 55.20	\$ 42.80	\$ 39.11
Market price per share — high	\$ 167.76	\$ 175.91	\$ 170.03	\$ 125.78	\$ 110.17
Market price per share — low	\$ 115.69	\$ 108.45	\$ 115.75	\$ 90.14	\$ 90.51
Weighted-average shares outstanding (in 000's):					
Basic	148,365	148,919	149,629	146,041	148,234
Diluted	150,558	151,643	152,449	148,207	152,706
Other information:					
Average number of employees	61,755	60,785	57,076	53,231	51,815
Shareowners of record at end of year	9,360	9,727	10,014	10,313	10,603

¹ In the first quarter of 2018, the Company adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("new revenue standard") and ASU 2017-07, *Compensation - Retirement Benefits (Topic 715)* ("new pension standard"). As a result of the adoption of the new revenue standard, 2015 Stanley Black & Decker, Inc.'s shareowners' equity includes a \$4.3 million cumulative effect adjustment for periods prior to fiscal year 2016. All other 2015 amounts were not recast as a result of the adoption of the new revenue standard or new pension standard.

- (a) The Company's 2019 results include \$363 million of pre-tax charges related to restructuring, deal and integration costs, loss on extinguishment of debt, Security business transformation and margin resiliency initiatives, and a gain on a sale of a business. As a result, as a percentage of Net sales, Cost of sales was 27 basis points higher, Selling, general,

& administrative was 97 basis points higher, Other, net was 21 basis points higher, Restructuring charges was 106 basis points higher, and Earnings before income taxes and equity interest was 251 basis points lower. In addition, the Company's share of MTD's net earnings included an after-tax charge of approximately \$24 million. Overall, the amounts described above resulted in a decrease to the Company's 2019 Net earnings attributable to common shareowners of \$309 million (or \$2.05 per diluted share).

- (b) The Company's 2018 results include \$450 million of pre-tax charges related to acquisitions, an environmental remediation settlement, a non-cash fair value adjustment, a cost reduction program, an incremental freight charge related to a service provider's bankruptcy, and a loss related to a previously divested business. As a result, as a percentage of Net sales, Cost of sales was 47 basis points higher, Selling, general, & administrative was 113 basis points higher, Other, net was 77 basis points higher, Restructuring charges was 84 basis points higher, and Earnings before income taxes was 322 basis points lower. The Company also recorded a net tax charge of \$181 million, which is comprised of charges related to the Tax Cuts and Jobs Act ("the Act"), partially offset by the tax benefit of the above pre-tax charges. Overall, the amounts described above resulted in a decrease to the Company's 2018 Net earnings attributable to common shareowners of \$631 million (or \$4.16 per diluted share).
- (c) The Company's 2017 results include \$156 million of pre-tax acquisition-related charges and a \$264 million pre-tax gain on sales of businesses, primarily related to the divestiture of the mechanical security businesses. As a result, as a percentage of Net sales, Cost of sales was 36 basis points higher, Selling, general, & administrative was 29 basis points higher, Other, net was 45 basis points higher, Restructuring charges was 11 basis points higher, and Earnings before income taxes was 83 basis points higher. The net tax benefit of the acquisition-related charges and gain on sales of businesses was \$7 million. Income taxes for 2017 also includes a one-time net tax charge of \$24 million related to the Act. Overall, the acquisition-related charges, gain on sales of businesses, and one-time net tax charge related to the Act resulted in a net increase to the Company's 2017 Net earnings attributable to common shareowners of \$91 million (or \$0.59 per diluted share).
- (d) Discontinued operations in 2015 reflects a \$20 million loss, or \$0.13 per diluted share, primarily related to operating losses associated with the Security segment's Spain and Italy operations, which were sold in July 2015.
- (e) SG&A is inclusive of the Provision for doubtful accounts.
- (f) In the first quarter of 2019, the Company adopted ASU 2016-02, *Leases (Topic 842)* ("new lease standard") utilizing the transition method, which allowed the new lease standard to be applied as of the adoption date with no adjustment for periods prior to fiscal year 2019. As a result, total assets as of December 28, 2019 reflect a lease right-of-use asset of approximately \$535 million.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The financial and business analysis below provides information which the Company believes is relevant to an assessment and understanding of its consolidated financial position, results of operations and cash flows. This financial and business analysis should be read in conjunction with the Consolidated Financial Statements and related notes. All references to "Notes" in this *Item 7* refer to the *Notes to Consolidated Financial Statements* included in *Item 8* of this Annual Report.

The following discussion and certain other sections of this Annual Report on Form 10-K contain statements reflecting the Company's views about its future performance that constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which the Company operates as well as management's beliefs and assumptions. Any statements contained herein (including without limitation statements to the effect that Stanley Black & Decker, Inc. or its management "believes," "expects," "anticipates," "plans" and similar expressions) that are not statements of historical fact should be considered forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. There are a number of important factors that could cause actual results to differ materially from those indicated by such forward-looking statements. These factors include, without limitation, those set forth, or incorporated by reference, below under the heading "Cautionary Statements Under The Private Securities Litigation Reform Act Of 1995." The Company does not intend to update publicly any forward-looking statements whether as a result of new information, future events or otherwise.

Strategic Objectives

The Company continues to pursue a growth and acquisition strategy, which involves industry, geographic and customer diversification to foster sustainable revenue, earnings and cash flow growth, and employ the following strategic framework in pursuit of its vision to deliver top-quartile financial performance, become known as one of the world's leading innovators and elevate its commitment to social responsibility:

- Continue organic growth momentum by leveraging the SBD Operating Model to drive innovation and commercial excellence, while diversifying toward higher-growth, higher-margin businesses;
- Be selective and operate in markets where brand is meaningful, the value proposition is definable and sustainable through innovation, and global cost leadership is achievable; and
- Pursue acquisitive growth on multiple fronts by building upon its existing global tools platform, expanding the Industrial platform in Engineered Fastening and Infrastructure, consolidating the commercial electronic security industry, and pursuing adjacencies with sound industrial logic.

Execution of the above strategy has resulted in approximately \$10.1 billion of acquisitions since 2002 (excluding the Black & Decker merger and pending acquisition of Consolidated Aerospace Manufacturing, LLC, as discussed below), a 20 percent investment in MTD Holdings Inc. ("MTD"), several divestitures, improved efficiency in the supply chain and manufacturing operations, and enhanced investments in organic growth, enabled by cash flow generation and increased debt capacity. In addition, the Company's continued focus on diversification and organic growth has resulted in improved financial results and an increase in its global presence. The Company also remains focused on leveraging its SBD Operating Model to deliver success in the 2020s and beyond. The latest evolution of the SBD Operating Model, formerly Stanley Fulfillment System ("SFS") 2.0, builds on the strength of the Company's past while embracing changes in the external environment to ensure the Company has the right skillsets, incorporates technology advances in all areas, maintains operational excellence, drives efficiency in business processes and resiliency into its culture, delivers extreme innovation and ensures the customer experience is world class. As it has in the past, the new operating model will underpin the Company's ability to deliver above-market organic growth with margin expansion, maintain efficient levels of selling, general and administrative expenses ("SG&A") and deliver top-quartile asset efficiency.

The Company's long-term financial objectives remain as follows:

- 4-6% organic revenue growth;
- 10-12% total revenue growth;
- 10-12% total EPS growth (7-9% organically) excluding acquisition-related charges;
- Free cash flow equal to, or exceeding, net income;
- Sustain 10+ working capital turns; and
- Cash Flow Return On Investment ("CFROI") between 12-15%.

In terms of capital allocation, the Company remains committed, over time, to returning approximately 50% of free cash flow to shareholders through a strong and growing dividend as well as opportunistically repurchasing shares. The remaining free cash flow (approximately 50%) will be deployed towards acquisitions.

Share Repurchases

In April 2018, the Company repurchased 1,399,732 shares of common stock for approximately \$200 million. In July 2018, the Company repurchased 2,086,792 shares of common stock for approximately \$300 million.

Acquisitions and Investments

On March 8, 2019, the Company acquired the International Equipment Solutions Attachments businesses, Paladin and Pengo, ("IES Attachments"), a manufacturer of high quality, performance-driven heavy equipment attachment tools for off-highway applications. The acquisition further diversifies the Company's presence in the industrial markets, expands its portfolio of attachment solutions and provides a meaningful platform for continued growth.

On January 2, 2019, the Company acquired a 20 percent interest in MTD, a privately held global manufacturer of outdoor power equipment. MTD manufactures and distributes gas-powered lawn tractors, zero turn mowers, walk behind mowers, snow throwers, trimmers, chain saws, utility vehicles and other outdoor power equipment. Under the terms of the agreement, the Company has the option to acquire the remaining 80 percent of MTD beginning on July 1, 2021 and ending on January 2, 2029. In the event the option is exercised, the companies have agreed to a valuation multiple based on MTD's 2018 Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), with an equitable sharing arrangement for future EBITDA growth. The investment in MTD increases the Company's presence in the \$20 billion outdoor power equipment market and allows the two companies to work together to pursue revenue and cost opportunities, improve operational efficiency, and introduce new and innovative products for professional and residential outdoor equipment customers, utilizing each company's respective portfolios of strong brands.

On April 2, 2018, the Company acquired Nelson Fastener Systems ("Nelson"), which excluded Nelson's automotive stud welding business. This acquisition, which has been integrated into the Engineered Fastening business, is complementary to the Company's product offerings, enhances its presence in the general industrial end markets, expands its portfolio of highly-engineered fastening solutions, and is delivering cost synergies.

On March 9, 2017, the Company acquired the Tools business of Newell Brands ("Newell Tools") which included the highly attractive industrial cutting, hand tool and power tool accessory brands IRWIN® and LENOX®. The acquisition enhanced the Company's position within the global tools & storage industry and broadened the Company's product offerings and solutions to customers and end users, particularly within power tool accessories.

On March 8, 2017, the Company purchased the Craftsman® brand from Sears Holdings Corporation ("Sears Holdings"). The acquisition provided the Company with the rights to develop, manufacture and sell Craftsman®-branded products in non-Sears Holdings channels. The acquisition significantly increased the availability of Craftsman®-branded products to consumers in previously underpenetrated channels, enhanced innovation, and added manufacturing jobs in the U.S. to support growth.

Pending Acquisition

On January 3, 2020, the Company entered into an agreement to purchase Consolidated Aerospace Manufacturing, LLC ("CAM"). CAM is an industry-leading manufacturer of specialty fasteners and components for the aerospace and defense markets. The Company expects the acquisition to further diversify the Company's presence in the industrial markets and expand its portfolio of specialty fasteners in the high-growth, high-margin aerospace and defense market. The acquisition will provide well-recognized brands, a proven business model, deep customer relationships, an experienced management team and compelling cash flow characteristics, which will create an attractive pathway for profitable organic and acquisitive growth and shareholder returns. This transaction is subject to customary closing conditions, including regulatory approval, and is expected to close in late February 2020.

Refer to *Note E, Acquisitions and Investments*, for further discussion.

Divestitures

On May 30, 2019, the Company sold its Sargent and Greenleaf mechanical locks business within the Security segment. The divestiture allows the Company to invest in other areas of the Company that fit into its long-term growth strategy.

On February 22, 2017, the Company sold the majority of its mechanical security businesses, which included the commercial hardware brands of Best Access, phi Precision and GMT. The sale allowed the Company to deploy capital in a more accretive and growth-oriented manner.

Refer to *Note T, Divestitures*, for further discussion of the Company's divestitures.

Certain Items Impacting Earnings

Throughout MD&A, the Company has provided a discussion of the outlook and results both inclusive and exclusive of acquisition-related and other charges. The results and measures, including gross profit and segment profit, on a basis excluding these amounts are considered relevant to aid analysis and understanding of the Company's results aside from the material impact of these items. These amounts are as follows:

2019

The Company reported \$363 million in pre-tax charges during 2019, which were comprised of the following:

- \$40 million reducing Gross Profit pertaining to facility-related and inventory step-up charges;
- \$139 million in SG&A primarily for integration-related costs, Security business transformation and margin resiliency initiatives;
- \$30 million in Other, net primarily related to deal transaction costs;
- \$17 million gain related to the sale of the Sargent & Greenleaf business;
- \$153 million in Restructuring charges pertaining to severance and facility closures associated with a cost reduction program; and
- \$18 million related to a non-cash loss on the extinguishment of debt.

The tax effect on the above net charges was approximately \$78 million. In addition, the Company's share of MTD's net earnings included an after-tax charge of approximately \$24 million primarily related to an inventory step-up adjustment. The amounts above resulted in net after-tax charges of \$309 million, or \$2.05 per diluted share.

2018

The Company reported \$450 million in pre-tax charges during 2018, which were comprised of the following:

- \$66 million reducing Gross Profit primarily pertaining to inventory step-up charges for the Nelson acquisition and an incremental freight charge due to nonperformance by a third-party service provider;
- \$158 million in SG&A primarily for integration-related costs, consulting fees, and a non-cash fair value adjustment;
- \$108 million in Other, net primarily related to deal transaction costs and a settlement with the Environmental Protection Agency ("EPA");
- \$1 million related to a previously divested business; and
- \$117 million in Restructuring charges which primarily related to a cost reduction program.

The Company also recorded a net tax charge of \$181 million, which was comprised of charges related to the Tax Cuts and Jobs Act ("the Act") partially offset by the tax benefit of the above pre-tax charges. The above amounts resulted in net after-tax charges of \$631 million, or \$4.16 per diluted share.

2017

The Company reported \$156 million in pre-tax charges during 2017, which were comprised of the following:

- \$47 million reducing Gross Profit primarily pertaining to inventory step-up charges for the Newell Tools acquisition;
- \$38 million in SG&A primarily for integration-related costs and consulting fees;
- \$58 million in Other, net primarily for deal transaction and consulting costs; and
- \$13 million in Restructuring charges pertaining to facility closures and employee severance.

The Company also reported a \$264 million pre-tax gain on sales of businesses in 2017, primarily relating to the sale of the majority of the mechanical security businesses. The net tax benefit of the acquisition-related charges and gain on sales of businesses was \$7 million. Furthermore, the Company recorded a \$24 million net tax charge relating to the Act.

The acquisition-related charges, gain on sales of businesses, and net tax charge relating to the Act resulted in a net after-tax gain of \$91 million, or \$0.59 per diluted share.

Driving Further Profitable Growth by Fully Leveraging Our Core Franchises

Each of the Company's franchises share common attributes: they have world-class brands and attractive growth characteristics, they are scalable and defensible, they can differentiate through innovation, and they are powered by the SBD Operating Model.

- The Tools & Storage business is the tool company to own, with strong brands, proven innovation, global scale, and a broad offering of power tools, hand tools, accessories, and storage & digital products across many channels in both developed and developing markets.
- The Engineered Fastening business is a highly profitable, GDP+ growth business offering highly engineered, value-added innovative solutions with recurring revenue attributes and global scale.
- The Security business, with its attractive recurring revenue, presents a significant margin accretion opportunity over the longer term and has historically provided a stable revenue stream through economic cycles, is a gateway into the digital world and an avenue to capitalize on rapid digital changes. Security has embarked on a business transformation which will apply technology to lower its cost to serve and create new commercial offerings for its small to medium enterprise and large key account customers.

While diversifying the business portfolio through strategic acquisitions remains important, management recognizes that the core franchises described above are important foundations that continue to provide strong cash flow and growth prospects. Management is committed to growing these businesses through innovative product development, brand support, continued investment in emerging markets and a sharp focus on global cost competitiveness.

Continuing to Invest in the Stanley Black & Decker Brands

The Company has a strong portfolio of brands associated with high-quality products including STANLEY®, BLACK+DECKER®, DEWALT®, FLEXVOLT®, IRWIN®, LENOX®, CRAFTSMAN®, PORTER-CABLE®, BOSTITCH®, PROTO®, MAC TOOLS®, FACOM®, AeroScout®, Powers®, LISTA®, SIDCHROME®, Vidmar®, SONITROL®, and GQ®. Among the Company's most valuable assets, the STANLEY®, BLACK+DECKER® and DEWALT® brands are recognized as three of the world's great brands, while the CRAFTSMAN® brand is recognized as a premier American brand.

During 2019, the STANLEY®, DEWALT® and CRAFTSMAN® brands had prominent signage in Major League Baseball ("MLB") stadiums appearing in many MLB games. The Company has also maintained long-standing NASCAR and NHRA racing sponsorships, which provided brand exposure during nearly 60 events in 2019 with the STANLEY®, DEWALT®, CRAFTSMAN®, IRWIN® and MAC TOOLS® brands. The Company also advertises in the English Premier League, which is the number one soccer league in the world, featuring STANLEY®, BLACK+DECKER® and DEWALT® brands to a global audience. In 2014, the Company became a sponsor for one of the world's most popular football clubs, FC Barcelona ("FCB"), including player image rights, hospitality assets and stadium signage. In 2018, the Company was announced as the first ever shirt sponsor for the FCB Women's team in support of its commitment to global diversity and inclusion. In addition, the Company continues to sponsor the Envision Virgin Racing Formula E team in support of the Company's commitment to sustainability and the future of electric mobility.

The above marketing initiatives highlight the Company's strong emphasis on brand building and commercial support, which has resulted in more than 300 billion global brand impressions annually via digital and traditional advertising and strong brand awareness. The Company will continue allocating its brand and advertising spend wisely to capture the emerging digital landscape, whilst continuing to evolve proven marketing programs to deliver famous global brands that are deeply committed to societal improvement, along with transformative technologies to build relevant and meaningful 1:1 customer, consumer, employee and shareholder relationships in support of the Company's long-term vision.

The SBD Operating Model: Winning in the 2020s

Over the past 15 years, the Company has successfully leveraged its proven and continually evolving operating model to focus the organization to sustain top-quartile performance, resulting in asset efficiency, above-market organic growth and expanding operating margins. In its first evolution, the Stanley Fulfillment System ("SFS") focused on streamlining operations, which helped reduce lead times, realize synergies during acquisition integrations, and mitigate material and energy price inflation. In 2015, the Company launched a refreshed and revitalized SFS operating system, entitled SFS 2.0, to drive from a more programmatic growth mentality to a true organic growth culture by more deeply embedding breakthrough innovation and commercial excellence into its businesses, and at the same time, becoming a significantly more digitally-enabled enterprise. Now in 2020, recognizing the changing dynamics of the world in which the Company operates, including the acceleration of technological change, geopolitical instability and the changing nature of work, the Company has launched the new SBD Operating Model: Winning in the 2020s.

At the center of the model is the concept of the interrelationship between people and technology. The remaining four categories are: Performance Resiliency; Extreme Innovation; Operations Excellence and Extraordinary Customer Experience. Each of these elements co-exists synergistically with the others in a systems-based approach.

People and Technology

This pillar emphasizes the Company's belief that the right combination of digitally proficient people applying technology such as artificial intelligence, machine learning, advanced analytics, IOT and others in focused ways can be an enormous source of value creation and sustainability for the Company. It also brings to light the changing nature of work and the talent and skillsets required for individuals and institutions to thrive in the future. With technology infiltrating the workplace at an increasingly rapid pace, the Company believes that the winners in the 2020s will invest heavily in reskilling, upskilling and lifelong learning with an emphasis on the places where people and technology intersect. In other words, technology can make humans more powerful and productive if, and only if, humans know how to apply the technology to maximum advantage. The Company has created plans and programs, as well as a new leadership model to ensure people have the right skills, tools and mindsets to thrive in this era. The ability for employees to embrace technology, learn and relearn new skills and take advantage of the opportunities presented in this new world will be critical to the Company's success.

Performance Resiliency

The Company views performance resiliency as the agility, flexibility and adaptability to sustain strong performance regardless of the operating environment conditions, which requires planning for the unexpected and anticipating exogenous volatility as the new normal. Technology, applied to key business processes, products and business models, will be a key enabler for value creation and performance resiliency as the Company executes sustainable, ongoing transformation across the enterprise.

Extreme Innovation

The Company has a historically strong foundation in innovation, launching more than 1,000 products a year, including breakthroughs such as D'WALT Flexvolt, Atomic and Xtreme. In recent years, the Company has expanded its innovation-focused internal teams and external partnerships, but now it is growing that innovation ecosystem at a rapid pace, expanding the number of external collaborations with start-ups and entrepreneurs, academic institutions, research labs and others. This innovation culture, which includes a focus on social impact in addition to the Company's traditional product and customer focus, enables the Company to introduce products to market faster and reimagine how to operate in today's technology-enabled, fast-paced world.

Operations Excellence

An intense focus on operations excellence and asset efficiency is mandatory in a dynamic world in which the bar for competitiveness is always moving higher. To help maintain the Company's edge, a much more agile, adaptable and technology-enabled supply chain is necessary. Industry 4.0 is essential to this transformation. For several years, the Company has been moving to a "Make Where We Sell" and "Buy Where We Make" system, where more products are being manufactured in local markets. Today, about 50% of the products sold in North America are made in North America and the target is to continue to push that higher. This will improve customer responsiveness, lower lead times, reduce costs and mitigate geopolitical and currency risk while facilitating major improvements in carbon footprint.

Extraordinary Customer Experience

Customers are increasingly demanding world-class experiences from their brands and expectations for execution at the customer level are growing every day. It is no longer sufficient to have great products on the shelf or in the catalog. The Company knows that to sustain market share growth, it needs to evolve and adapt to provide the types of experiences that customers now expect. While commercial excellence has always been an important part of SFS 2.0 and will continue to be part of the Company's new model, the Company's new thrust in this area takes it to another level. Each of the Company's businesses

is making a baseline assessment and segmentation of its various customer experiences while systematically gaining insights into what can be done to elevate those customer experiences to the extraordinary level. As previously noted, the interaction between people and technology will define success in this area.

Leveraging the SBD Operating Model, the Company is building a culture in which it strives to become known as one of the world's great innovative companies by embracing the current environment of rapid innovation and digital transformation. The Company continues to build a vast innovation focused ecosystem to pursue faster innovation and to remain aware of and open to new technologies and advances by leveraging both internal initiatives and external partnerships. The innovation ecosystem used in concert with the SBD Operating Model is anticipated to allow the Company to apply innovation to its core processes in manufacturing and back office functions to reduce operating costs and inefficiencies, develop core and breakthrough product innovations within each of its businesses, and pursue disruptive business models to either push into new markets or change existing business models before competition or new market entrants capture the opportunity. The Company continues to make progress towards this vision, as evidenced by the creation of Innovation Everywhere, a program that encourages and empowers all employees to implement value creation and cost savings using collaborative and innovative solutions, breakthrough innovation teams in each business, the Stanley Ventures group, which invests capital in new and emerging start-ups in core focus areas, the Techstars partnership, which selects start-ups from around the world with the goal of bringing breakthrough technologies to market, the Manufactory 4.0, which is the Company's epicenter for Industry 4.0 technology development and partnership, and STANLEY X, a Silicon Valley based team, which is building its own set of disruptive initiatives and exploring new business models.

The Company has made a significant commitment to the SBD Operating Model and management believes that its success will be characterized by continued asset efficiency, organic growth in the 4-6% range as well as expanded operating margin rates over the next 3 to 5 years as the Company leverages the growth and reduces structural SG&A levels.

The Company believes that the SBD Operating Model will serve as a powerful value driver in the years ahead, ensuring the Company is positioned to win in the 2020s by developing and obtaining the right people and technology to deliver performance resiliency, extreme innovation, operations excellence and an extraordinary customer experience. The new operating model, in concert with the Company's innovation ecosystem, will enable the Company to change as rapidly as the external environment which directly supports achievement of the Company's long-term financial objectives, including its vision, and further enables its shareholder-friendly capital allocation approach, which has served the Company well in the past and will continue to do so in the future.

Outlook for 2020

This outlook discussion is intended to provide broad insight into the Company's near-term earnings and cash flow generation prospects. The Company expects 2020 diluted earnings per share to approximate \$8.05 to \$8.35 (\$8.80 to \$9.00 excluding acquisition-related and other charges), and free cash flow conversion, defined as free cash flow divided by net income, to approximate 90% to 100%, reflecting the impact of restructuring payments associated with the 2019 cost reduction program. The 2020 outlook for adjusted diluted earnings per share assumes approximately \$0.95 of accretion due to the benefit from the cost reduction program; approximately \$0.40 to \$0.50 of accretion related to organic growth; approximately \$0.60 to \$0.70 of dilution from incremental tariffs and currency headwinds; and approximately \$0.25 of dilution due to the expected tax rate, financing costs and other items below operating margin.

The difference between the 2020 diluted earnings per share outlook and the diluted earnings per share range, excluding charges, is \$0.65 to \$0.75, consisting of acquisition-related and other charges. These forecasted charges primarily relate to restructuring, deal and integration costs, as well as Security business transformation and key margin resiliency initiatives.

RESULTS OF OPERATIONS

Below is a summary of the Company's operating results at the consolidated level, followed by an overview of business segment performance.

Terminology: The term "organic" is utilized to describe results aside from the impacts of foreign currency fluctuations, acquisitions during their initial 12 months of ownership, and divestitures. This ensures appropriate comparability to operating results of prior periods.

Net Sales: Net sales were \$14.442 billion in 2019 compared to \$13.982 billion in 2018, representing an increase of 3% driven by organic growth of 3%, including a 2% increase in volume and 1% increase in price. Acquisitions, primarily IES Attachments, increased sales by 2%, while the impact of foreign currency decreased sales by 2%. Tools & Storage net sales increased 3% compared to 2018 due to increases in volume and price of 4% and 1%, respectively, partially offset by a 2% decrease from foreign currency. Industrial net sales increased 11% compared to 2018 primarily due to acquisition growth of 16%, partially offset by decreases of 3% from lower volumes and 2% from foreign currency. Security net sales declined 2% compared to 2018 as 1% increases in both price and small bolt-on commercial electronic security acquisitions were more than offset by a 3% decrease due to foreign currency and a 1% decrease from the sale of the Sargent & Greenleaf business.

Net sales were \$13.982 billion in 2018 compared to \$12.967 billion in 2017, representing an increase of 8% with strong organic growth of 5%. Acquisitions, primarily Newell Tools and Nelson, increased sales by 3%. Tools & Storage net sales increased 9% compared to 2017 due to strong organic growth of 7%, fueled by solid growth across all regions, and acquisition growth of 2%. Industrial net sales increased 11% compared to 2017 primarily due to acquisition growth of 9% and favorable currency of 2%. Security net sales increased 2% compared to 2017 due to increases of 1% in price, 3% in small bolt-on commercial electronic security acquisitions and 1% in foreign currency, partially offset by declines of 1% from the sale of the majority of the mechanical security businesses and 2% from lower volumes.

Gross Profit: The Company reported gross profit of \$4.806 billion, or 33.3% of net sales, in 2019 compared to \$4.851 billion, or 34.7% of net sales, in 2018. Acquisition-related and other charges, which reduced gross profit, were \$39.7 million in 2019 and \$65.7 million in 2018. Excluding these charges, gross profit was 33.5% of net sales in 2019 compared to 35.2% in 2018, as volume, productivity and price were more than offset by tariffs, commodity inflation and foreign exchange.

The Company reported gross profit of \$4.851 billion, or 34.7% of net sales, in 2018 compared to \$4.778 billion, or 36.9% of net sales, in 2017. Acquisition-related and other charges, which reduced gross profit, were \$65.7 million in 2018 and \$46.8 million in 2017. Excluding these charges, gross profit was 35.2% of net sales in 2018, compared to 37.2% in 2017, as volume leverage, productivity and price were more than offset by external headwinds, including commodity inflation, foreign exchange and tariffs.

SG&A Expense: Selling, general and administrative expenses, inclusive of the provision for doubtful accounts ("SG&A"), were \$3.041 billion, or 21.1% of net sales, in 2019 compared to \$3.172 billion, or 22.7% of net sales, in 2018. Within SG&A, acquisition-related and other charges totaled \$139.5 million in 2019 and \$157.8 million in 2018. Excluding these charges, SG&A was 20.1% of net sales in 2019 compared to 21.6% in 2018, primarily reflecting disciplined cost management and actions taken in response to external headwinds.

SG&A expenses were \$3.172 billion, or 22.7% of net sales, in 2018 compared to \$2.999 billion, or 23.1% of net sales, in 2017. Acquisition-related and other charges totaled \$157.8 million in 2018 and \$37.7 million in 2017. Excluding these charges, SG&A was 21.6% of net sales in 2018 compared to 22.8% in 2017, due primarily to prudent cost management and volume leverage.

Distribution center costs (i.e. warehousing and fulfillment facility and associated labor costs) are classified within SG&A. This classification may differ from other companies who may report such expenses within cost of sales. Due to diversity in practice, to the extent the classification of these distribution costs differs from other companies, the Company's gross margins may not be comparable. Such distribution costs classified in SG&A amounted to \$326.7 million in 2019, \$316.0 million in 2018 and \$279.8 million in 2017.

Corporate Overhead: The corporate overhead element of SG&A, which is not allocated to the business segments, amounted to \$229.5 million, or 1.6% of net sales, in 2019, \$202.8 million, or 1.5% of net sales, in 2018 and \$217.4 million, or 1.7% of net sales, in 2017. Excluding acquisition-related charges of \$23.4 million in 2019, \$12.7 million in 2018, and \$0.7 million in 2017, the corporate overhead element of SG&A was 1.4% of net sales in 2019 and 2018, compared to 1.7% in 2017, reflecting continued cost management.

Other, net: Other, net totaled \$249.1 million in 2019 compared to \$287.0 million in 2018 and \$269.2 million in 2017. Excluding acquisition-related and other charges, Other, net totaled \$218.9 million, \$178.9 million, and \$211.0 million in 2019, 2018, and 2017, respectively. The year-over-year increase in 2019 was driven by higher intangible amortization and a favorable resolution of a prior claim in 2018. The year-over-year decrease in 2018 was driven by an environmental remediation charge of \$17 million in 2017 relating to a legacy Black & Decker site and a favorable resolution of a prior claim in 2018, which more than offset higher intangible amortization expense in 2018.

(Gain) Loss on Sales of Businesses: During 2019, the Company reported a \$17.0 million gain relating to the sale of the Sargent and Greenleaf business. During 2018, the Company reported a \$0.8 million loss relating to a previously divested business. During 2017, the Company reported a \$264.1 million gain primarily relating to the sale of the majority of the Company's mechanical security businesses.

Pension Settlement: Pension settlement of \$12.2 million in 2017 reflects losses previously reported in Accumulated other comprehensive loss related to a non-U.S. pension plan for which the Company settled its obligation by purchasing an annuity and making lump sum payments to participants.

Loss on Debt Extinguishment: During the fourth quarter of 2019, the Company extinguished \$750 million of its notes payable and recognized a \$17.9 million pre-tax loss related to the write-off of deferred financing fees.

Interest, net: Net interest expense in 2019 was \$230.4 million compared to \$209.2 million in 2018 and \$182.5 million in 2017. The increase in 2019 compared to 2018 was primarily driven by interest on the senior unsecured notes issued in November 2018 and lower interest income on deposits due to a decline in rates. The increase in net interest expense in 2018 versus 2017 was primarily due to higher interest rates and higher average balances relating to the Company's U.S. commercial paper borrowings partially offset by higher interest income.

Income Taxes: The Company's effective tax rate was 14.2% in 2019, 40.7% in 2018, and 19.7% in 2017. Excluding the impact of divestitures and acquisition-related and other charges previously discussed, the effective tax rate in 2019 is 16.0%. This effective tax rate differs from the U.S. statutory tax rate primarily due to a portion of the Company's earnings being realized in lower-taxed foreign jurisdictions, and the favorable effective settlements of income tax audits.

The 2018 effective tax rate included net charges associated with the Act, which primarily related to the re-measurement of existing deferred tax balances, adjustments to the one-time transition tax, and the provision of deferred taxes on unremitted foreign earnings and profits for which the Company no longer asserted indefinite reinvestment. Excluding the impacts of the net charge related to the Act as well as the acquisition-related and other charges previously discussed, the effective tax rate in 2018 was 16.0%. This effective tax rate differed from the U.S. statutory tax rate primarily due to a portion of the Company's earnings being realized in lower-taxed foreign jurisdictions and the favorable effective settlements of income tax audits.

The 2017 effective tax rate included a one-time net charge relating to the provisional amounts recorded associated with the Act, which was enacted in December 2017. The net charge primarily related to the re-measurement of existing deferred tax balances and the one-time transition tax. Excluding the impact of the divestitures, acquisition-related charges, and the net charge related to the Act, the effective tax rate was 20.0% in 2017. This effective tax rate differed from the U.S. statutory rate primarily due to a portion of the Company's earnings being realized in lower-taxed foreign jurisdictions, the favorable settlement of certain income tax audits, and the acceleration of certain tax credits resulting in a tax benefit.

Business Segment Results

The Company's reportable segments are aggregations of businesses that have similar products, services and end markets, among other factors. The Company utilizes segment profit which is defined as net sales minus cost of sales and SG&A inclusive of the provision for doubtful accounts (aside from corporate overhead expense), and segment profit as a percentage of net sales to assess the profitability of each segment. Segment profit excludes the corporate overhead expense element of SG&A, other, net (inclusive of intangible asset amortization expense), gain or loss on sales of businesses, pension settlement, restructuring charges, loss on debt extinguishment, interest income, interest expense, income taxes and share of net loss of equity method investment. Corporate overhead is comprised of world headquarters facility expense, cost for the executive management team and expenses pertaining to certain centralized functions that benefit the entire Company but are not directly attributable to the businesses, such as legal and corporate finance functions. Refer to *Note F, Goodwill and Intangible Assets*, and *Note O, Restructuring Charges*, for the amount of intangible asset amortization expense and net restructuring charges, respectively, attributable to each segment.

The Company classifies its business into three reportable segments, which also represent its operating segments: Tools & Storage, Industrial and Security.

Tools & Storage:

The Tools & Storage segment is comprised of the Power Tools & Equipment ("PTE") and Hand Tools, Accessories & Storage ("HTAS") businesses. The PTE business includes both professional and consumer products. Professional products include professional grade corded and cordless electric power tools and equipment including drills, impact wrenches and drivers, grinders, saws, routers and sanders, as well as pneumatic tools and fasteners including nail guns, nails, staplers and staples, concrete and masonry anchors. Consumer products include corded and cordless electric power tools sold primarily under the BLACK+DECKER® brand, lawn and garden products, including hedge trimmers, string trimmers, lawn mowers, edgers and related accessories, and home products such as hand-held vacuums, paint tools and cleaning appliances. The HTAS business sells hand tools, power tool accessories and storage products. Hand tools include measuring, leveling and layout tools, planes, hammers, demolition tools, clamps, vises, knives, saws, chisels and industrial and automotive tools. Power tool accessories include drill bits, screwdriver bits, router bits, abrasives, saw blades and threading products. Storage products include tool boxes, sawhorses, medical cabinets and engineered storage solution products.

<i>(Millions of Dollars)</i>	2019	2018	2017
Net sales	\$ 10,062	\$ 9,814	\$ 9,045
Segment profit	\$ 1,533	\$ 1,393	\$ 1,439
% of Net sales	15.2%	14.2%	15.9%

Tools & Storage net sales increased \$248.1 million, or 3%, in 2019 compared to 2018 due to a 4% increase in volume and 1% increase in price, partially offset by unfavorable currency of 2%. The 5% organic growth was led by North America and Europe, more than offsetting a decline in emerging markets. North America organic growth was driven by the roll-out of the Craftsman brand and new product innovation, such as DEWALT Flexvolt, Atomic and Xtreme, partially offset by declines in Canada and industrial-focused businesses. Europe growth was supported by new products and successful commercial actions. The organic decline in emerging markets was driven by weak market conditions in Turkey, China and certain countries in Latin America, which more than offset the benefits from price, new product launches and e-commerce expansion.

Segment profit amounted to \$1.533 billion, or 15.2% of net sales, in 2019 compared to \$1.393 billion, or 14.2% of net sales, in 2018. Excluding acquisition-related and other charges of \$44.3 million and \$142.6 million in 2019 and 2018, respectively, segment profit amounted to 15.7% of net sales in 2019 compared to 15.6% in 2018, as the benefits from volume leverage, actions taken in response to external headwinds and price were partially offset by tariffs, commodity inflation, and foreign exchange.

Tools & Storage net sales increased \$769.0 million, or 9%, in 2018 compared to 2017. Organic sales increased 7%, with a 6% increase in volume and 1% increase in price, reflecting strong growth in each of the regions, and acquisitions, primarily Newell Tools, increased net sales by 2%. North America growth was driven by new product innovation, the roll-out of the Craftsman brand and price realization. Europe growth was supported by new products and successful commercial actions. The growth in emerging markets was driven by mid-price-point product releases, e-commerce strategies and pricing actions.

Segment profit amounted to \$1.393 billion, or 14.2% of net sales, in 2018 compared to \$1.439 billion, or 15.9% of net sales, in 2017. Excluding acquisition-related and other charges of \$142.6 million and \$81.8 million in 2018 and 2017, respectively, segment profit amounted to 15.6% of net sales in 2018 compared to 16.8% in 2017, as the benefits from volume leverage, pricing and cost control were more than offset by the impacts from currency, commodity inflation and tariffs.

Industrial:

The Industrial segment is comprised of the Engineered Fastening and Infrastructure businesses. The Engineered Fastening business primarily sells engineered fastening products and systems designed for specific applications. The product lines include blind rivets and tools, blind inserts and tools, drawn arc weld studs and systems, engineered plastic and mechanical fasteners, self-piercing riveting systems, precision nut running systems, micro fasteners, and high-strength structural fasteners. The Infrastructure business consists of the Oil & Gas and Attachment Tools product lines. Oil & Gas sells and rents custom pipe handling, joint welding and coating equipment used in the construction of large and small diameter pipelines, and provides pipeline inspection services. Attachment Tools sells hydraulic tools, attachments and accessories.

<i>(Millions of Dollars)</i>	2019	2018	2017
Net sales	\$ 2,435	\$ 2,188	\$ 1,974
Segment profit	\$ 334	\$ 320	\$ 346
% of Net sales	13.7%	14.6%	17.5%

Industrial net sales increased \$246.9 million, or 11%, in 2019 compared to 2018, due to acquisition growth of 16%, partially offset by declines of 3% in volume and 2% from foreign currency. Engineered Fastening organic revenues decreased 3% as fastener penetration gains were more than offset by inventory reductions and lower production levels within industrial and automotive customers. Infrastructure organic revenues were down 2%, as growth within Oil & Gas was offset by declines in hydraulic tools from a difficult scrap steel market.

Segment profit totaled \$334.1 million, or 13.7% of net sales, in 2019 compared to \$319.8 million, or 14.6% of net sales, in 2018. Excluding acquisition-related and other charges of \$25.8 million and \$26.0 million in 2019 and 2018, respectively, segment profit amounted to 14.8% of net sales in 2019 compared to 15.8% in 2018, as productivity gains and cost control were more than offset by lower volume and externally driven cost inflation.

Industrial net sales increased \$213.5 million, or 11%, in 2018 compared to 2017, due to acquisition growth of 9% and favorable foreign currency of 2%. Engineered Fastening organic revenues increased 1% due primarily to industrial and automotive fastener penetration gains which were partially offset by the expected impact from lower automotive system shipments. Infrastructure organic revenues were down 1% due to anticipated lower pipeline project activity in Oil & Gas, partially offset by volume growth in hydraulic tools.

Segment profit totaled \$319.8 million, or 14.6% of net sales, in 2018 compared to \$345.9 million, or 17.5% of net sales, in 2017. Excluding acquisition-related and other charges of \$26.0 million in 2018, segment profit amounted to 15.8% of net sales in 2018 compared to 17.5% in 2017, as productivity gains and cost control were more than offset by commodity inflation and the modestly dilutive impact from the Nelson acquisition.

Security:

The Security segment is comprised of the Convergent Security Solutions ("CSS") and the Mechanical Access Solutions ("MAS") businesses. The CSS business designs, supplies and installs commercial electronic security systems and provides electronic security services, including alarm monitoring, video surveillance, fire alarm monitoring, systems integration and system maintenance. Purchasers of these systems typically contract for ongoing security systems monitoring and maintenance at the time of initial equipment installation. The business also sells healthcare solutions, which include asset tracking, infant protection, pediatric protection, patient protection, wander management, fall management, and emergency call products. The MAS business primarily sells automatic doors.

<i>(Millions of Dollars)</i>	2019	2018	2017
Net sales	\$ 1,945	\$ 1,981	\$ 1,947
Segment profit	\$ 127	\$ 169	\$ 212
% of Net sales	6.5%	8.5%	10.9%

Security net sales decreased \$35.2 million, or 2%, in 2019 compared to 2018, as 1% increases in both price and small bolt-on commercial electronic security acquisitions were more than offset by a 3% decrease due to foreign currency and a 1% decrease from the sale of the Sargent & Greenleaf business. Organic sales for North America increased 3% driven by increased installations within commercial electronic security and higher volumes in healthcare and automatic doors. Europe declined 1% organically as growth in France was offset by continued market weakness in the Nordics and the UK.

Segment profit amounted to \$126.6 million, or 6.5% of net sales, in 2019 compared to \$169.3 million, or 8.5% of net sales, in 2018. Excluding acquisition-related and other charges of \$85.7 million and \$42.2 million in 2019 and 2018, respectively, segment profit amounted to 10.9% of net sales in 2019 compared to 10.7% in 2018, as the benefits of organic growth and a focus on cost containment were partially offset by investments to support the business transformation in commercial electronic security and the dilutive impact from the Sargent & Greenleaf divestiture.

Security net sales increased \$33.3 million, or 2%, in 2018 compared to 2017, primarily due to increases of 1% in price, 3% in small bolt-on commercial electronic security acquisitions and 1% in foreign currency, partially offset by declines of 1% from the sale of the majority of the mechanical security businesses and 2% from lower volumes. Organic sales for North America

decreased 1% as higher volumes within automatic doors were offset by lower installations in commercial electronic security. Europe declined 1% organically as strength within the Nordics was offset by weakness in the UK and France.

Segment profit amounted to \$169.3 million, or 8.5% of net sales, in 2018 compared to \$211.7 million, or 10.9% of net sales, in 2017. Excluding acquisition-related and other charges of \$42.2 million and \$2.0 million in 2018 and 2017, respectively, segment profit amounted to 10.7% of net sales in 2018 compared to 11.0% in 2017. The year-over-year change in segment profit rate reflects investments to support business transformation in commercial electronic security and the impact from the sale of the majority of the mechanical security business, partially offset by a continued focus on cost containment.

RESTRUCTURING ACTIVITIES

A summary of the restructuring reserve activity from December 29, 2018 to December 28, 2019 is as follows:

<i>(Millions of Dollars)</i>	December 29, 2018	Net Additions	Usage	Currency	December 28, 2019
Severance and related costs	\$ 105.7	\$ 131.9	\$ (97.4)	\$ 0.1	\$ 140.3
Facility closures and asset impairments	3.1	22.2	(17.9)	0.1	7.5
Total	\$ 108.8	\$ 154.1	\$ (115.3)	\$ 0.2	\$ 147.8

During 2019, the Company recognized net restructuring charges of \$154.1 million, primarily related to severance costs associated with a cost reduction program announced in the third quarter of 2019. Current and expected actions of the program include headcount reductions across the Company as well as footprint rationalization opportunities. The Company expects the 2019 actions to result in annual net cost savings of approximately \$185 million by the end of 2020.

The majority of the \$147.8 million of reserves remaining as of December 28, 2019 is expected to be utilized within the next twelve months.

During 2018, the Company recognized net restructuring charges of \$160.3 million, which primarily related to a cost reduction program executed in the fourth quarter of 2018. This amount reflected \$151.0 million of net severance charges associated with the reduction of 4,184 employees and \$9.3 million of facility closure and other restructuring costs. The 2018 actions resulted in annual net cost savings of approximately \$230 million, primarily in the Tools & Storage and Security segments.

During 2017, the Company recognized net restructuring charges of \$51.5 million. This amount reflected \$40.6 million of net severance charges associated with the reduction of 1,584 employees and \$10.9 million of facility closure and other restructuring costs. The 2017 actions resulted in annual net cost savings of approximately \$45 million in 2018, primarily in the Tools & Storage and Security segments.

Segments: The \$154 million of net restructuring charges in 2019 includes: \$63 million pertaining to the Tools & Storage segment; \$27 million pertaining to the Industrial segment; \$18 million pertaining to the Security segment; and \$46 million pertaining to Corporate.

The anticipated annual net cost savings of approximately \$185 million related to the 2019 restructuring actions include: \$89 million in the Tools & Storage segment; \$34 million in the Industrial segment; \$28 million in the Security segment; and \$34 million in Corporate.

FINANCIAL CONDITION

Liquidity, Sources and Uses of Capital: The Company's primary sources of liquidity are cash flows generated from operations and available lines of credit under various credit facilities.

Operating Activities: Cash flows provided by operations were \$1.506 billion in 2019 compared to \$1.261 billion in 2018. The year-over-year increase was mainly attributable to improved working capital (accounts receivable, inventory, accounts payable and deferred revenue) as a result of an intense focus on working capital management and lower inventory investment associated with recent Tools & Storage brand roll-outs.

In 2018, cash flows from operations were \$1.261 billion compared to \$669 million in 2017. The year-over-year increase related primarily to the retrospective adoption of new cash flow accounting standards in the first quarter of 2018, which decreased 2017 operating cash flows by approximately \$750 million. Excluding the impact of these new standards, cash flows provided by operations in 2018 decreased year-over-year primarily due to higher income tax payments and higher payments associated with acquisition-related and other charges.

Free Cash Flow: Free cash flow, as defined in the table below, was \$1.081 billion in 2019 compared to \$769 million in 2018 and \$226 million in 2017. Excluding the retrospective impacts of the previously discussed new cash flow standards adopted in the first quarter of 2018, free cash flow totaled \$976 million in 2017. The improvement in free cash flow in 2019 was driven by higher operating cash flows as discussed above and lower capital expenditures due to higher investments in the Company's supply chain and SFS 2.0 initiatives in both 2018 and 2017. Management considers free cash flow an important indicator of its liquidity, as well as its ability to fund future growth and provide dividends to shareholders. Free cash flow does not include deductions for mandatory debt service, other borrowing activity, discretionary dividends on the Company's common stock and business acquisitions, among other items.

<i>(Millions of Dollars)</i>	2019	2018	2017
Net cash provided by operating activities	\$ 1,506	\$ 1,261	\$ 669
Less: capital and software expenditures	(425)	(492)	(443)
Free cash flow	\$ 1,081	\$ 769	\$ 226

Investing Activities: Cash flows used in investing activities totaled \$1.209 billion in 2019, driven by business acquisitions of \$685 million, primarily related to IES Attachments, capital and software expenditures of \$425 million and purchases of investments of \$261 million, which mainly related to the 20 percent investment in MTD.

Cash flows used in investing activities in 2018 totaled \$989 million, primarily due to business acquisitions of \$525 million, mainly related to the Nelson acquisition, and capital and software expenditures of \$492 million. The increase in capital and software expenditures in 2018 was primarily due to technology-related and capacity investments to support the Company's strong organic growth and its SFS 2.0 initiatives.

Cash flows used in investing activities in 2017 totaled \$1.567 billion, which primarily consisted of business acquisitions of \$2.584 billion, mainly related to the Newell Tools and Craftsman acquisitions, and capital and software expenditures of \$443 million, partially offset by proceeds of \$757 million from sales of businesses and \$705 million from the deferred purchase price receivable related to an accounts receivable sales program, which was terminated in February 2018.

Financing Activities: Cash flows used in financing activities totaled \$293 million in 2019 driven by payments on long-term debt of \$1.150 billion and cash dividend payments of \$402 million, partially offset by \$735 million in net proceeds from the issuance of equity units and net proceeds from debt issuances of \$496 million.

Cash flows used in financing activities totaled \$562 million in 2018 primarily related to the repurchase of common shares for \$527 million and cash dividend payments of \$385 million, partially offset by \$433 million of net proceeds from short-term borrowings under the Company's commercial paper program.

Cash flows provided by financing activities in 2017 totaled \$295 million, primarily due to \$726 million in net proceeds from the issuance of equity units, partially offset by \$363 million of cash payments for dividends and \$77 million of net repayments of short-term borrowings under the Company's commercial paper program.

Fluctuations in foreign currency rates negatively impacted cash by \$1 million and \$54 million in 2019 and 2018, respectively, due to the strengthening of the U.S. Dollar against the Company's other currencies, while positively impacting cash by \$81 million in 2017 due to the weakening of the U.S. Dollar against other currencies.

Refer to *Note H, Long-Term Debt and Financing Arrangements*, and *Note J, Capital Stock*, for further discussion regarding the Company's debt and equity arrangements.

Credit Ratings and Liquidity:

The Company maintains strong investment grade credit ratings from the major U.S. rating agencies on its senior unsecured debt (S&P A, Fitch A-, Moody's Baa1), as well as its commercial paper program (S&P A-1, Fitch F1, Moody's P-2). The Company's Fitch short-term credit rating was upgraded to F1 during the third quarter of 2019 from the previous rating of F2. Failure to maintain strong investment grade rating levels could adversely affect the Company's cost of funds, liquidity and access to capital markets, but would not have an adverse effect on the Company's ability to access its existing committed credit facilities.

Cash and cash equivalents totaled \$298 million as of December 28, 2019, comprised of \$57 million in the U.S. and \$241 million in foreign jurisdictions. As of December 29, 2018, cash and cash equivalents totaled \$289 million, comprised of \$60 million in the U.S. and \$229 million in foreign jurisdictions.

As a result of the Act, the Company's tax liability related to the one-time transition tax associated with unremitted foreign earnings and profits totaled \$344 million at December 28, 2019. The Act permits a U.S. company to elect to pay the net tax liability interest-free over a period of up to eight years. See the Contractual Obligations table below for the estimated amounts due by period. The Company has considered the implications of paying the required one-time transition tax, and believes it will not have a material impact on its liquidity. Refer to *Note Q, Income Taxes*, for further discussion of the impacts of the Act.

The Company has a \$3.0 billion commercial paper program which includes Euro denominated borrowings in addition to U.S. Dollars. As of December 28, 2019, the Company had approximately \$336 million of borrowings outstanding representing Euro denominated commercial paper, which was designated as a net investment hedge. As of December 29, 2018, the Company had approximately \$373 million of borrowings outstanding, of which approximately \$229 million in Euro denominated commercial paper was designated as a net investment hedge. Refer to *Note I, Financial Instruments*, for further discussion.

The Company has a five-year \$2.0 billion committed credit facility (the "5-Year Credit Agreement"). Borrowings under the 5-Year Credit Agreement may be made in U.S. Dollars, Euros or Pounds Sterling. A sub-limit amount of \$653.3 million is designated for swing line advances which may be drawn in Euros pursuant to the terms of the 5-Year Credit Agreement. Borrowings bear interest at a floating rate plus an applicable margin dependent upon the denomination of the borrowing and specific terms of the 5-Year Credit Agreement. The Company must repay all advances under the 5-Year Credit Agreement by the earlier of September 12, 2023 or upon termination. The 5-Year Credit Agreement is designated to be part of the liquidity back-stop for the Company's \$3.0 billion U.S. Dollar and Euro commercial paper program. As of December 28, 2019, and December 29, 2018, the Company had not drawn on its five-year committed credit facility.

In September 2019, the Company terminated its 364-Day \$1.0 billion committed credit facility and concurrently executed a new 364-Day \$1.0 billion committed credit facility (the "September 364-Day Credit Agreement"). Borrowings under the September 364-Day Credit Agreement may be made in U.S. Dollars or Euros and bear interest at a floating rate plus an applicable margin dependent upon the denomination of the borrowing and pursuant to the terms of the September 364-Day Credit Agreement. The Company must repay all advances under the September 364-Day Credit Agreement by the earlier of September 9, 2020 or upon termination. The Company may, however, convert all advances outstanding upon termination into a term loan that shall be repaid in full no later than the first anniversary of the termination date provided that the Company, among other things, pays a fee to the administrative agent for the account of each lender. The September 364-Day Credit Agreement serves as part of the liquidity back-stop for the Company's \$3.0 billion U.S. Dollar and Euro commercial paper program previously discussed. As of December 28, 2019, and December 29, 2018, the Company had not drawn on its 364-Day committed credit facilities.

In addition, the Company has other short-term lines of credit that are primarily uncommitted, with numerous banks, aggregating \$521 million, of which approximately \$433 million was available at December 28, 2019. Short-term arrangements are reviewed annually for renewal.

At December 28, 2019, the aggregate amount of committed and uncommitted lines of credit, long-term and short-term, was \$3.5 billion. At December 28, 2019, \$337 million was recorded as short-term borrowings relating to commercial paper and amounts outstanding against uncommitted lines. In addition, \$89 million of the short-term credit lines was utilized primarily pertaining to outstanding letters of credit for which there are no required or reported debt balances. The weighted-average interest rate on U.S. dollar denominated short-term borrowings for 2019 and 2018 was 2.3%. The weighted-average interest rate on Euro denominated short-term borrowings for 2019 and 2018 was negative 0.3%.

In February 2020, the Company issued \$750 million of senior unsecured term notes maturing March 15, 2030 ("2030 Term Notes") and \$750 million of fixed-to-fixed reset rate junior subordinated debentures maturing March 15, 2060 ("2060 Junior Subordinated Debentures"). The 2030 Term Notes will accrue interest at a fixed rate of 2.3% per annum, with interest payable semi-annually in arrears, and rank equally in right of payment with all of the Company's existing and future unsecured and unsubordinated debt. The 2060 Junior Subordinated Debentures will bear interest at a fixed rate of 4.0% per annum, payable semi-annually in arrears, up to but excluding March 15, 2025. From and including March 15, 2025, the interest rate will be reset for each subsequent five-year reset period equal to the Five-Year Treasury Rate plus 2.657%. The Five-Year Treasury Rate is based on the average yields on actively traded U.S. treasury securities adjusted to constant maturity, for five-year maturities. On each five-year reset date, the 2060 Junior Subordinated Debentures can be called at par value. The 2060 Junior Subordinated Debentures are unsecured and rank subordinate and junior in right of payment to all of the Company's existing and future senior debt. The Company received total net proceeds from these offerings of approximately \$1.487 billion, which

reflected approximately \$13 million of underwriting expenses and other fees associated with the transactions. The net proceeds from the offering will be used for general corporate purposes, including acquisition funding and repayment of short-term borrowings.

In December 2019, the Company redeemed all of the outstanding 2052 Junior Subordinated Debentures for approximately \$760 million, which represented 100% of the principal amount plus accrued and unpaid interest.

In March 2019, the Company issued \$500 million of senior unsecured notes, maturing on March 1, 2026 ("2026 Term Notes"). The 2026 Term Notes accrue interest at a fixed rate of 3.40% per annum with interest payable semi-annually in arrears. The 2026 Term Notes rank equally in right of payment with all of the Company's existing and future unsecured and unsubordinated debt. The Company received net cash proceeds of \$496 million which reflects the notional amount offset by a discount, underwriting expenses, and other fees associated with the transaction. The Company used the net proceeds from the offering for general corporate purposes, including repayment of other borrowings.

In February 2019, the Company redeemed all of the outstanding 2053 Junior Subordinated Debentures for approximately \$406 million, which represented 100% of the principal amount plus accrued and unpaid interest.

In November 2019, the Company issued 7,500,000 Equity Units with a total notional value of \$750 million ("2019 Equity Units"). Each unit has a stated amount of \$100 and initially consisted of a three-year forward stock purchase contract ("2022 Purchase Contracts") for the purchase of a variable number of shares of common stock, on November 15, 2022, for a price of \$100, and a 10% beneficial ownership interest in one share of 0% Series D Cumulative Perpetual Convertible Preferred Stock, without par, with a liquidation preference of \$1,000 per share ("Series D Preferred Stock"). The Company received approximately \$735 million in cash proceeds from the 2019 Equity Units, net of underwriting costs and commissions, before offering expenses, and issued 750,000 shares of Series D Preferred Stock, recording \$750 million in preferred stock. The proceeds were used, together with cash on hand, to redeem the 2052 Junior Subordinated Debentures in December 2019, as previously discussed. The Company also used \$19 million of the proceeds to enter into capped call transactions utilized to hedge potential economic dilution. On and after November 15, 2022, the Series D Preferred Stock may be converted into common stock at the option of the holder. At the election of the Company, upon conversion, the Company may deliver cash, common stock, or a combination thereof. On or after December 22, 2022, the Company may elect to redeem for cash, all or any portion of the outstanding shares of the Series D Preferred Stock at a redemption price equal to 100% of the liquidation preference, plus any accumulated and unpaid dividends. If the Company calls the Series D Preferred Stock for redemption, holders may convert their shares immediately preceding the redemption date. Upon settlement of the 2022 Purchase Contracts, the Company will receive additional cash proceeds of \$750 million. The Company will pay the holders of the 2022 Purchase Contracts quarterly contract adjustment payments, which will commence February 15, 2020. As of December 28, 2019, the present value of the contract adjustment payments was approximately \$114 million.

In March 2018, the Company purchased from a financial institution "at-the-money" capped call options with an approximate term of three years, on 3.2 million shares of its common stock (subject to customary anti-dilution adjustments) for an aggregate premium of \$57 million. As of December 28, 2019, the capped call has an adjusted lower strike price of \$156.59 and an adjusted upper strike price of \$203.57. The purpose of the capped call options was to hedge the risk of stock price appreciation between the lower and upper strike prices of the capped call options for a future share repurchase.

In May 2017, the Company issued 7,500,000 Equity Units with a total notional value of \$750 million ("2017 Equity Units"). Each unit has a stated amount of \$100 and initially consisted of a three-year forward stock purchase contract ("2020 Purchase Contracts") for the purchase of a variable number of shares of common stock, on May 15, 2020, for a price of \$100, and a 10% beneficial ownership interest in one share of 0% Series C Cumulative Perpetual Convertible Preferred Stock, without par, with a liquidation preference of \$1,000 per share ("Series C Preferred Stock"). The Company received approximately \$726 million in cash proceeds from the 2017 Equity Units, net of underwriting costs and commissions, before offering expenses, and issued 750,000 shares of Series C Preferred Stock, recording \$750 million in preferred stock. The proceeds were used for general corporate purposes, including repayment of short-term borrowings. The Company also used \$25 million of the proceeds to enter into capped call transactions utilized to hedge potential economic dilution. On and after May 15, 2020, the Series C Preferred Stock may be converted into common stock at the option of the holder. At the election of the Company, upon conversion, the Company may deliver cash, common stock, or a combination thereof. On or after June 22, 2020, the Company may elect to redeem for cash, all or any portion of the outstanding shares of the Series C Preferred Stock at a redemption price equal to 100% of the liquidation preference, plus any accumulated and unpaid dividends. If the Company calls the Series C Preferred Stock for redemption, holders may convert their shares immediately preceding the redemption date. Upon settlement of the 2020 Purchase Contracts, the Company will receive additional cash proceeds of \$750 million. The Company pays the holders of the 2020 Purchase Contracts quarterly contract adjustment payments, which commenced in August 2017. As of December 28, 2019, the present value of the contract adjustment payments was approximately \$20 million.

In March 2015, the Company entered into a forward share purchase contract with a financial institution counterparty for 3,645,510 shares of common stock. The contract obligates the Company to pay \$350 million, plus an additional amount related to the forward component of the contract. In February 2020, the Company amended the settlement date to April 2022, or earlier at the Company's option.

Refer to *Note H, Long-Term Debt and Financing Arrangements*, and *Note J, Capital Stock*, for further discussion regarding the Company's debt and equity arrangements.

Contractual Obligations: The following table summarizes the Company's significant contractual obligations and commitments that impact its liquidity:

<i>(Millions of Dollars)</i>	Payments Due by Period				
	Total	2020	2021-2022	2023-2024	Thereafter
Long-term debt (a)	\$ 4,704	\$ —	\$ 1,154	\$ —	\$ 3,550
Interest payments on long-term debt (b)	2,224	177	340	282	1,425
Short-term borrowings	336	336	—	—	—
Lease obligations	607	144	193	113	157
Inventory purchase commitments (c)	523	523	—	—	—
Deferred compensation	30	4	1	1	24
Marketing commitments	34	25	9	—	—
Derivatives (d)	41	—	41	—	—
Forward stock purchase contract (e)	350	—	350	—	—
Pension funding obligations (f)	38	38	—	—	—
Contract adjustment fees (g)	138	59	79	—	—
Purchase price (h)	250	250	—	—	—
U.S. income tax (i)	344	9	70	153	112
Total contractual cash obligations	\$ 9,619	\$ 1,565	\$ 2,237	\$ 549	\$ 5,268

- (a) Future payments on long-term debt encompass all payments related to aggregate debt maturities, excluding certain fair value adjustments included in long-term debt. As previously discussed, the Company issued the 2030 Term Notes and 2060 Junior Subordinated Debentures in February 2020. Accordingly, the future payments related to these issuances have been reflected in the table above. Refer to *Note H, Long-Term Debt and Financing Arrangements*.
- (b) Future interest payments on long-term debt reflect the applicable interest rate in effect at December 28, 2019. In addition, the amounts above reflect future interest payments associated with the previously discussed 2030 Term Notes and 2060 Junior Subordinated Debentures issued in February 2020.
- (c) Inventory purchase commitments primarily consist of open purchase orders to purchase raw materials, components, and sourced products.
- (d) Future cash flows on derivative instruments reflect the fair value and accrued interest as of December 28, 2019. The ultimate cash flows on these instruments will differ, perhaps significantly, based on applicable market interest and foreign currency rates at their maturity.
- (e) In March 2015, the Company entered into a forward share purchase contract with a financial institution counterparty which obligates the Company to pay \$350 million, plus an additional amount related to the forward component of the contract. In February 2020, the Company amended the settlement date to April 2022, or earlier at the Company's option. See *Note J, Capital Stock*, for further discussion.
- (f) This amount principally represents contributions either required by regulations or laws or, with respect to unfunded plans, necessary to fund current benefits. The Company has not presented estimated pension and post-retirement funding beyond 2020 as funding can vary significantly from year to year based upon changes in the fair value of the plan assets, actuarial assumptions, and curtailment/settlement actions.
- (g) These amounts represent future contract adjustment payments to holders of the Company's 2020 and 2022 Purchase Contracts. See *Note J, Capital Stock*, for further discussion.
- (h) The Company acquired the Craftsman® brand from Sears Holdings in March 2017. As part of the purchase price, the Company is obligated to pay \$250 million in March 2020. See *Note E, Acquisitions and Investments*, for further discussion.
- (i) Income tax liability for the one-time deemed repatriation tax on unremitted foreign earnings and profits. See *Note Q, Income Taxes*, for further discussion.

To the extent the Company can reliably determine when payments will occur, the related amounts will be included in the table above. However, due to the high degree of uncertainty regarding the timing of potential future cash flows associated with the contingent consideration liability related to the Craftsman acquisition and the unrecognized tax liabilities of \$196 million and \$454 million, respectively, at December 28, 2019, the Company is unable to make a reliable estimate of when (if at all) these amounts may be paid. Refer to *Note E, Acquisitions and Investments*, *Note M, Fair Value Measurements*, and *Note Q, Income Taxes*, for further discussion.

Payments of the above contractual obligations (with the exception of payments related to debt principal, the forward stock purchase contract, contract adjustment fees, the March 2020 purchase price, and tax obligations) will typically generate a cash tax benefit such that the net cash outflow will be lower than the gross amounts summarized above.

Other Significant Commercial Commitments:

<i>(Millions of Dollars)</i>	Amount of Commitment Expirations Per Period				
	Total	2020	2021-2022	2023-2024	Thereafter
U.S. lines of credit	\$ 3,000	\$ 1,000	\$ —	\$ 2,000	\$ —

Short-term borrowings, long-term debt and lines of credit are explained in detail within *Note H, Long-Term Debt and Financing Arrangements*.

MARKET RISK

Market risk is the potential economic loss that may result from adverse changes in the fair value of financial instruments, currencies, commodities and other items traded in global markets. The Company is exposed to market risk from changes in foreign currency exchange rates, interest rates, stock prices, bond prices and commodity prices, amongst others.

Exposure to foreign currency risk results because the Company, through its global businesses, enters into transactions and makes investments denominated in multiple currencies. The Company's predominant currency exposures are related to the Euro, Canadian Dollar, British Pound, Australian Dollar, Brazilian Real, Argentine Peso, Chinese Renminbi ("RMB") and the Taiwan Dollar. Certain cross-currency trade flows arising from both trade and affiliate sales and purchases are consolidated and netted prior to obtaining risk protection through the use of various derivative financial instruments which may include: purchased basket options, purchased options, collars, cross-currency swaps and currency forwards. The Company is thus able to capitalize on its global positioning by taking advantage of naturally offsetting exposures and portfolio efficiencies to reduce the cost of purchasing derivative protection. At times, the Company also enters into foreign exchange derivative contracts to reduce the earnings and cash flow impacts of non-functional currency denominated receivables and payables, primarily for affiliate transactions. Gains and losses from these hedging instruments offset the gains or losses on the underlying net exposures. Management determines the nature and extent of currency hedging activities, and in certain cases, may elect to allow certain currency exposures to remain un-hedged. The Company may also enter into cross-currency swaps and forward contracts to hedge the net investments in certain subsidiaries and better match the cash flows of operations to debt service requirements. Management estimates the foreign currency impact from its derivative financial instruments outstanding at the end of 2019 would have been an incremental pre-tax loss of approximately \$37 million based on a hypothetical 10% adverse movement in all net derivative currency positions. The Company follows risk management policies in executing derivative financial instrument transactions, and does not use such instruments for speculative purposes. The Company generally does not hedge the translation of its non-U.S. dollar earnings in foreign subsidiaries, but may choose to do so in certain instances in future periods.

As mentioned above, the Company routinely has cross-border trade and affiliate flows that cause an impact on earnings from foreign exchange rate movements. The Company is also exposed to currency fluctuation volatility from the translation of foreign earnings into U.S. dollars and the economic impact of foreign currency volatility on monetary assets held in foreign currencies. It is more difficult to quantify the transactional effects from currency fluctuations than the translational effects. Aside from the use of derivative instruments, which may be used to mitigate some of the exposure, transactional effects can potentially be influenced by actions the Company may take. For example, if an exposure occurs from a European entity sourcing product from a U.S. supplier it may be possible to change to a European supplier. Management estimates the combined translational and transactional impact, on pre-tax earnings, of a 10% overall movement in exchange rates is approximately \$158 million, or approximately \$0.88 per diluted share. In 2019, translational and transactional foreign currency fluctuations negatively impacted pre-tax earnings by approximately \$120 million, or approximately \$0.67 per diluted share.

The Company's exposure to interest rate risk results from its outstanding debt and derivative obligations, short-term investments, and derivative financial instruments employed in the management of its debt portfolio. The debt portfolio

including both trade and affiliate debt, is managed to achieve capital structure targets and reduce the overall cost of borrowing by using a combination of fixed and floating rate debt as well as interest rate swaps, and cross-currency swaps.

The Company's primary exposure to interest rate risk comes from its commercial paper program in which the pricing is partially based on short-term U.S. interest rates. At December 28, 2019, the impact of a hypothetical 10% increase in the interest rates associated with the Company's commercial paper borrowings would have an immaterial effect on the Company's financial position and results of operations.

The Company has exposure to commodity prices in many businesses, particularly brass, nickel, resin, aluminum, copper, zinc, steel, and energy used in the production of finished goods. Generally, commodity price exposures are not hedged with derivative financial instruments, but instead are actively managed through customer product and service pricing actions, procurement-driven cost reduction initiatives and other productivity improvement projects.

Fluctuations in the fair value of the Company's common stock affect domestic retirement plan expense as discussed below in the Employee Stock Ownership Plan ("ESOP") section of MD&A. Additionally, the Company has \$108 million of liabilities as of December 28, 2019 pertaining to unfunded defined contribution plans for certain U.S. employees for which there is mark-to-market exposure.

The assets held by the Company's defined benefit plans are exposed to fluctuations in the market value of securities, primarily global stocks and fixed-income securities. The funding obligations for these plans would increase in the event of adverse changes in the plan asset values, although such funding would occur over a period of many years. In 2019, 2018, and 2017, investment returns on pension plan assets resulted in a \$323 million increase, a \$72 million decrease, and a \$217 million increase, respectively. The Company expects funding obligations on its defined benefit plans to be approximately \$38 million in 2020. The Company employs diversified asset allocations to help mitigate this risk. Management has worked to minimize this exposure by freezing and terminating defined benefit plans where appropriate.

The Company has access to financial resources and borrowing capabilities around the world. There are no instruments within the debt structure that would accelerate payment requirements due to a change in credit rating.

The Company's existing credit facilities and sources of liquidity, including operating cash flows, are considered more than adequate to conduct business as normal. Accordingly, based on present conditions and past history, management believes it is unlikely that operations will be materially affected by any potential deterioration of the general credit markets that may occur. The Company believes that its strong financial position, operating cash flows, committed long-term credit facilities and borrowing capacity, and ability to access equity markets, provide the financial flexibility necessary to continue its record of annual dividend payments, to invest in the routine needs of its businesses, to make strategic acquisitions and to fund other initiatives encompassed by its growth strategy and maintain its strong investment grade credit ratings.

OTHER MATTERS

Employee Stock Ownership Plan ("ESOP")— As detailed in *Note L, Employee Benefit Plans*, the Company has an ESOP under which the ongoing U.S. Core and 401(k) defined contribution plans are funded. Overall ESOP expense is affected by the market value of the Company's stock on the monthly dates when shares are released, among other factors. The Company's net ESOP activity resulted in income of \$0.5 million in 2019 and expense of \$0.4 million in 2018 and \$1.3 million in 2017. ESOP expense could increase in the future if the market value of the Company's common stock declines. In addition, ESOP expense will increase once all remaining unallocated shares are released, which will occur in the first quarter of 2020.

CRITICAL ACCOUNTING ESTIMATES — Preparation of the Company's Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Significant accounting policies used in the preparation of the Consolidated Financial Statements are described in *Note A, Significant Accounting Policies*. Management believes the most complex and sensitive judgments, because of their significance to the Consolidated Financial Statements, result primarily from the need to make estimates about the effects of matters with inherent uncertainty. The most significant areas involving management estimates are described below. Actual results in these areas could differ from management's estimates.

ALLOWANCE FOR DOUBTFUL ACCOUNTS — The Company's estimate for its allowance for doubtful accounts related to trade receivables is based on two methods. The amounts calculated from each of these methods are combined to determine the total amount reserved. First, a specific reserve is established for individual accounts where information indicates the customers may have an inability to meet financial obligations. In these cases, management uses its judgment, based on the surrounding facts and circumstances, to record a specific reserve for those customers against amounts due to reduce the receivable to the amount expected to be collected. These specific reserves are reevaluated and adjusted as additional information is received.

Second, a reserve is determined for all customers based on a range of percentages applied to receivable aging categories. These percentages are based on historical collection and write-off experience.

If circumstances change, for example, due to the occurrence of higher-than-expected defaults or a significant adverse change in a major customer's ability to meet its financial obligation to the Company, estimates of the recoverability of receivable amounts due could be reduced.

INVENTORIES — Inventories in the U.S. are primarily valued at the lower of Last-In First-Out ("LIFO") cost or market, while non-U.S. inventories are primarily valued at the lower of First-In, First-Out ("FIFO") cost and net realizable value. The calculation of LIFO reserves, and therefore the net inventory valuation, is affected by inflation and deflation in inventory components. The Company continually reviews the carrying value of discontinued product lines and stock-keeping-units ("SKUs") to determine that these items are properly valued. The Company also continually evaluates the composition of its inventory and identifies obsolete and/or slow-moving inventories. Inventory items identified as obsolete and/or slow-moving are evaluated to determine if write-downs are required. The Company assesses the ability to dispose of these inventories at a price greater than cost. If it is determined that cost is less than market or net realizable value, as applicable, cost is used for inventory valuation. If market value or net realizable value, as applicable, is less than cost, the Company writes down the related inventory to that value.

GOODWILL AND INTANGIBLE ASSETS — The Company acquires businesses in purchase transactions that result in the recognition of goodwill and intangible assets. The determination of the value of intangible assets requires management to make estimates and assumptions. In accordance with Accounting Standards Codification ("ASC") 350-20, *Goodwill*, acquired goodwill and indefinite-lived intangible assets are not amortized but are subject to impairment testing at least annually or when an event occurs or circumstances change that indicate it is more likely than not an impairment exists. Definite-lived intangible assets are amortized and are tested for impairment when an event occurs or circumstances change that indicate it is more likely than not that an impairment exists. Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. At December 28, 2019, the Company reported \$9.238 billion of goodwill, \$2.186 billion of indefinite-lived trade names and \$1.436 billion of net definite-lived intangibles.

Management tests goodwill for impairment at the reporting unit level. A reporting unit is an operating segment as defined in ASC 280, *Segment Reporting*, or one level below an operating segment (component level) as determined by the availability of discrete financial information that is regularly reviewed by operating segment management or an aggregate of component levels of an operating segment having similar economic characteristics. If the carrying value of a reporting unit (including the value of goodwill) is greater than its estimated fair value, an impairment may exist. An impairment charge would be recorded to the extent that the recorded value of goodwill exceeded the implied fair value.

As required by the Company's policy, goodwill was tested for impairment in the third quarter of 2019. In accordance with Accounting Standards Update ("ASU") 2011-08, *Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment*, companies are permitted to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step quantitative goodwill impairment test. Under the two-step quantitative goodwill impairment test, the fair value of the reporting unit is compared to its respective carrying amount including goodwill. If the fair value exceeds the carrying amount, then no impairment exists. If the carrying amount exceeds the fair value, further analysis is performed to assess impairment. Such tests are completed separately with respect to the goodwill of each of the Company's reporting units. Accordingly, for its annual impairment testing performed in the third quarter of 2019, the Company applied the qualitative assessment for three of its reporting units, while performing the quantitative test for two of its reporting units. For the reporting units in which a quantitative test was performed, it was noted that the fair value for each of these reporting units exceeded its carrying amount by in excess of 45%. Based on the results of the Company's annual impairment testing, it was determined that the fair value of each of its reporting units is substantially in excess of its carrying amount.

In performing the qualitative assessments, the Company identified and considered the significance of relevant key factors, events, and circumstances that could affect the fair value of each reporting unit. These factors include external factors such as macroeconomic, industry, and market conditions, as well as entity-specific factors, such as actual and planned financial performance. The Company also assessed changes in each reporting unit's fair value and carrying value since the most recent date a fair value measurement was performed. As a result of the qualitative assessments performed, the Company concluded that it is more likely than not that the fair value of each of these reporting units exceeded its respective carrying value and therefore, no additional quantitative impairment testing was performed.

With respect to the quantitative tests, the Company assessed the fair values of the two reporting units based on a discounted cash flow valuation model. The key assumptions applied to the cash flow projections were discount rates, which ranged from 7.5% to 9.5%, near-term revenue growth rates over the next five years, which represented cumulative annual growth rates

ranging from approximately 2% to 7%, and perpetual growth rates of 3%. These assumptions contemplated business, market and overall economic conditions. Based on the results of this testing, the Company determined that the fair value for each of these reporting units exceeded its carrying amount by in excess of 45%. Furthermore, management performed sensitivity analyses on the estimated fair values from the discounted cash flow valuation models utilizing more conservative assumptions that reflect reasonably likely future changes in the discount rate and perpetual growth rate. The discount rate was increased by 100 basis points with no impairment indicated. The perpetual growth rate was decreased by 150 basis points with no impairment indicated.

The Company also tested its indefinite-lived trade names for impairment during the third quarter of 2019 utilizing a discounted cash flow model. The key assumptions used included discount rates, royalty rates, and perpetual growth rates applied to the projected sales. Based on these quantitative impairment tests, the Company determined that the fair values of the indefinite-lived trade names exceeded their respective carrying amounts.

In the event that future operating results of any of the Company's reporting units or indefinite-lived trade names do not meet current expectations, management, based upon conditions at the time, would consider taking restructuring or other strategic actions, as necessary, to maximize revenue growth and profitability. A thorough analysis of all the facts and circumstances existing at that time would need to be performed to determine if recording an impairment loss would be appropriate.

DEFINED BENEFIT OBLIGATIONS — The valuation of pension and other postretirement benefits costs and obligations is dependent on various assumptions. These assumptions, which are updated annually, include discount rates, expected return on plan assets, future salary increase rates, and health care cost trend rates. The Company considers current market conditions, including interest rates, to establish these assumptions. Discount rates are developed considering the yields available on high-quality fixed income investments with maturities corresponding to the duration of the related benefit obligations. The Company's weighted-average discount rates used to determine benefit obligations at December 28, 2019 for the United States and international pension plans were 3.20% and 1.80%, respectively. The Company's weighted-average discount rates used to determine benefit obligations at December 29, 2018 for the United States and international pension plans were 4.20% and 2.62%, respectively. As discussed further in *Note L, Employee Benefit Plans*, the Company develops the expected return on plan assets considering various factors, which include its targeted asset allocation percentages, historic returns, and expected future returns. The Company's expected rate of return assumptions for the United States and international pension plans were 6.25% and 4.73%, respectively, at December 28, 2019. The Company will use a 4.70% weighted-average expected rate of return assumption to determine the 2020 net periodic benefit cost. A 25 basis point reduction in the expected rate of return assumption would increase 2020 net periodic benefit cost by approximately \$5 million on a pre-tax basis.

The Company believes that the assumptions used are appropriate; however, differences in actual experience or changes in the assumptions may materially affect the Company's financial position or results of operations. To the extent that actual (newly measured) results differ from the actuarial assumptions, the difference is recognized in accumulated other comprehensive loss, and, if in excess of a specified corridor, amortized over future periods. The expected return on plan assets is determined using the expected rate of return and the fair value of plan assets. Accordingly, market fluctuations in the fair value of plan assets can affect the net periodic benefit cost in the following year. The projected benefit obligation for defined benefit plans exceeded the fair value of plan assets by \$631 million at December 28, 2019. A 25 basis point reduction in the discount rate would have increased the projected benefit obligation by approximately \$93 million at December 28, 2019. The primary Black & Decker U.S. pension and post employment benefit plans were curtailed in late 2010, as well as the only material Black & Decker international plan, and in their place the Company implemented defined contribution benefit plans. The vast majority of the projected benefit obligation pertains to plans that have been frozen; the remaining defined benefit plans that are not frozen are predominantly small domestic union plans and those that are statutorily mandated in certain international jurisdictions. The Company recognized approximately \$15 million of defined benefit plan expense in 2019, which may fluctuate in future years depending upon various factors including future discount rates and actual returns on plan assets.

ENVIRONMENTAL — The Company incurs costs related to environmental issues as a result of various laws and regulations governing current operations as well as the remediation of previously contaminated sites. The Company's policy is to accrue environmental investigatory and remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The amount of liability recorded is based on an evaluation of currently available facts with respect to each individual site and includes such factors as existing technology, presently enacted laws and regulations, and prior experience in remediation of contaminated sites. The liabilities recorded do not take into account any claims for recoveries from insurance or third parties. As assessments and remediation progress at individual sites, the amounts recorded are reviewed periodically and adjusted to reflect additional technical and legal information that becomes available.

As of December 28, 2019, the Company had reserves of \$213.8 million for remediation activities associated with Company-owned properties as well as for Superfund sites, for losses that are probable and estimable. The range of environmental remediation costs that is reasonably possible is \$149.1 million to \$286.1 million which is subject to change in the near term. The Company may be liable for environmental remediation of sites it no longer owns. Liabilities have been recorded on those sites in accordance with this policy.

INCOME TAXES — The Company accounts for income taxes under the asset and liability method in accordance with ASC 740 *Income Taxes*, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using the enacted tax rates in effect for the year in which the differences are expected to reverse. Any changes in tax rates on deferred tax assets and liabilities are recognized in income in the period that includes the enactment date.

The Company records net deferred tax assets to the extent that it is more likely than not that these assets will be realized. In making this determination, management considers all available positive and negative evidence, including future reversals of existing temporary differences, estimates of future taxable income, tax-planning strategies, and the realizability of net operating loss carryforwards. In the event that it is determined that an asset is not more likely than not to be realized, a valuation allowance is recorded against the asset. Valuation allowances related to deferred tax assets can be impacted by changes to tax laws, changes to statutory tax rates and future taxable income levels. In the event the Company were to determine that it would not be able to realize all or a portion of its deferred tax assets in the future, the unrealizable amount would be charged to earnings in the period in which that determination is made. Conversely, if the Company were to determine that it would be able to realize deferred tax assets in the future in excess of the net carrying amounts, it would decrease the recorded valuation allowance through a favorable adjustment to earnings in the period that the determination was made.

The Act subjects a U.S. shareholder to current tax on global intangible low-taxed income (“GILTI”) earned by certain foreign subsidiaries. The Financial Accounting Standards Board (“FASB”) Staff Q&A, Topic 740 No. 5, *Accounting for Global Intangible Low-Taxed Income*, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred. The Company has elected to recognize the tax on GILTI as a period expense in the period the tax is incurred.

The Company records uncertain tax positions in accordance with ASC 740, which requires a two-step process. First, management determines whether it is more likely than not that a tax position will be sustained based on the technical merits of the position and second, for those tax positions that meet the more likely than not threshold, management recognizes the largest amount of the tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related taxing authority. The Company maintains an accounting policy of recording interest and penalties on uncertain tax positions as a component of Income taxes in the Consolidated Statements of Operations.

The Company is subject to income tax in a number of locations, including many state and foreign jurisdictions. Significant judgment is required when calculating the worldwide provision for income taxes. Many factors are considered when evaluating and estimating the Company's tax positions and tax benefits, which may require periodic adjustments, and which may not accurately anticipate actual outcomes. It is reasonably possible that the amount of the unrecognized benefit with respect to certain of the Company's unrecognized tax positions will significantly increase or decrease within the next twelve months. These changes may be the result of settlements of ongoing audits or final decisions in transfer pricing matters. The Company periodically assesses its liabilities and contingencies for all tax years still subject to audit based on the most current available information, which involves inherent uncertainty.

Additional information regarding income taxes is available in *Note Q, Income Taxes*.

RISK INSURANCE — To manage its insurance costs efficiently, the Company self insures for certain U.S. business exposures and generally has low deductible plans internationally. For domestic workers' compensation, automobile and product liability (liability for alleged injuries associated with the Company's products), the Company generally purchases insurance coverage only for severe losses that are unlikely, and these lines of insurance involve the most significant accounting estimates. While different self insured retentions, in the form of deductibles and self insurance through its captive insurance company, exist for each of these lines of insurance, the maximum self insured retention is set at no more than \$5 million per occurrence. The process of establishing risk insurance reserves includes consideration of actuarial valuations that reflect the Company's specific loss history, actual claims reported, and industry trends among statistical and other factors to estimate the range of reserves required. Risk insurance reserves are comprised of specific reserves for individual claims and additional amounts expected for development of these claims, as well as for incurred but not yet reported claims discounted to present value. The cash outflows related to risk insurance claims are expected to occur over a period of approximately 15 years. The Company believes the

liabilities recorded for these U.S. risk insurance reserves, totaling \$87 million and \$86 million as of December 28, 2019, and December 29, 2018, respectively, are adequate. Due to judgments inherent in the reserve estimation process, it is possible the ultimate costs will differ from this estimate.

WARRANTY — The Company provides product and service warranties which vary across its businesses. The types of warranties offered generally range from one year to limited lifetime, and certain branded products carry a lifetime warranty. There are also certain products with no warranty. Further, the Company sometimes incurs discretionary costs to service its products in connection with product performance issues. Historical warranty and service claim experience forms the basis for warranty obligations recognized. Adjustments are recorded to the warranty liability as new information becomes available. The Company believes the \$100 million reserve for expected product warranty claims as of December 28, 2019 is adequate, but due to judgments inherent in the reserve estimation process, including forecasting future product reliability levels and costs of repair as well as the estimated age of certain products submitted for claims, the ultimate claim costs may differ from the recorded warranty liability. The Company also establishes a reserve for product recalls on a product-specific basis during the period in which the circumstances giving rise to the recall become known and estimable for both company-initiated actions and those required by regulatory bodies.

OFF-BALANCE SHEET ARRANGEMENT

The Company has no off-balance sheet arrangements as of December 28, 2019.

**CAUTIONARY STATEMENTS UNDER THE PRIVATE SECURITIES LITIGATION
REFORM ACT OF 1995**

This document contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact are “forward-looking statements” for purposes of federal and state securities laws, including any projections or guidance of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new products, services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. Forward-looking statements may include, among others, the words “may,” “will,” “estimate,” “intend,” “continue,” “believe,” “expect,” “anticipate” or any other similar words.

Although the Company believes that the expectations reflected in any of its forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of its forward-looking statements. The Company's future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, such as those disclosed or incorporated by reference in the Company's filings with the Securities and Exchange Commission.

Important factors that could cause the Company's actual results, performance and achievements, or industry results to differ materially from estimates or projections contained in its forward-looking statements include, among others, the following: (i) successfully developing, marketing and achieving sales from new products and services and the continued acceptance of current products and services; (ii) macroeconomic factors, including global and regional business conditions (such as Brexit), commodity prices, inflation, and currency exchange rates; (iii) laws, regulations and governmental policies affecting the Company's activities in the countries where it does business, including those related to tariffs, taxation, and trade controls, including section 301 tariffs and section 232 steel and aluminum tariffs; (iv) the economic environment of emerging markets, particularly Latin America, Russia, China and Turkey; (v) realizing the anticipated benefits of mergers, acquisitions, joint ventures, strategic alliances or divestitures, including the closing of the CAM acquisition, its successful integration into the Company and the return to production of the Boeing 737 MAX; (vi) pricing pressure and other changes within competitive markets; (vii) availability and price of raw materials, component parts, freight, energy, labor and sourced finished goods; (viii) the impact the tightened credit markets may have on the Company or its customers or suppliers; (ix) the extent to which the Company has to write off accounts receivable or assets or experiences supply chain disruptions in connection with bankruptcy filings by customers or suppliers; (x) the Company's ability to identify and effectively execute productivity improvements and cost reductions; (xi) potential business and distribution disruptions, including those related to physical security threats, information technology or cyber-attacks, epidemics, sanctions or natural disasters; (xii) the continued consolidation of customers, particularly in consumer channels; (xiii) managing franchisee relationships; (xiv) the impact of poor weather conditions; (xv) maintaining or improving production rates in the Company's manufacturing facilities, responding to significant changes in product demand and fulfilling demand for new and existing products; (xvi) changes in the competitive landscape in the Company's markets; (xvii) the Company's non-U.S. operations, including sales to non-U.S. customers; (xviii) the impact from demand changes within world-wide markets associated with homebuilding and remodeling; (xix) potential adverse developments in new or pending litigation and/or government investigations; (xx) changes in the Company's ability to obtain debt on commercially reasonable terms and at competitive rates; (xxi) substantial pension and other postretirement benefit obligations; (xxii) potential environmental liabilities; (xxiii) work stoppages or other labor disruptions; and (xxiv) changes in accounting estimates.

Additional factors that could cause actual results to differ materially from forward-looking statements are set forth in this Annual Report on Form 10-K, including under the heading “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in the Consolidated Financial Statements and the related Notes.

Forward-looking statements in this Annual Report on Form 10-K speak only as of the date hereof, and forward-looking statements in documents attached that are incorporated by reference speak only as of the date of those documents. The Company does not undertake any obligation to update or release any revisions to any forward-looking statement or to report any events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company incorporates by reference the material captioned "Market Risk" in *Item 7* and in *Note 1, Financial Instruments*, of the *Notes to Consolidated Financial Statements* in *Item 8*.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See *Item 15* for an index to Financial Statements and Financial Statement Schedule. Such Financial Statements and Financial Statement Schedule are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

The management of Stanley Black & Decker, Inc. (the “Company”) is responsible for establishing and maintaining adequate internal control over financial reporting. 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 reporting purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

In March 2019, the Company acquired the International Equipment Solutions Attachments businesses, Paladin and Pengo, (“IES Attachments”) for approximately \$654 million. Since Stanley Black & Decker, Inc. has not yet fully incorporated the internal controls and procedures of IES Attachments into Stanley Black & Decker, Inc.’s internal control over financial reporting, management excluded this business from its assessment of the effectiveness of internal control over financial reporting as of December 28, 2019. IES Attachments accounted for 4% of Stanley Black & Decker, Inc.’s total assets as of December 28, 2019 and 2% of Stanley Black & Decker, Inc.’s net sales for the year then ended.

Management has assessed the effectiveness of the Company’s internal control over financial reporting as of December 28, 2019. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in Internal Control — Integrated Framework (2013 Framework). Management concluded that based on its assessment, the Company’s internal control over financial reporting was effective as of December 28, 2019. Ernst & Young LLP, the auditor of the financial statements included in this annual report, has issued an attestation report on the registrant’s internal control over financial reporting, a copy of which appears on page 62.

Under the supervision and with the participation of management, including the Company’s President and Chief Executive Officer and its Executive Vice President and Chief Financial Officer, the Company has, pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined under Rule 13a-15(e) of the Exchange Act). Based upon that evaluation, the Company’s President and Chief Executive Officer and its Executive Vice President and Chief Financial Officer have concluded that, as of December 28, 2019, the Company’s disclosure controls and procedures are effective. There has been no change in the Company’s internal control over financial reporting that occurred during the fiscal year ended December 28, 2019 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting aside from the previously mentioned acquisition of IES Attachments. As part of the ongoing integration activities, the Company will complete an assessment of existing controls and incorporate its controls and procedures into IES Attachments.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE OF THE REGISTRANT

The information required by this Item, except for certain information with respect to the Company's Code of Ethics, the identification of the executive officers of the Company and any material changes to the procedures by which security holders may recommend nominees to the Company's Board of Directors, as set forth below, is incorporated herein by reference to the information set forth in the section of the Company's definitive proxy statement (which will be filed pursuant to Regulation 14A under the Exchange Act within 120 days after the close of the Company's fiscal year) under the headings "Information Concerning Nominees for Election as Directors," and "Board of Directors".

Available on the Company's website at <http://www.stanleyblackanddecker.com> on the "Corporate Governance" section which appears under the "Investors" heading is the Code of Business Ethics applicable to all of its directors, officers and employees worldwide and a Code of Ethics for the Chief Executive Officer and senior financial officers including the Chief Financial Officer and principal accounting officer. The Company intends to post on its website required information regarding any amendment to, or waiver from, the Code of Business Ethics that applies to our Chief Executive Officer and senior financial officers within four business days after any such amendment or waiver.

The following is a list of the executive officers of the Company as of February 21, 2020:

Name and Age	Office	Date Elected to Office
James M. Loree (61)	President & Chief Executive Officer since August 2016. President & Chief Operating Officer (2013); Executive Vice President and Chief Operating Officer (2009); Executive Vice President Finance and Chief Financial Officer (1999).	7/19/1999
Donald Allan, Jr. (55)	Executive Vice President & Chief Financial Officer since October 2016. Senior Vice President & Chief Financial Officer (2010); Vice President & Chief Financial Officer (2009); Vice President & Corporate Controller (2002); Corporate Controller (2000); Assistant Controller (1999).	10/24/2006
Jeffery D. Ansell (52)	Executive Vice President & President, Tools & Storage since October 2016. Senior Vice President and Group Executive, Global Tools & Storage (2015); Senior Vice President and Group Executive, Construction and DIY (2010); Vice President & President, Stanley Consumer Tools Group (2006); President - Consumer Tools and Storage (2004); President of Industrial Tools & Storage (2002); Vice President - Global Consumer Tools Marketing (2001); Vice President Consumer Sales America (1999).	2/22/2006
Janet M. Link (50)	Senior Vice President, General Counsel and Secretary since July 2017. Executive Vice President, General Counsel, JC Penney Company, Inc. (2015); Vice President, Deputy General Counsel, JC Penney Company, Inc. (2014); Vice President, Deputy General Counsel, Clear Channel Companies (2013).	7/19/2017
Jaime A. Ramirez (52)	Senior Vice President & Chief Operating Officer, Tools & Storage since October 2019. Senior Vice President & President, Global Emerging Markets (2012); President, Construction & DIY, Latin America (2010); Vice President and General Manager - Latin America, Power Tools & Accessories, The Black & Decker Corporation (2008); Vice President and General Manager - Andean Region The Black & Decker Corporation (2007).	3/12/2010
Joseph R. Voelker (64)	Senior Vice President, Chief Human Resources Officer since April 2013. VP Human Resources (2009); VP Human Resources - ITG/Corporate Staff (2006); VP Human Resources - Tools Group/Operations (2004); HR Director, Tools Group (2003); HR Director, Operations (1999).	4/1/2013
John H. Wyatt (61)	President, Stanley Engineered Fastening since January 2016. President, Sales & Marketing - Global Tools & Storage (2015); President, Construction & DIY, Europe and ANZ (2012); President, Construction & DIY, EMEA (2010); President-Europe, Middle East, and Africa, Power Tools and Accessories, The Black & Decker Corporation (2008); Vice President-Consumer Products (Europe, Middle East and Africa), The Black & Decker Corporation (2006).	3/12/2010
Robert H. Raff (53)	President, Stanley Security since November 2016. President, Stanley Electronic Security North America (2015); President, North America Sales, Construction & DIY (2010); President, Stanley National Hardware (2007); Vice President of Latin America, Construction & DIY (2005); General Manager, Construction & DIY (2002).	4/19/2018
Robert Blackburn (51)	Senior Vice President of Global Operations since May 2019; Hoffman Group, CEO and Chairman of the Executive Board (2017-2018); BASF S.E., President of Supply Chain Operations & Information Services (2007-2016).	5/6/2019

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the information set forth under the sections entitled "Compensation Discussion & Analysis" and "2019 Executive Compensation" of the Company's definitive proxy statement, which will be filed pursuant to Regulation 14A under the Exchange Act within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

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

The information required by Item 403 of Regulation S-K is incorporated herein by reference to the information set forth under the sections entitled "Security Ownership of Certain Beneficial Owners," "Security Ownership of Directors and Officers," "Compensation Discussion & Analysis" and "2019 Executive Compensation" of the Company's definitive proxy statement, which will be filed pursuant to Regulation 14A under the Exchange Act within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

EQUITY COMPENSATION PLAN INFORMATION

Compensation plans under which the Company's equity securities are authorized for issuance at December 28, 2019 follow:

Plan Category	(A)	(B)	(C)
	Number of securities to be issued upon exercise of outstanding options and stock awards	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A))
Equity compensation plans approved by security holders	8,768,923 ⁽¹⁾	\$ 122.42 ⁽²⁾	12,924,290 ⁽³⁾
Equity compensation plans not approved by security holders ⁽⁴⁾	—	—	—
Total	8,768,923	\$ 122.42	12,924,290

- (1) Consists of 6,454,671 shares underlying outstanding stock options (whether vested or unvested) with a weighted-average exercise price of \$122.42 and a weighted-average term of 6.83 years; 2,219,768 shares underlying time-vesting restricted stock units that have not yet vested and the maximum number of shares that will be issued pursuant to outstanding performance awards if all established goals are met; and 94,484 of shares earned but related to which participants elected deferral of delivery. All stock-based compensation plans are discussed in *Note J, Capital Stock*, of the *Notes to Consolidated Financial Statements* in *Item 8*.
- (2) There is no cost to the recipient for shares issued pursuant to time-vesting restricted stock units or performance awards. Because there is no strike price applicable to these stock awards they are excluded from the weighted-average exercise price which pertains solely to outstanding stock options.
- (3) Consists of 1,593,759 of shares available for purchase under the employee stock purchase plan ("ESPP") at the election of employees and 11,330,531 securities available for future grants by the Board of Directors under stock-based compensation plans. On January 22, 2018, the Board of Directors adopted the 2018 Omnibus Award Plan (the "2018 Plan") and authorized the issuance of 16,750,000 shares of the Company's common stock in connection with the awards pursuant to the 2018 Plan. No further awards will be issued under the Company's 2013 Long-Term Incentive Plan.
- (4) U.S. employees are eligible to contribute from 1% to 25% of their salary to a qualified tax deferred savings plan as described in the Employee Stock Ownership Plan ("ESOP") section of *Note L, Employee Benefit Plans*, of the *Notes to the Consolidated Financial Statements* in *Item 8*. The Company contributes an amount equal to one half of the employee contribution up to the first 7% of salary. There is a non-qualified tax deferred savings plan for highly compensated salaried employees which mirrors the qualified plan provisions, but was not specifically approved by security holders. Eligible highly compensated salaried U.S. employees are eligible to contribute from 1% to 50% of their salary to the non-qualified tax deferred savings plan. The same matching arrangement was provided for highly compensated salaried employees in the non-qualified plan, to the extent the match was not fully met in the qualified plan, except that the arrangement for these employees is outside of the ESOP, and is not funded in advance of distributions. Effective January 1, 2019, the Company, at its discretion, will determine whether matching and core contributions will be made for the non-qualified tax deferred savings plan for a particular year. If the Company decides to make matching contributions for a year, it will make contributions, in an amount determined in its discretion, that may constitute part or all of or more than the matching contributions that would have been made pursuant to the

provisions of the Stanley Black & Decker Supplemental Retirement Account Plan that were in effect prior to 2019. For both qualified and non-qualified plans, the investment of the employee's contribution and the Company's contribution is controlled by the employee and may include an election to invest in Company stock. Shares of the Company's common stock may be issued at the time of a distribution from the qualified plan. The number of securities remaining available for issuance under the plans at December 28, 2019 is not determinable, since the plans do not authorize a maximum number of securities.

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

The information required by Items 404 and 407(a) of Regulation S-K is incorporated by reference to the information set forth under the sections entitled "Corporate Governance," "Director Independence" and "Related Party Transactions" of the Company's definitive proxy statement, which will be filed pursuant to Regulation 14A under the Exchange Act within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 9(e) of Schedule 14A is incorporated herein by reference to the information set forth under the section entitled "Fees of Independent Auditors" of the Company's definitive proxy statement, which will be filed pursuant to Regulation 14A under the Exchange Act within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

(a) Index to documents filed as part of this report:

1. and 2. Financial Statements and Financial Statement Schedule.

The response to this portion of Item 15 is submitted as a separate section of this report beginning with an index thereto on page 54.

3. Exhibits

See Exhibit Index in this Form 10-K on page 120.

(b) See Exhibit Index in this Form 10-K on page 120.

(c) The response in this portion of Item 15 is submitted as a separate section of this Form 10-K with an index thereto beginning on page 54.

FORM 10-K
ITEM 15(a) (1) AND (2)
STANLEY BLACK & DECKER, INC. AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

Schedule II — Valuation and Qualifying Accounts is included in Item 15 (page 57).
Management’s Report on Internal Control Over Financial Reporting (page 58).
Report of Independent Registered Public Accounting Firm — Financial Statement Opinion (page 59).
Report of Independent Registered Public Accounting Firm — Internal Control Opinion (page 62).
Consolidated Statements of Operations — fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017 (page 63).
Consolidated Statements of Comprehensive Income — fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017 (page 64).
Consolidated Balance Sheets — December 28, 2019 and December 29, 2018 (page 65).
Consolidated Statements of Cash Flows — fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017 (page 66).
Consolidated Statements of Changes in Shareowners’ Equity — fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017 (page 68).
Notes to Consolidated Financial Statements (page 69).
Selected Quarterly Financial Data (Unaudited) (page 119).
Consent of Independent Registered Public Accounting Firm (Exhibit 23).

All other schedules are omitted because either they are not applicable or the required information is shown in the financial statements or the notes thereto.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

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

STANLEY BLACK & DECKER, INC.

By: /s/ James M. Loree
James M. Loree, President and Chief Executive Officer

Date: February 21, 2020

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 Company and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ James M. Loree</u> James M. Loree	President and Chief Executive Officer	February 21, 2020
<u>/s/ Donald Allan, Jr.</u> Donald Allan, Jr.	Executive Vice President and Chief Financial Officer	February 21, 2020
<u>/s/ Jocelyn S. Belisle</u> Jocelyn S. Belisle	Vice President and Chief Accounting Officer	February 21, 2020
<u>*</u> Andrea J. Ayers	Director	February 21, 2020
<u>*</u> George W. Buckley	Director	February 21, 2020
<u>*</u> Patrick D. Campbell	Director	February 21, 2020
<u>*</u> Carlos M. Cardoso	Director	February 21, 2020
<u>*</u> Robert B. Coutts	Director	February 21, 2020
<u>*</u> Debra A. Crew	Director	February 21, 2020
<u>*</u> Michael D. Hankin	Director	February 21, 2020
<u>*</u> Dmitri L. Stockton	Director	February 21, 2020

*By: /s/ Janet M. Link
Janet M. Link
(As Attorney-in-Fact)

Schedule II — Valuation and Qualifying Accounts
Stanley Black & Decker, Inc. and Subsidiaries
Fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017
(Millions of Dollars)

	Beginning Balance	ADDITIONS		(a) Deductions	Ending Balance
		Charged To Costs And Expenses	Charged To Other Accounts (b)		
<u>Allowance for Doubtful Accounts:</u>					
Year Ended 2019	\$ 102.0	\$ 33.0	\$ 5.9	\$ (28.5)	\$ 112.4
Year Ended 2018	\$ 80.4	\$ 28.0	\$ 12.5	\$ (18.9)	\$ 102.0
Year Ended 2017	\$ 78.5	\$ 16.3	\$ 8.9	\$ (23.3)	\$ 80.4
<u>Tax Valuation Allowance:</u>					
Year Ended 2019 (c)	\$ 626.7	\$ 461.5	\$ (0.5)	\$ (22.7)	\$ 1,065.0
Year Ended 2018	\$ 516.7	\$ 146.2	\$ (6.4)	\$ (29.8)	\$ 626.7
Year Ended 2017	\$ 525.5	\$ 262.4	\$ 22.8	\$ (294.0)	\$ 516.7

- (a) With respect to the allowance for doubtful accounts, deductions represent amounts charged-off less recoveries of accounts previously charged-off.
- (b) Amounts represent the impact of foreign currency translation, acquisitions and net transfers to/from other accounts.
- (c) Refer to *Note Q, Income Taxes*, of the *Notes to Consolidated Financial Statements in Item 8* for further discussion.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Stanley Black & Decker, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. 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 reporting purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

In March 2019, the Company acquired the International Equipment Solutions Attachments businesses, Paladin and Pengo, ("IES Attachments") for approximately \$654 million. Since Stanley Black & Decker, Inc. has not yet fully incorporated the internal controls and procedures of IES Attachments into Stanley Black & Decker, Inc.'s internal control over financial reporting, management excluded this business from its assessment of the effectiveness of internal control over financial reporting as of December 28, 2019. IES Attachments accounted for 4% of Stanley Black & Decker, Inc.'s total assets as of December 28, 2019 and 2% of Stanley Black & Decker, Inc.'s net sales for the year then ended.

Management has assessed the effectiveness of Stanley Black & Decker, Inc.'s internal control over financial reporting as of December 28, 2019. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in Internal Control — Integrated Framework (2013 Framework). Management concluded that based on its assessment, Stanley Black & Decker, Inc.'s internal control over financial reporting was effective as of December 28, 2019. Ernst & Young LLP, Registered Public Accounting Firm included in this annual report, has issued an attestation report on the registrant's internal control over financial reporting, a copy of which appears on page 62.

/s/ James M. Loree

James M. Loree, President and Chief Executive Officer

/s/ Donald Allan, Jr.

Donald Allan, Jr., Executive Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Shareowners and Board of Directors of Stanley Black & Decker, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Stanley Black & Decker, Inc. (the Company) as of December 28, 2019 and December 29, 2018, the related consolidated statements of operations, comprehensive income, shareowners' equity and cash flows for each of the three years in the period ended December 28, 2019, and the related notes and the financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 28, 2019 and December 29, 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 28, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 28, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 21, 2020 expressed an unqualified opinion thereon.

Adoption of ASU 2016-02

As discussed in Note A to the consolidated financial statements, the Company changed its method for accounting for leases in fiscal year 2019 due to the adoption of ASU 2016-02, Leases and associated amendments (Topic 842), using the modified retrospective method. As explained below, auditing the Company's adoption of the new standard was a critical audit matter.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

<i>Description of the Matter</i>	<p><i>Adoption of ASU 2016-02, Leases (Topic 842)</i></p> <p>As discussed above and in Note A of the consolidated financial statements, the Company adopted ASU 2016-02, Leases (Topic 842), in the first quarter of 2019. As discussed in Note R, as a result of the adoption, the Company recorded a lease liability of \$537 million and right-of-use asset of approximately \$535 million in its consolidated balance sheet as of December 28, 2019.</p>
	<p>Auditing management's initial recognition of the lease liability and right-of-use asset upon adoption of ASU 2016-02 was challenging because of the volume and diversity of leases in the Company's global lease portfolio. Further, the Company's estimated incremental borrowing rate had a significant effect on the measurement of the lease liability and right-of use asset recognized upon adoption. Auditing management's estimated incremental borrowing rate was complex due to the judgment involved in developing foreign currency spreads to the U.S. rate and applying them to the leases in the Company's global lease portfolio.</p>
<i>How We Addressed the Matter in Our Audit</i>	<p>We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the adoption of ASU 2016-02. Our audit procedures included, among other procedures, testing controls over management's review of the completeness of the lease population and the calculation of the incremental borrowing rate.</p>
	<p>We tested the completeness and accuracy of the data used in the Company's initial recognition of the lease liability and right-of-use asset. Our procedures included, among others, comparing the information in a sample of lease agreements to the Company's analysis and selecting leases from independent sources and assessing their inclusion in the Company's analysis. We involved our valuation specialists to assist in evaluating the key assumptions and methodologies management used to develop the incremental borrowing rate. We independently calculated a range of incremental borrowing rates and evaluated the sensitivity of the model.</p>
<i>Description of the Matter</i>	<p><i>Accounting for Acquisition of IES Attachments</i></p> <p>As discussed in Note E of the consolidated financial statements, the Company acquired the equipment manufacturer, IES Attachments, on March 8, 2019 for a total purchase price of approximately \$654 million, net of cash acquired. The Company allocated the purchase price, on a preliminary basis, to the assets acquired and liabilities assumed based on their respective fair values, including identified intangible assets of \$328 million and resulting goodwill of approximately \$309 million.</p>
	<p>Auditing the Company's accounting for the acquired intangible assets involved subjective auditor judgment due to the significant estimation required in management's determination of the fair value of intangible assets. The significant estimation was primarily due to the sensitivity of the significant assumptions in determining fair value, including discount rates, projected revenue growth rates and profit margins. These assumptions relate to the future performance of the acquired business, are forward-looking and could be affected by future economic and market conditions.</p>
<i>How We Addressed the Matter in Our Audit</i>	<p>We obtained an understanding, evaluated the design and tested the operating effectiveness of the controls over the Company's accounting for business combinations. Our audit procedures included, among other procedures, testing controls over the valuation of intangible assets, including the valuation models and underlying assumptions used to develop such estimates.</p>
	<p>To test the estimated fair value of the intangible assets, we performed audit procedures that included, among other procedures, evaluating the appropriateness of the valuation methodologies and testing the significant assumptions used in the model, as described above, including the completeness and accuracy of the underlying data. We compared the significant assumptions to current industry, market and economic trends, to the historical results of the acquired business and to other guideline companies within the same industry. We involved our valuation specialists to assist with our evaluation of the methodology used by the Company and the significant assumptions included in the fair value estimates.</p>
<i>Description of the Matter</i>	<p><i>Annual Test of Impairment of Goodwill in the Infrastructure Reporting Unit</i></p> <p>At December 28, 2019, the Company's goodwill balance was approximately \$9,238 million. As discussed in Note A of the consolidated financial statements, goodwill is not amortized but rather is tested for impairment at least annually at the reporting unit level. The Company's goodwill is initially assigned to its reporting units as of the relevant acquisition date.</p>
	<p>Auditing management's annual goodwill impairment test for the Infrastructure reporting unit was challenging and highly judgmental due to the significant estimation required, in particular, the fair value estimate was sensitive to the significant assumption of revenue growth, which is affected by expected future market or economic conditions. A substantial portion of the revenues of the Infrastructure reporting unit are derived from customers' investments in cyclical industries that typically are subject to severe economic cycles, partially driven by the prices of oil and of scrap metal, which could have an impact on the goodwill impairment analysis for the Infrastructure reporting unit.</p>

How We Addressed the Matter in Our Audit We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the determination of fair value, including the significant assumption of revenue growth discussed above, used in the Infrastructure goodwill impairment analysis. Our audit procedures included, among other procedures, testing controls over the Company's budgetary process and management's review of that information.

To test the estimated fair value of the Infrastructure reporting unit, we performed audit procedures that included, among other procedures, assessing the Company's methodologies and testing the significant revenue growth assumption discussed above and the underlying data used by the Company in its analysis. We compared the revenue growth rates used by management to current industry and economic trends, including, among other factors, the price of oil and scrap metal, and considering the Company's business model, customer base, product mix and other relevant factors. We assessed the historical accuracy of management's estimates and performed sensitivity analyses to evaluate the change in the fair value of the reporting unit that would result from changes in the revenue growth assumption. In addition, we evaluated the reconciliation of the combined estimated fair value of the Company's reporting units to the market capitalization of the Company and assessed the resulting control premium. Further, we involved our valuation specialists to assist in the evaluation of the methodology used to estimate the fair value of the Infrastructure reporting unit.

Description of the Matter

Uncertain Tax Positions

At December 28, 2019, the Company had recorded a liability for uncertain tax positions of approximately \$406 million. As discussed in Notes A and Q of the consolidated financial statements, the Company conducts business globally and, as a result, is subject to income tax in a number of locations, including many state and foreign jurisdictions. Uncertainty in a tax position may arise as tax laws are subject to interpretation. The Company uses significant judgment in (1) determining whether a tax position's technical merits are more likely than not to be sustained and (2) measuring the amount of tax benefit that qualifies for recognition. The Company considers many factors when evaluating and estimating its tax positions such as, but not limited to, the settlements of on-going audits.

Auditing the measurement and determination of whether a tax position is more likely than not to be upheld under examination is challenging and subjective due to the Company's global operations, the many tax jurisdictions in which it operates, the distinctive nature and unique facts and circumstances of each tax position and the interpretations of tax law and legal rulings. Many of these same factors also make it challenging to audit the completeness of the uncertain tax reserves.

How We Addressed the Matter in Our Audit

We identified and tested controls around the Company's judgments and determinations on tax positions, including the Company's process to verify that all uncertain tax positions are identified and considered as part of the analysis, controls addressing completeness of the uncertain tax positions and the determination of the more-likely-than-not amount of the positions to be upheld.

With the support of our tax professionals, we performed an evaluation of the Company's estimates with respect to uncertain tax positions including the technical merits of the Company's tax positions. This included assessing the Company's analysis of jurisdictions with potential tax liabilities and other international tax considerations. We considered the Company's judgments and the factors involved with each significant tax position. To support our evaluation, we used our knowledge of, and experience with, the application of international and local income tax laws by the relevant income tax authorities to evaluate the Company's accounting for those tax positions. We analyzed the Company's assumptions and data used to determine the amount of tax benefit to recognize and tested the completeness and accuracy of the data used to determine the amount of tax benefits recognized and tested the accuracy of such calculations. We also evaluated the Company's income tax disclosures included in Note Q to the consolidated financial statements in relation to these matters.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1932.
Hartford, Connecticut
February 21, 2020

Report of Independent Registered Public Accounting Firm

To the Shareowners and Board of Directors of Stanley Black & Decker, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Stanley Black & Decker, Inc.'s internal control over financial reporting as of December 28, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Stanley Black & Decker, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 28, 2019, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of International Equipment Solutions Attachments Group ("IES Attachments"), which is included in the 2019 consolidated financial statements of the Company and constituted 4% of total assets as of December 28, 2019 and 2% of net sales for the fiscal year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of IES Attachments.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 28, 2019 and December 29, 2018, and the related consolidated statements of operations, comprehensive income, shareowners' equity and cash flows for each of the three fiscal years in the period ended December 28, 2019, and the related notes and schedule listed in the Index at Item 15(a) and our report dated February 21, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of 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.

/s/ Ernst & Young LLP
Hartford, Connecticut
February 21, 2020

Consolidated Statements of Operations
Fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017
(Millions of Dollars, Except Per Share Amounts)

	2019	2018	2017
Net Sales	\$ 14,442.2	\$ 13,982.4	\$ 12,966.6
Costs and Expenses			
Cost of sales	\$ 9,636.7	\$ 9,131.3	\$ 8,188.3
Selling, general and administrative	3,008.0	3,143.7	2,982.9
Provision for doubtful accounts	33.0	28.0	16.3
Other, net	249.1	287.0	269.2
(Gain) loss on sales of businesses	(17.0)	0.8	(264.1)
Pension settlement	—	—	12.2
Restructuring charges	154.1	160.3	51.5
Loss on debt extinguishment	17.9	—	—
Interest income	(53.9)	(68.7)	(40.1)
Interest expense	284.3	277.9	222.6
	\$ 13,312.2	\$ 12,960.3	\$ 11,438.8
Earnings before income taxes and equity interest	1,130.0	1,022.1	1,527.8
Income taxes	160.8	416.3	300.9
Net earnings before equity interest	\$ 969.2	\$ 605.8	\$ 1,226.9
Share of net loss of equity method investment	\$ (11.2)	\$ —	\$ —
Net earnings	\$ 958.0	\$ 605.8	\$ 1,226.9
Less: Net earnings (loss) attributable to non-controlling interests	2.2	0.6	(0.4)
Net Earnings Attributable to Common Shareowners	\$ 955.8	\$ 605.2	\$ 1,227.3
Earnings per share of common stock:			
Basic	\$ 6.44	\$ 4.06	\$ 8.20
Diluted	\$ 6.35	\$ 3.99	\$ 8.05

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income
Fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017
(Millions of Dollars)

	2019	2018	2017
Net Earnings Attributable to Common Shareowners	\$ 955.8	\$ 605.2	\$ 1,227.3
Other comprehensive (loss) income:			
Currency translation adjustment and other	(36.0)	(373.0)	478.5
Unrealized (losses) gains on cash flow hedges, net of tax	(27.4)	85.8	(66.3)
Unrealized gains (losses) on net investment hedges, net of tax	34.0	59.9	(85.2)
Pension (losses) gains, net of tax	(40.9)	2.1	5.5
Other comprehensive (loss) income	\$ (70.3)	\$ (225.2)	\$ 332.5
Comprehensive income attributable to common shareowners	<u>\$ 885.5</u>	<u>\$ 380.0</u>	<u>\$ 1,559.8</u>

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets
December 28, 2019 and December 29, 2018
(Millions of Dollars)

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 297.7	\$ 288.7
Accounts and notes receivable, net	1,454.6	1,607.8
Inventories, net	2,255.0	2,373.5
Prepaid expenses	395.4	240.5
Other current assets	53.9	58.9
Total Current Assets	4,456.6	4,569.4
Property, Plant and Equipment, net	1,959.5	1,915.2
Goodwill	9,237.5	8,956.7
Customer Relationships, net	1,317.3	1,165.2
Trade Names, net	2,253.6	2,254.8
Other Intangible Assets, net	51.1	64.4
Other Assets	1,321.0	482.3
Total Assets	\$ 20,596.6	\$ 19,408.0
LIABILITIES AND SHAREOWNERS' EQUITY		
Current Liabilities		
Short-term borrowings	\$ 337.3	\$ 376.1
Current maturities of long-term debt	3.1	2.5
Accounts payable	2,087.8	2,233.2
Accrued expenses	1,977.5	1,389.8
Total Current Liabilities	4,405.7	4,001.6
Long-Term Debt	3,176.4	3,819.8
Deferred Taxes	731.2	705.3
Post-Retirement Benefits	609.4	595.4
Other Liabilities	2,531.7	2,446.0
Commitments and Contingencies (Notes R and S)		
Shareowners' Equity		
Stanley Black & Decker, Inc. Shareowners' Equity		
Preferred stock, without par value:		
Authorized 10,000,000 shares in 2019 and 2018		
Issued and outstanding 1,500,000 shares in 2019 and 750,000 shares in 2018	1,500.0	750.0
Common stock, par value \$2.50 per share:		
Authorized 300,000,000 shares in 2019 and 2018		
Issued 176,902,738 shares in 2019 and 2018	442.3	442.3
Retained earnings	6,772.8	6,219.0
Additional paid in capital	4,492.9	4,621.0
Accumulated other comprehensive loss	(1,884.6)	(1,814.3)
ESOP	(2.3)	(10.5)
	11,321.1	10,207.5
Less: cost of common stock in treasury (23,396,329 shares in 2019 and 25,600,288 shares in 2018)	(2,184.8)	(2,371.3)
Stanley Black & Decker, Inc. Shareowners' Equity	9,136.3	7,836.2
Non-controlling interests	5.9	3.7
Total Shareowners' Equity	9,142.2	7,839.9
Total Liabilities and Shareowners' Equity	\$ 20,596.6	\$ 19,408.0

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows
Fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017
(Millions of Dollars)

	2019	2018	2017
Operating Activities:			
Net earnings	\$ 958.0	\$ 605.8	\$ 1,226.9
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of property, plant and equipment	372.8	331.2	296.9
Amortization of intangibles	187.4	175.3	163.8
Inventory step-up amortization	7.4	9.6	43.2
(Gain) loss on sales of businesses	(17.0)	0.8	(264.1)
Loss on debt extinguishment	17.9	—	—
Stock-based compensation expense	88.8	76.5	78.7
Provision for doubtful accounts	33.0	28.0	16.3
Share of net loss of equity method investment	11.2	—	—
Deferred tax (benefit) expense	(17.9)	191.1	(103.0)
Other non-cash items	(13.8)	10.1	24.4
Changes in operating assets and liabilities:			
Accounts receivable	137.8	(48.8)	(905.6)
Inventories	137.7	(401.6)	(303.0)
Accounts payable	(169.1)	211.0	240.4
Deferred revenue	8.5	1.5	1.6
Other current assets	(183.6)	(4.4)	(5.9)
Other long-term assets	(37.3)	28.9	84.9
Accrued expenses	123.6	70.1	123.3
Defined benefit liabilities	(47.6)	(44.7)	(66.5)
Other long-term liabilities	(92.1)	20.5	16.2
Net cash provided by operating activities	1,505.7	1,260.9	668.5
Investing Activities:			
Capital and software expenditures	(424.7)	(492.1)	(442.4)
Sales of assets	100.1	45.2	50.2
Business acquisitions, net of cash acquired	(685.4)	(524.6)	(2,583.5)
Sales of businesses, net of cash sold	76.6	(3.0)	756.9
Purchases of investments	(260.6)	(21.7)	(17.9)
Net investment hedge settlements	8.0	25.7	(23.3)
Proceeds related to deferred purchase price receivable	—	—	704.7
Other	(22.6)	(18.6)	(11.5)
Net cash used in investing activities	(1,208.6)	(989.1)	(1,566.8)
Financing Activities:			
Payments on long-term debt	(1,150.0)	(977.5)	(2.8)
Proceeds from debt issuances, net of fees	496.2	990.0	—
Net short-term (repayments) borrowings	(18.1)	433.2	(76.7)
Stock purchase contract fees	(40.3)	(40.3)	(20.0)
Purchases of common stock for treasury	(27.5)	(527.1)	(28.7)
Proceeds from issuances of preferred stock	735.0	—	726.0
Premium paid on equity options	(19.2)	(57.3)	(25.1)
Proceeds from issuances of common stock	146.0	38.5	90.8
Cash dividends on common stock	(402.0)	(384.9)	(362.9)
Other	(12.6)	(36.2)	(5.4)
Net cash (used in) provided by financing activities	(292.5)	(561.6)	295.2
Effect of exchange rate changes on cash and cash equivalents	(1.4)	(53.9)	81.0
Change in cash, cash equivalents and restricted cash	3.2	(343.7)	(522.1)
Cash, cash equivalents and restricted cash, beginning of year	311.4	655.1	1,177.2
Cash, cash equivalents and restricted cash, end of year	\$ 314.6	\$ 311.4	\$ 655.1

The following table provides a reconciliation of the cash, cash equivalents and restricted cash balances as of December 28, 2019 and December 29, 2018, as shown above:

	<u>December 28, 2019</u>	<u>December 29, 2018</u>
Cash and cash equivalents	\$ 297.7	\$ 288.7
Restricted cash included in Other current assets	16.9	22.7
Cash, cash equivalents and restricted cash	\$ 314.6	\$ 311.4

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Shareowners' Equity
Fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017
(Millions of Dollars, Except Per Share Amounts)

	Preferred Stock	Common Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	ESOP	Treasury Stock	Non- Controlling Interests	Shareowners' Equity
Balance December 31, 2016	\$ —	\$ 442.3	\$ 4,774.4	\$ 5,134.3	\$ (1,921.6)	\$ (25.9)	\$ (2,029.9)	\$ 6.6	\$ 6,380.2
Net earnings				1,227.3				(0.4)	1,226.9
Other comprehensive income					332.5				332.5
Cash dividends declared — \$2.42 per share				(362.9)					(362.9)
Issuance of common stock (1,680,339)			(43.7)				134.5		90.8
Repurchase of common stock (202,075 shares)							(28.7)		(28.7)
Issuance of preferred stock (750,000 shares)	750.0		(24.0)						726.0
Equity units - stock contract fees			(117.1)						(117.1)
Non-controlling interest dissolution								(3.4)	(3.4)
Premium paid on equity option			(25.1)						(25.1)
Stock-based compensation related			78.7						78.7
ESOP						7.1			7.1
Balance December 30, 2017	\$ 750.0	\$ 442.3	\$ 4,643.2	\$ 5,998.7	\$ (1,589.1)	\$ (18.8)	\$ (1,924.1)	\$ 2.8	\$ 8,305.0
Net earnings				605.2				0.6	605.8
Other comprehensive loss					(225.2)				(225.2)
Cash dividends declared — \$2.58 per share				(384.9)					(384.9)
Issuance of common stock (941,854)			(41.4)				79.9		38.5
Repurchase of common stock (3,677,435 shares)							(527.1)		(527.1)
Premium paid on equity option			(57.3)						(57.3)
Non-controlling interest buyout								0.3	0.3
Stock-based compensation related			76.5						76.5
ESOP						8.3			8.3
Balance December 29, 2018	\$ 750.0	\$ 442.3	\$ 4,621.0	\$ 6,219.0	\$ (1,814.3)	\$ (10.5)	\$ (2,371.3)	\$ 3.7	\$ 7,839.9
Net earnings				955.8				2.2	958.0
Other comprehensive loss					(70.3)				(70.3)
Cash dividends declared — \$2.70 per share				(402.0)					(402.0)
Issuance of common stock (2,391,336)			(68.0)				214.0		146.0
Repurchase of common stock (187,377 shares)							(27.5)		(27.5)
Issuance of preferred stock (750,000 shares)	750.0		(15.5)						734.5
Equity units - stock contract fees			(114.2)						(114.2)
Premium paid on equity option			(19.2)						(19.2)
Stock-based compensation related			88.8						88.8
ESOP						8.2			8.2
Balance December 28, 2019	\$ 1,500.0	\$ 442.3	\$ 4,492.9	\$ 6,772.8	\$ (1,884.6)	\$ (2.3)	\$ (2,184.8)	\$ 5.9	\$ 9,142.2

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

A. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION — The Consolidated Financial Statements include the accounts of Stanley Black & Decker, Inc. and its majority-owned subsidiaries (collectively the “Company”) which require consolidation, after the elimination of intercompany accounts and transactions. The Company’s fiscal year ends on the Saturday nearest to December 31. There were 52 weeks in each of the fiscal years 2019, 2018 and 2017.

In March 2019, the Company acquired International Equipment Solutions Attachments businesses, Paladin and Pengo, (“IES Attachments”), a manufacturer of high quality, performance-driven heavy equipment attachment tools for off-highway applications. The acquisition is being accounted for as a business combination using the acquisition method of accounting and the results have been consolidated into the Company’s Industrial segment. In April 2018, the Company acquired the industrial business of Nelson Fastener Systems (“Nelson”), which excluded Nelson’s automotive stud welding business. The results of Nelson have been consolidated into the Company’s Industrial segment. In March 2017, the Company acquired the Tools business of Newell Brands (“Newell Tools”) and the Craftsman® brand. The results of Newell Tools and the Craftsman® brand have been consolidated into the Company’s Tools & Storage segment. The 2018 and 2017 acquisitions were accounted for as business combinations using the acquisition method of accounting.

In January 2019, the Company acquired a 20 percent interest in MTD Holdings Inc. (“MTD”), a privately held global manufacturer of outdoor power equipment. MTD manufactures and distributes gas-powered lawn tractors, zero turn mowers, walk behind mowers, snow throwers, trimmers, chain saws, utility vehicles and other outdoor power equipment. Under the terms of the agreement, the Company has the option to acquire the remaining 80 percent of MTD beginning on July 1, 2021 and ending on January 2, 2029. In the event the option is exercised, the companies have agreed to a valuation multiple based on MTD’s 2018 Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”), with an equitable sharing arrangement for future EBITDA growth. The Company is applying the equity method of accounting to the MTD investment.

Refer to *Note E, Acquisitions and Investments*, for further discussion on these transactions.

In the second quarter of 2019, the Company sold its Sargent & Greenleaf mechanical locks business within the Security segment. The operating results of this business have been reported in the Consolidated Financial Statements through the date of sale in 2019 and for the years ended December 29, 2018 and December 30, 2017. In the first quarter of 2017, the Company sold the majority of its mechanical security businesses within the Security segment, which included the commercial hardware brands of Best Access, phi Precision and GMT, and sold a small business within the Tools & Storage segment. The Company also sold a small business in the Industrial segment in the third quarter of 2017 and a small business in the Tools & Storage segment in the fourth quarter of 2017. The operating results of these businesses have been reported in the Consolidated Financial Statements through their respective dates of sale in 2017. Refer to *Note T, Divestitures*, for further discussion.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. While management believes that the estimates and assumptions used in the preparation of the financial statements are appropriate, actual results could differ from these estimates. Certain amounts reported in previous years have been reclassified to conform to the 2019 presentation.

FOREIGN CURRENCY — For foreign operations with functional currencies other than the U.S. dollar, asset and liability accounts are translated at current exchange rates, while income and expenses are translated using average exchange rates. Translation adjustments are reported in a separate component of shareowners’ equity and exchange gains and losses on transactions are included in earnings.

CASH EQUIVALENTS — Highly liquid investments with original maturities of three months or less are considered cash equivalents.

ACCOUNTS AND FINANCING RECEIVABLE — Trade receivables are stated at gross invoice amounts less discounts, other allowances and provisions for uncollectible accounts. Financing receivables are initially recorded at fair value, less impairments or provisions for credit losses. Interest income earned from financing receivables that are not delinquent is recorded on the effective interest method. The Company considers any financing receivable that has not been collected within 90 days of original billing date as past-due or delinquent. Additionally, the Company considers the credit quality of all past-due or delinquent financing receivables as nonperforming.

ALLOWANCE FOR DOUBTFUL ACCOUNTS — The Company estimates its allowance for doubtful accounts using two methods. First, a specific reserve is established for individual accounts where information indicates the customers may have an inability to meet financial obligations. Second, a reserve is determined for all customers based on a range of percentages applied to aging categories. These percentages are based on historical collection and write-off experience. Actual write-offs are charged against the allowance when collection efforts have been unsuccessful.

INVENTORIES — U.S. inventories are primarily valued at the lower of Last-In First-Out (“LIFO”) cost or market because the Company believes it results in better matching of costs and revenues. Other inventories are primarily valued at the lower of First-In, First-Out (“FIFO”) cost and net realizable value because LIFO is not permitted for statutory reporting outside the U.S. Refer to *Note C, Inventories*, for a quantification of the LIFO impact on inventory valuation.

PROPERTY, PLANT AND EQUIPMENT — The Company generally values property, plant and equipment (“PP&E”), including capitalized software, at historical cost less accumulated depreciation and amortization. Costs related to maintenance and repairs which do not prolong the asset’s useful life are expensed as incurred. Depreciation and amortization are provided using straight-line methods over the estimated useful lives of the assets as follows:

	Useful Life (Years)
Land improvements	10 — 20
Buildings	40
Machinery and equipment	3 — 15
Computer software	3 — 7

Leasehold improvements are depreciated over the shorter of the estimated useful life or the term of the lease.

The Company reports depreciation and amortization of property, plant and equipment in cost of sales and selling, general and administrative expenses based on the nature of the underlying assets. Depreciation and amortization related to the production of inventory and delivery of services are recorded in cost of sales. Depreciation and amortization related to distribution center activities, selling and support functions are reported in selling, general and administrative expenses.

The Company assesses its long-lived assets for impairment when indicators that the carrying amounts may not be recoverable are present. In assessing long-lived assets for impairment, the Company groups its long-lived assets with other assets and liabilities at the lowest level for which identifiable cash flows are generated (“asset group”) and estimates the undiscounted future cash flows that are directly associated with, and expected to be generated from, the use of and eventual disposition of the asset group. If the carrying value is greater than the undiscounted cash flows, an impairment loss must be determined and the asset group is written down to fair value. The impairment loss is quantified by comparing the carrying amount of the asset group to the estimated fair value, which is generally determined using weighted-average discounted cash flows that consider various possible outcomes for the disposition of the asset group.

GOODWILL AND INTANGIBLE ASSETS — Goodwill represents costs in excess of values assigned to the underlying net assets of acquired businesses. Intangible assets acquired are recorded at estimated fair value. Goodwill and intangible assets deemed to have indefinite lives are not amortized, but are tested for impairment annually during the third quarter, and at any time when events suggest an impairment more likely than not has occurred.

To assess goodwill for impairment, the Company, depending on relevant facts and circumstances, performs either a qualitative assessment or a quantitative analysis utilizing a discounted cash flow valuation model. In performing a qualitative assessment, the Company first assesses relevant factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step quantitative goodwill impairment test. The Company identifies and considers the significance of relevant key factors, events, and circumstances that could affect the fair value of each reporting unit. These factors include external factors such as macroeconomic, industry, and market conditions, as well as entity-specific factors, such as actual and planned financial performance. The Company also considers changes in each reporting unit’s fair value and carrying amount since the most recent date a fair value measurement was performed. In performing a quantitative analysis, the Company determines the fair value of a reporting unit using management’s assumptions about future cash flows based on long-range strategic plans. This approach incorporates many assumptions including discount rates, future growth rates and expected profitability. In the event the carrying amount of a reporting unit exceeded its fair value, an impairment loss would be recognized to the extent the carrying amount of the reporting unit’s goodwill exceeded the implied fair value of the goodwill.

Indefinite-lived intangible assets are tested for impairment utilizing either a qualitative assessment or a quantitative analysis. For a qualitative assessment, the Company identifies and considers relevant key factors, events, and circumstances to determine

whether it is necessary to perform a quantitative impairment test. The key factors considered include macroeconomic, industry, and market conditions, as well as the asset's actual and forecasted results. For the quantitative impairment tests, the Company compares the carrying amounts to the current fair market values, usually determined by the estimated cost to lease the assets from third parties. Intangible assets with definite lives are amortized over their estimated useful lives generally using an accelerated method. Under this accelerated method, intangible assets are amortized reflecting the pattern over which the economic benefits of the intangible assets are consumed. Definite-lived intangible assets are also evaluated for impairment when impairment indicators are present. If the carrying amount exceeds the total undiscounted future cash flows, a discounted cash flow analysis is performed to determine the fair value of the asset. If the carrying amount of the asset was to exceed the fair value, it would be written down to fair value. No significant goodwill or other intangible asset impairments were recorded during 2019, 2018 or 2017.

FINANCIAL INSTRUMENTS — Derivative financial instruments are employed to manage risks, including foreign currency, interest rate exposures and commodity prices and are not used for trading or speculative purposes. As part of the Company's risk management program, a variety of financial instruments such as interest rate swaps, currency swaps, purchased currency options, foreign exchange contracts and commodity contracts, may be used to mitigate interest rate exposure, foreign currency exposure and commodity price exposure. The Company recognizes all derivative instruments in the balance sheet at fair value.

Changes in the fair value of derivatives are recognized periodically either in earnings or in shareholders' equity as a component of other comprehensive income (loss) ("OCI"), depending on whether the derivative financial instrument is undesignated or qualifies for hedge accounting, and if so, whether it represents a fair value, cash flow, or net investment hedge. Changes in the fair value of derivatives accounted for as fair value hedges are recorded in earnings in the same caption as the changes in the fair value of the hedged items. Gains and losses on derivatives designated as cash flow hedges, to the extent they are included in the assessment of effectiveness, are recorded in OCI and subsequently reclassified to earnings to offset the impact of the hedged items when they occur. In the event it becomes probable the forecasted transaction to which a cash flow hedge relates will not occur, the derivative would be terminated and the amount in accumulated other comprehensive income (loss) would be recognized in earnings. Changes in the fair value of derivatives that are designated and qualify as a hedge of the net investment in foreign operations, to the extent they are included in the assessment of effectiveness, are reported in OCI and are deferred until disposal of the underlying assets. Gains and losses representing components excluded from the assessment of effectiveness for cash flow and fair value hedges are recognized in earnings on a straight-line basis in the same caption as the hedged item over the term of the hedge. Gains and losses representing components excluded from the assessment of effectiveness for net investment hedges are recognized in earnings on a straight-line basis in Other, net over the term of the hedge.

The net interest paid or received on interest rate swaps is recognized as interest expense. Gains and losses resulting from the early termination of interest rate swap agreements are deferred and amortized as adjustments to interest expense over the remaining period of the debt originally covered by the terminated swap.

Changes in the fair value of derivatives not designated as hedges are reported in Other, net in the Consolidated Statements of Operations. Refer to *Note 1, Financial Instruments*, for further discussion.

REVENUE RECOGNITION — The Company's revenues result from the sale of goods or services and reflect the consideration to which the Company expects to be entitled. The Company records revenue based on a five-step model in accordance with Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* ("ASC 606"). For its contracts with customers, the Company identifies the performance obligations (goods or services), determines the transaction price, allocates the contract transaction price to the performance obligations, and recognizes the revenue when (or as) the performance obligation is transferred to the customer. A good or service is transferred when (or as) the customer obtains control of that good or service. The majority of the Company's revenues are recorded at a point in time from the sale of tangible products.

A portion of the Company's revenues within the Security and Infrastructure businesses is generated from equipment leased to customers. Customer arrangements are identified as leases if they include transfer of a tangible asset which is provided to the customer in exchange for payments typically at fixed rates payable monthly, quarterly or annually. Customer leases may include terms to allow for extension of leases for a short period of time, but typically do not provide for customer termination prior to the initial term. Some customer leases include terms to allow the customer to purchase the underlying asset, which occurs occasionally, and virtually no customer leases include residual value guarantee clauses. Within the Security business, the underlying asset typically has no value at termination of the customer lease, so no residual value asset is recorded in the financial statements. For Infrastructure business leases, underlying assets are assessed for functionality at termination of the lease and, if necessary, an impairment to the leased asset value is recorded.

Provisions for customer volume rebates, product returns, discounts and allowances are variable consideration and are recorded as a reduction of revenue in the same period the related sales are recorded. Such provisions are calculated using historical averages adjusted for any expected changes due to current business conditions. Consideration given to customers for cooperative advertising is recognized as a reduction of revenue except to the extent that there is a distinct good or service and evidence of the fair value of the advertising, in which case the expense is classified as selling, general, and administrative expense.

The Company's revenues can be generated from contracts with multiple performance obligations. When a contract involves multiple performance obligations, each obligation is separately identified and the transaction price is allocated based on the amount of consideration the Company expects to be entitled to in exchange for transferring the promised good or service to the customer.

Sales of security monitoring systems may have multiple performance obligations, including equipment, installation and monitoring or maintenance services. In most instances, the Company allocates the appropriate amount of consideration to each performance obligation based on the standalone selling price ("SSP") of the distinct goods or services performance obligation. In circumstances where SSP is not observable, the Company allocates the consideration for the performance obligations by utilizing one of the following methods: expected cost plus margin, the residual approach, or a mix of these estimation methods.

For performance obligations that the Company satisfies over time, revenue is recognized by consistently applying a method of measuring progress toward complete satisfaction of that performance obligation. The Company utilizes the method that most accurately depicts the progress toward completion of the performance obligation.

The Company's contract sales for the installation of security intruder systems and other construction-related projects are generally recorded under the input method. The input method recognizes revenue on the basis of the Company's efforts or inputs to the satisfaction of a performance obligation relative to the total inputs expected to satisfy that performance obligation. Revenue recognized on security contracts in process are based upon the allocated contract price and related total inputs of the project at completion. The extent of progress toward completion is generally measured using input methods based on labor metrics. Revisions to these estimates as contracts progress have the effect of increasing or decreasing profits each period. Provisions for anticipated losses are made in the period in which they become determinable. The revenues for monitoring and monitoring-related services are recognized as services are rendered over the contractual period.

The Company utilizes the output method for contract sales in the Oil & Gas product line. The output method recognizes revenue based on direct measurements of the customer value of the goods or services transferred to date relative to the remaining goods or services promised under the contract. The output method includes methods such as surveys of performance completed to date, appraisals of results achieved, milestones reached, time elapsed, and units produced or units delivered.

Contract assets or liabilities result from transactions with revenue recorded over time. If the measure of remaining rights exceeds the measure of the remaining performance obligations, the Company records a contract asset. Conversely, if the measure of the remaining performance obligations exceeds the measure of the remaining rights, the Company records a contract liability.

Incremental costs of obtaining or fulfilling a contract with a customer that are expected to be recovered are recognized and classified in Other current assets or Other assets in the Consolidated Balance Sheets and are typically amortized over the contract period. The Company recognizes the incremental costs of obtaining or fulfilling a contract as expense when incurred if the amortization period of the asset is one year or less.

Customer billings for services not yet rendered are deferred and recognized as revenue as the services are rendered. The associated deferred revenue is included in Accrued expenses or Other liabilities, as appropriate, in the Consolidated Balance Sheets.

Refer to *Note B, Accounts and Notes Receivable*, for further discussion.

COST OF SALES AND SELLING, GENERAL & ADMINISTRATIVE —Cost of sales includes the cost of products and services provided, reflecting costs of manufacturing and preparing the product for sale. These costs include expenses to acquire and manufacture products to the point that they are allocable to be sold to customers and costs to perform services pertaining to service revenues (e.g. installation of security systems, automatic doors, and security monitoring costs). Cost of sales is primarily comprised of freight, direct materials, direct labor as well as overhead which includes indirect labor and facility and equipment costs. Cost of sales also includes quality control, procurement and material receiving costs as well as internal transfer costs. Selling, general & administrative costs ("SG&A") include the cost of selling products as well as administrative

function costs. These expenses generally represent the cost of selling and distributing the products once they are available for sale and primarily include salaries and commissions of the Company's sales force, distribution costs, notably salaries and facility costs, as well as administrative expenses for certain support functions and related overhead.

ADVERTISING COSTS — Television advertising is expensed the first time the advertisement airs, whereas other advertising is expensed as incurred. Advertising costs are classified in SG&A and amounted to \$90.4 million in 2019, \$101.3 million in 2018 and \$123.3 million in 2017. Expense pertaining to cooperative advertising with customers reported as a reduction of Net Sales was \$323.2 million in 2019, \$315.8 million in 2018 and \$297.4 million in 2017. Cooperative advertising with customers classified as SG&A expense amounted to \$6.9 million in 2019, \$5.4 million in 2018 and \$6.1 million in 2017.

SALES TAXES — Sales and value added taxes collected from customers and remitted to governmental authorities are excluded from Net Sales reported in the Consolidated Statements of Operations.

SHIPPING AND HANDLING COSTS — The Company generally does not bill customers for freight. Shipping and handling costs associated with inbound and outbound freight are reported in Cost of sales. Distribution costs are classified in SG&A and amounted to \$326.7 million, \$316.0 million and \$279.8 million in 2019, 2018 and 2017, respectively.

STOCK-BASED COMPENSATION — Compensation cost relating to stock-based compensation grants is recognized on a straight-line basis over the vesting period, which is generally four years. The expense for stock options and restricted stock units awarded to retirement-eligible employees (those aged 55 and over, and with 10 or more years of service) is recognized on the grant date, or (if later) by the date they become retirement-eligible.

POSTRETIREMENT DEFINED BENEFIT PLAN — The Company uses the corridor approach to determine expense recognition for each defined benefit pension and other postretirement plan. The corridor approach defers actuarial gains and losses resulting from variances between actual and expected results (based on economic estimates or actuarial assumptions) and amortizes them over future periods. For pension plans, these unrecognized gains and losses are amortized when the net gains and losses exceed 10% of the greater of the market-related value of plan assets or the projected benefit obligation at the beginning of the year. For other postretirement benefits, amortization occurs when the net gains and losses exceed 10% of the accumulated postretirement benefit obligation at the beginning of the year. For ongoing, active plans, the amount in excess of the corridor is amortized on a straight-line basis over the average remaining service period for active plan participants. For plans with primarily inactive participants, the amount in excess of the corridor is amortized on a straight-line basis over the average remaining life expectancy of inactive plan participants.

INCOME TAXES — The Company accounts for income taxes under the asset and liability method in accordance with ASC 740 *Income Taxes*, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using the enacted tax rates in effect for the year in which the differences are expected to reverse. Any changes in tax rates on deferred tax assets and liabilities are recognized in earnings in the period that includes the enactment date.

The Company records net deferred tax assets to the extent that it is more likely than not that these assets will be realized. In making this determination, management considers all available positive and negative evidence, including future reversals of existing temporary differences, estimates of future taxable income, tax-planning strategies, and the realizability of net operating loss carryforwards. In the event that it is determined that an asset is not more likely than not to be realized, a valuation allowance is recorded against the asset. Valuation allowances related to deferred tax assets can be impacted by changes to tax laws, changes to statutory tax rates and future taxable income levels. In the event the Company were to determine that it would not be able to realize all or a portion of its deferred tax assets in the future, the unrealizable amount would be charged to earnings in the period in which that determination is made. Conversely, if the Company were to determine that it would be able to realize deferred tax assets in the future in excess of the net carrying amounts, it would decrease the recorded valuation allowance through a favorable adjustment to earnings in the period that the determination was made. The Company records uncertain tax positions in accordance with ASC 740, which requires a two-step process. First, management determines whether it is more likely than not that a tax position will be sustained based on the technical merits of the position and second, for those tax positions that meet the more likely than not threshold, management recognizes the largest amount of the tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related taxing authority. The Company maintains an accounting policy of recording interest and penalties on uncertain tax positions as a component of Income taxes in the Consolidated Statements of Operations.

The Company is subject to income tax in a number of locations, including many state and foreign jurisdictions. Significant judgment is required when calculating the worldwide provision for income taxes. Many factors are considered when evaluating and estimating the Company's tax positions and tax benefits, which may require periodic adjustments, and which may not

accurately anticipate actual outcomes. It is reasonably possible that the amount of the unrecognized benefit with respect to certain of the Company's unrecognized tax positions will significantly increase or decrease within the next twelve months. These changes may be the result of settlements of ongoing audits or final decisions in transfer pricing matters. The Company periodically assesses its liabilities and contingencies for all tax years still subject to audit based on the most current available information, which involves inherent uncertainty.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act ("the Act"). Changes included, but were not limited to, a corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, changes to U.S. international taxation, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017. Pursuant to Staff Accounting Bulletin No. 118 ("SAB 118") issued by the SEC in December 2017, issuers were permitted up to one year from the enactment of the Act to complete the accounting for the income tax effects of the Act ("the measurement period"). The Company completed its accounting for the tax effects of the Act within the measurement period and those effects are included within Income taxes in the Consolidated Statements of Operations.

The Act subjects a U.S. shareholder to current tax on global intangible low-taxed income ("GILTI") earned by certain foreign subsidiaries. The Financial Accounting Standards Board ("FASB") Staff Q&A, Topic 740, No. 5, *Accounting for Global Intangible Low-Taxed Income*, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred. The Company has elected to recognize the tax on GILTI as a period expense in the period the tax is incurred.

Refer to *Note Q, Income Taxes*, for further discussion.

EARNINGS PER SHARE — Basic earnings per share equals net earnings attributable to common shareowners divided by weighted-average shares outstanding during the year. Diluted earnings per share include the impact of common stock equivalents using the treasury stock method when the effect is dilutive.

NEW ACCOUNTING STANDARDS ADOPTED — In February 2018, the FASB issued Accounting Standards Update ("ASU") 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220)*. The new guidance permits, but does not require, companies to reclassify the stranded tax effects of the Act on items within accumulated other comprehensive income to retained earnings. The Company adopted this standard in the first quarter of 2019 and did not elect to reclassify the stranded tax effects of the Act on items within accumulated other comprehensive income to retained earnings. The Company uses the portfolio method for releasing the stranded tax effects from accumulated other comprehensive income.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("new lease standard"). The objective of the new lease standard is to increase transparency and comparability among organizations by requiring recognition of all lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. In March 2019, the FASB issued ASU 2019-01, *Codification Improvements, Leases (Topic 842)*, and in July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, and ASU 2018-11, *Targeted Improvements, Leases (Topic 842)*. In December 2018, the FASB issued ASU 2018-20, *Leases (Topic 842): Narrow-Scope Improvements for Lessors*. These ASUs provided clarification on how to apply certain aspects of the new lease standard and allowed entities to initially apply the standards from the adoption date. The Company adopted these standards effective December 30, 2018 utilizing the transition method, which allowed these standards to be applied as of the adoption date with no adjustment for periods prior to fiscal year 2019. The Company recorded lease liabilities and a right-of-use asset in its consolidated balance sheet upon adoption. The adoption of these standards did not impact the Company's consolidated statements of operations, net assets or retained earnings. Refer to *Note B, Accounts and Notes Receivable*, and *Note R, Commitments and Guarantees*, for further discussion.

RECENTLY ISSUED ACCOUNTING STANDARDS NOT YET ADOPTED— In January 2020, the FASB issued ASU 2020-01, *Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)*. The new standard clarifies the interaction of accounting for the transition into and out of the equity method. The new standard also clarifies the accounting for measuring certain purchased options and forward contracts to acquire investments. The ASU is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating this guidance to determine the impact it may have on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740)*. The new standard simplifies the accounting for income taxes by removing certain exceptions for recognizing deferred taxes for investments, performing intra-period allocation and calculating income taxes in interim periods. The new standard also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. The ASU is

effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating this guidance to determine the impact it may have on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. The standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company will adopt this standard in the first quarter of 2020 and does not expect it to have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, *Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20)*. The standard modifies disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The ASU is effective for fiscal years ending after December 15, 2020. Early adoption is permitted. The Company is currently evaluating this guidance to determine the impact it may have on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820)*. The standard modifies disclosure requirements of fair value measurements. The ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company will adopt this standard in the first quarter of 2020 and does not expect it to have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350)*. The standard simplifies the subsequent measurement of goodwill by eliminating the second step of the goodwill impairment test. This ASU will be applied prospectively and is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The Company will adopt this standard in the first quarter of 2020.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326)*. The new standard amends the impairment model by requiring entities to use a forward-looking approach based on expected losses rather than incurred losses to estimate credit losses on certain types of financial instruments, including trade receivables. This standard is effective for financial statements issued for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company will adopt this guidance in the first quarter of 2020 and believes the main impact will relate to the Company's assessment of its allowance for doubtful accounts on trade account receivables and long-term receivables. The Company does not expect this standard to have a material impact on its consolidated financial statements.

B. ACCOUNTS AND NOTES RECEIVABLE

<i>(Millions of Dollars)</i>	2019	2018
Trade accounts receivable	\$ 1,284.0	\$ 1,437.1
Trade notes receivable	156.7	150.0
Other accounts receivable	126.3	122.7
Gross accounts and notes receivable	1,567.0	1,709.8
Allowance for doubtful accounts	(112.4)	(102.0)
Accounts and notes receivable, net	\$ 1,454.6	\$ 1,607.8
Long-term receivable, net	\$ 146.1	\$ 153.7

Trade receivables are dispersed among a large number of retailers, distributors and industrial accounts in many countries. Adequate reserves have been established to cover anticipated credit losses. Long-term receivables, net of \$146.1 million and \$153.7 million at December 28, 2019 and December 29, 2018, respectively, are reported within Other Assets in the Consolidated Balance Sheets. The Company's financing receivables are predominantly related to certain security equipment sales-type leases with commercial businesses. As of December 28, 2019, the current portion of finance receivables within Trade notes receivable approximated \$78.2 million. Generally, the Company retains legal title to any equipment under lease and holds the right to repossess such equipment in an event of default. All financing receivables are interest-bearing and the Company has not classified any financing receivables as held-for-sale. Interest income earned from financing receivables that are not delinquent are recorded on the effective interest method.

The Company considers any financing receivable that has not been collected within 90 days of original billing date as past-due or delinquent. The Company's payment terms are generally consistent with the industries in which their businesses operate and typically range from 30-90 days globally. Additionally, the Company considers the credit quality of all past-due or delinquent financing receivables as nonperforming. The Company does not adjust the promised amount of consideration for the effects of a significant financing component when the period between transfer of the product and receipt of payment is less than one year. Any significant financing components for contracts greater than one year are included in revenue over time.

The following is a summary of the expected timing of receipt of payments from customers on an undiscounted basis as of December 28, 2019 relating to the Company's lease receivables:

<i>(Millions of Dollars)</i>	Total	Within 1 Year	2 Years	3 Years	4 Years	5 Years	Thereafter
Finance receivables	\$ 210.5	\$ 78.2	\$ 59.7	\$ 39.8	\$ 20.6	\$ 12.2	\$ —
Operating leases	\$ 47.7	\$ 45.5	\$ 1.3	\$ 0.7	\$ 0.2	\$ —	\$ —

The following is a summary of lease revenue and sales-type lease profit for the year ended December 28, 2019:

<i>(Millions of Dollars)</i>	2019
Sales-type lease revenue	\$ 88.9
Lease interest revenue	12.7
Operating lease revenue	148.9
Total lease revenue	\$ 250.5
Sales-type lease profit	\$ 35.3

In October 2018, the Company entered into an accounts receivable sale program. According to the terms, the Company sells certain of its trade accounts receivables at fair value to a wholly owned, consolidated, bankruptcy-remote special purpose subsidiary ("BRS"). The BRS, in turn, can sell such receivables to a third-party financial institution ("Purchaser") for cash. The Purchaser's maximum cash investment in the receivables at any time is \$110.0 million. The purpose of the program is to provide liquidity to the Company. These transfers qualify as sales under ASC 860, *Transfers and Servicing*, and receivables are derecognized from the Company's Consolidated Balance Sheets when the BRS sells those receivables to the Purchaser. The Company has no retained interests in the transferred receivables, other than collection and administrative responsibilities. At December 28, 2019, the Company did not record a servicing asset or liability related to its retained responsibility based on its assessment of the servicing fee, market values for similar transactions and its cost of servicing the receivables sold.

At December 28, 2019 and December 29, 2018, net receivables of approximately \$100.0 million and \$100.1 million, respectively, were derecognized. Proceeds from transfers of receivables to the Purchaser totaled \$495.4 million and \$194.3 million for the years ended December 28, 2019 and December 29, 2018, respectively, and payments to the Purchaser totaled \$495.5 million and \$94.3 million, respectively. The program resulted in a pre-tax loss of \$3.6 million and \$0.7 million for the years ended December 28, 2019 and December 29, 2018, respectively, which included service fees of \$0.9 million and \$0.2 million, respectively. All cash flows under the program are reported as a component of changes in accounts receivable within operating activities in the Consolidated Statements of Cash Flows since all the cash from the Purchaser is received upon the initial sale of the receivable.

As of December 28, 2019 and December 29, 2018, the Company's deferred revenue totaled \$209.8 million and \$202.0 million, respectively, of which \$108.9 million and \$98.6 million, respectively, was classified as current. Revenue recognized for the years ended December 28, 2019 and December 29, 2018 that was previously deferred as of December 29, 2018 and December 30, 2017 totaled \$96.4 million and \$89.3 million, respectively.

As of December 28, 2019, approximately \$1.118 billion of revenue from long-term contracts primarily in the Security segment was unearned related to customer contracts which were not completely fulfilled and will be recognized on a decelerating basis over the next 5 years. This amount excludes any of the Company's contracts with an original expected duration of one year or less.

C. INVENTORIES

<i>(Millions of Dollars)</i>	2019	2018
Finished products	\$ 1,526.0	\$ 1,707.4
Work in process	162.0	150.8
Raw materials	567.0	515.3
Total	\$ 2,255.0	\$ 2,373.5

Net inventories in the amount of \$1.1 billion at December 28, 2019 and \$1.2 billion at December 29, 2018 were valued at the lower of LIFO cost or market. If the LIFO method had not been used, inventories would have been higher than reported by \$78.1 million at December 28, 2019 and \$44.6 million at December 29, 2018.

D. PROPERTY, PLANT AND EQUIPMENT

<i>(Millions of Dollars)</i>	2019	2018
Land	\$ 112.2	\$ 115.9
Land improvements	52.6	52.2
Buildings	630.3	625.6
Leasehold improvements	172.1	157.8
Machinery and equipment	2,812.8	2,566.1
Computer software	510.8	452.5
Property, plant & equipment, gross	\$ 4,290.8	\$ 3,970.1
Less: accumulated depreciation and amortization	(2,331.3)	(2,054.9)
Property, plant & equipment, net	\$ 1,959.5	\$ 1,915.2

Depreciation and amortization expense associated with property, plant and equipment was as follows:

<i>(Millions of Dollars)</i>	2019	2018	2017
Depreciation	\$ 325.2	\$ 288.4	\$ 253.6
Amortization	47.6	42.8	43.3
Depreciation and amortization expense	\$ 372.8	\$ 331.2	\$ 296.9

E. ACQUISITIONS AND INVESTMENTS

PENDING ACQUISITION

On January 3, 2020, the Company reached an agreement to acquire Consolidated Aerospace Manufacturing, LLC ("CAM") for up to \$1.5 billion in cash, with \$200 million of the purchase price held back and contingent on the Boeing 737 MAX Airplanes receiving Federal Aviation Administration authorization to return to service and The Boeing Company achieving certain production levels. CAM is an industry-leading manufacturer of specialty fasteners and components for the aerospace and defense markets. The Company expects the acquisition to further diversify the Company's presence in the industrial markets and expand its portfolio of specialty fasteners in the high-growth, high-margin aerospace and defense market. The acquisition will be accounted for as a business combination using the acquisition method of accounting and consolidated into the Company's Industrial segment. The transaction is subject to customary closing conditions, including regulatory approval, and is expected to close in late February 2020.

2019 INVESTMENTS

On January 2, 2019, the Company acquired a 20 percent interest in MTD, a privately held global manufacturer of outdoor power equipment, for \$234 million in cash. With annual revenues of approximately \$2.4 billion, MTD manufactures and distributes gas-powered lawn tractors, zero turn mowers, walk behind mowers, snow throwers, trimmers, chain saws, utility vehicles and other outdoor power equipment. Under the terms of the agreement, the Company has the option to acquire the remaining 80 percent of MTD beginning on July 1, 2021 and ending on January 2, 2029. In the event the option is exercised, the companies have agreed to a valuation multiple based on MTD's 2018 EBITDA, with an equitable sharing arrangement for future EBITDA growth. The Company is applying the equity method of accounting to the MTD investment.

During 2019, the Company made additional immaterial investments that are not accounted for under the equity method. The Company acquired less than 20 percent interest in each investment and does not have the ability to significantly influence any of the investees.

2019 ACQUISITIONS

IES Attachments

On March 8, 2019, the Company acquired IES Attachments for \$653.5 million, net of cash acquired. IES Attachments is a manufacturer of high quality, performance-driven heavy equipment attachment tools for off-highway applications. The acquisition further diversifies the Company's presence in the industrial markets, expands its portfolio of attachment solutions and provides a meaningful platform for continued growth. The results of IES Attachments subsequent to the date of acquisition are included in the Company's Industrial segment.

The IES Attachments acquisition is being accounted for as a business combination using the acquisition method of accounting, which requires, among other things, certain assets acquired and liabilities assumed to be recognized at their fair values as of the acquisition date. The estimated acquisition date value of identifiable net assets acquired, which includes \$77.9 million of working capital (primarily inventory), \$78.3 million of deferred tax liabilities, and \$328.0 million of intangible assets, is \$344.7 million. The related goodwill is \$308.8 million. The amount allocated to intangible assets includes \$304.0 million for customer relationships. The weighted-average useful life assigned to the intangible assets is 14 years.

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the expected cost synergies of the combined business, assembled workforce, and the going concern nature of IES Attachments. It is estimated that \$2.4 million of goodwill, relating to the pre-acquisition historical tax basis of goodwill, will be deductible for tax purposes.

The purchase price allocation for IES Attachments is substantially complete with the exception of certain opening balance sheet liabilities and tax matters. The Company will complete its purchase price allocation in the first quarter of 2020. Any measurement period adjustments resulting from the finalization of the Company's purchase accounting assessment are not expected to be material.

A single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. The Company's judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact the Company's results from operations.

Other 2019 Acquisitions

During 2019, the Company completed five smaller acquisitions for \$40.8 million, net of cash acquired. The estimated acquisition date value of the identifiable net assets acquired, which includes \$6.0 million of working capital and \$8.8 million of customer relationships, is \$19.1 million. The related goodwill is \$21.7 million. The useful lives assigned to the customer relationships range from 8 to 10 years. The results of these acquisitions subsequent to the dates of acquisition are included in the Company's Industrial and Security segments. The acquisition accounting for these acquisitions is substantially complete with the exception of certain minor items and will be completed within the measurement period.

2018 ACQUISITIONS

Nelson Fastener Systems

On April 2, 2018, the Company acquired Nelson for \$424.2 million, net of cash acquired. Nelson is complementary to the Company's product offerings, enhances its presence in the general industrial end markets, and expands its portfolio of highly-engineered fastening solutions. The results of Nelson are included in the Company's Industrial segment.

The Nelson acquisition was accounted for as a business combination using the acquisition method of accounting. The acquisition date value of identifiable net assets acquired, which included \$64.2 million of working capital and \$167.0 million of intangible assets, was \$211.8 million. The related goodwill was \$216.9 million. The amount allocated to intangible assets included \$149.0 million for customer relationships. The useful lives assigned to the intangible assets ranged from 12 to 15 years.

Goodwill was calculated as the excess of the consideration transferred over the net assets recognized and represents the expected cost synergies of the combined business, assembled workforce, and the going concern nature of Nelson. Goodwill is not expected to be deductible for tax purposes.

The acquisition accounting for Nelson is complete. The measurement period adjustments recorded in 2019 did not have a material impact to the Company's Consolidated Financial Statements.

Other 2018 Acquisitions

During 2018, the Company completed six smaller acquisitions for a total purchase price of \$104.5 million, net of cash acquired. The acquisition date value of the identifiable net assets acquired, which included \$13.4 million of working capital and \$35.5 million of intangible assets, was \$38.1 million. The related goodwill was \$66.4 million. The amount allocated to intangible assets included \$32.0 million for customer relationships. The useful lives assigned to intangible assets ranged from 10 to 14 years.

The acquisition accounting for these acquisitions is complete. The measurement period adjustments recorded in 2019 did not have a material impact to the Company's Consolidated Financial Statements.

2017 ACQUISITIONS

Newell Tools

On March 9, 2017, the Company acquired Newell Tools for approximately \$1.86 billion, net of cash acquired. The Newell Tools results are included in the Company's Tools & Storage segment.

The Newell Tools acquisition was accounted for as a business combination using the acquisition method of accounting. The purchase price allocation for Newell Tools was completed in 2018. The measurement period adjustments recorded in 2018 did not have a material impact on the Company's Consolidated Financial Statements. The following table summarizes the acquisition date value of assets acquired and liabilities assumed:

(Millions of Dollars)

Cash and cash equivalents	\$	20.0
Accounts and notes receivable, net		19.7
Inventories, net		195.5
Prepaid expenses and other current assets		27.1
Property, plant and equipment, net		112.4
Trade names		283.0
Customer relationships		548.0
Other assets		8.8
Accounts payable		(70.3)
Accrued expenses		(40.7)
Deferred taxes		(269.4)
Other liabilities		(7.9)
Total identifiable net assets	\$	826.2
Goodwill		1,031.8
Total consideration paid	\$	1,858.0

The trade names were determined to have indefinite lives. The weighted-average useful life assigned to the customer relationships was 5 years.

Goodwill was calculated as the excess of the consideration transferred over the net assets recognized and represents the expected revenue and cost synergies of the combined business, assembled workforce, and the going concern nature of Newell Tools. It is estimated that \$15.7 million of goodwill, relating to the pre-acquisition historical tax basis of goodwill, will be deductible for tax purposes.

Craftsman Brand

On March 8, 2017, the Company purchased the Craftsman® brand from Sears Holdings Corporation ("Sears Holdings") for a total estimated cash purchase price of \$936.7 million on a discounted basis, which consisted of an initial cash payment of \$568.2 million, a cash payment due in March 2020 with an estimated present value at acquisition date of \$234.0 million, and future payments to Sears Holdings of between 2.5% and 3.5% on sales of Craftsman products in new Stanley Black & Decker channels through March 2032, which was valued at \$134.5 million at the acquisition date based on estimated future sales projections. Refer to *Note M, Fair Value Measurements*, for additional details. In addition, as part of the acquisition the Company also granted a perpetual license to Sears Holdings to continue selling Craftsman®-branded products in Sears Holdings-related channels. The perpetual license will be royalty-free until March 2032, which represented an estimated value at acquisition date of approximately \$293.0 million, and 3% thereafter. The Craftsman results are included in the Company's Tools & Storage segment.

The Craftsman® brand acquisition was accounted for as a business combination using the acquisition method of accounting. The purchase price allocation for Craftsman was completed during 2018. The measurement period adjustments recorded in 2018 did not have a material impact on the Company's Consolidated Financial Statements. The acquisition date value of identifiable net assets acquired, which included \$40.2 million of working capital and \$418.0 million of intangible assets, was \$482.6 million. The related goodwill was \$747.1 million. The amount allocated to intangible assets included \$396.0 million of an indefinite-lived trade name. The useful life assigned to the customer relationships was 17 years.

Goodwill was calculated as the excess of the consideration transferred over the net assets recognized and represents the expected revenue and cost synergies of the combined business and the going concern nature of the Craftsman® brand. It is estimated that \$442.7 million of goodwill will be deductible for tax purposes.

Other 2017 Acquisitions

During 2017, the Company completed four smaller acquisitions for a total purchase price of \$182.9 million, net of cash acquired. The results of these acquisitions subsequent to the dates of acquisition are included in the Company's Tools & Storage and Security segments. The purchase price allocation for these acquisitions was completed in 2018. The acquisition date value of the identifiable net assets acquired, which included \$35.3 million of working capital and \$54.4 million of intangible assets, was \$88.1 million. The related goodwill was \$94.8 million. The amount allocated to intangible assets included \$51.4 million for customer relationships. The useful lives assigned to the customer relationships ranged between 10 and 15 years.

ACTUAL AND PRO-FORMA IMPACT FROM ACQUISITIONS

Actual Impact from Acquisitions

The net sales and net loss from the 2019 acquisitions included in the Company's Consolidated Statements of Operations for the year ended December 28, 2019 are shown in the table below. The net loss includes amortization relating to intangible assets recorded upon acquisition, inventory step-up charges, transaction costs, and other integration-related costs.

<i>(Millions of Dollars)</i>	2019
Net sales	\$ 291.1
Net loss attributable to common shareowners	\$ (1.7)

Pro-forma Impact from Acquisitions

The following table presents supplemental pro-forma information as if the 2019 acquisitions had occurred on December 31, 2017 and the 2018 acquisitions had occurred on January 1, 2017. The pro-forma consolidated results are not necessarily indicative of what the Company's consolidated net sales and net earnings would have been had the Company completed the acquisitions on the aforementioned dates. In addition, the pro-forma consolidated results do not purport to project the future results of the Company.

(Millions of Dollars, except per share amounts)

	2019	2018
Net sales	\$ 14,524.6	\$ 14,448.6
Net earnings attributable to common shareowners	977.8	620.3
Diluted earnings per share	\$ 6.49	\$ 4.09

2019 Pro-forma Results

The 2019 pro-forma results were calculated by combining the results of Stanley Black & Decker with the stand-alone results of the 2019 acquisitions for their respective pre-acquisition periods. Accordingly the following adjustments were made:

- Elimination of the historical pre-acquisition intangible asset amortization expense and the addition of intangible asset amortization expense related to intangibles valued as part of the purchase price allocation that would have been incurred from December 30, 2018 to the acquisition dates.
- Additional depreciation expense for the property, plant, and equipment fair value adjustments that would have been incurred from December 30, 2018 to the acquisition date of IES Attachments.
- Because the 2019 acquisitions were assumed to occur on December 31, 2017, there were no acquisition-related costs or inventory step-up charges factored into the 2019 pro-forma year, as such expenses would have occurred in the first year following the assumed acquisition date.

2018 Pro-forma Results

The 2018 pro-forma results were calculated by combining the results of Stanley Black & Decker with the stand-alone results of the 2018 and 2019 acquisitions for their respective pre-acquisition periods. Accordingly the following adjustments were made:

- Elimination of the historical pre-acquisition intangible asset amortization expense and the addition of intangible asset amortization expense related to intangibles valued as part of the purchase price allocation that would have been incurred from December 31, 2017 to the acquisition dates of the 2018 acquisitions and for the year ended December 29, 2018 for the 2019 acquisitions.
- Additional depreciation expense for the property, plant, and equipment fair value adjustments that would have been incurred from December 31, 2017 to the acquisition date of Nelson and for the year ended December 29, 2018 for the IES acquisition.
- Additional expense for acquisition-related costs and inventory step-up charges relating to the 2019 acquisitions, as such expenses would have been incurred during the year ended December 29, 2018.
- Because the 2018 acquisitions were assumed to occur on January 1, 2017, there were no acquisition-related costs or inventory step-up charges factored into the 2018 pro-forma period, as such expenses relating to the 2018 acquisitions would have occurred in the first year following the assumed acquisition date.

F. GOODWILL AND INTANGIBLE ASSETS

GOODWILL — The changes in the carrying amount of goodwill by segment are as follows:

(Millions of Dollars)	Tools & Storage	Industrial	Security	Total
Balance December 30, 2017	\$ 5,189.7	\$ 1,454.4	\$ 2,132.0	\$ 8,776.1
Acquisitions	59.8	225.5	55.0	340.3
Foreign currency translation and other	(95.2)	(0.2)	(64.3)	(159.7)
Balance December 29, 2018	\$ 5,154.3	\$ 1,679.7	\$ 2,122.7	\$ 8,956.7
Acquisitions	(1.3)	320.5	8.2	327.4
Foreign currency translation and other	8.8	(4.7)	(50.7)	(46.6)
Balance December 28, 2019	\$ 5,161.8	\$ 1,995.5	\$ 2,080.2	\$ 9,237.5

In accordance with ASC 350, *Intangibles - Goodwill and Other*, a portion of the goodwill associated with the Security segment was allocated to the aforementioned Sargent & Greenleaf divestiture based on the relative fair value of the business disposed of and the portion of the reporting unit that was retained. Accordingly, goodwill for the Security segment was reduced by \$33.8 million and included in the gain on sale of Sargent & Greenleaf in 2019. Refer to *Note T, Divestitures*, for further discussion.

As required by the Company's policy, goodwill and indefinite-lived trade names were tested for impairment in the third quarter of 2019. The Company assessed the fair values of two of its reporting units utilizing a discounted cash flow valuation model and determined that the fair values exceeded the respective carrying amounts. The key assumptions used were discount rates and perpetual growth rates applied to cash flow projections. Also inherent in the discounted cash flow valuations were near-term revenue growth rates over the next five years. These assumptions contemplated business, market and overall economic conditions. For the remaining three reporting units, the Company determined qualitatively that it was not more likely than not that goodwill was impaired, and thus, the quantitative goodwill impairment test was not required. In making this determination, the Company considered the significant excess of fair value over carrying amount as calculated in the most recent quantitative analysis, each reporting unit's 2019 performance compared to prior year and their respective industries, analyst multiples and other positive qualitative information. Based on the results of the annual impairment testing performed in the third quarter of 2019, the Company determined that the fair values of each of its reporting units exceeded their respective carrying amounts.

The fair values of the Company's indefinite-lived trade names were assessed using quantitative analyses, which utilized discounted cash flow valuation models taking into consideration appropriate discount rates, royalty rates and perpetual growth rates applied to projected sales. Based on the results of this testing, the Company determined that the fair values of each of its indefinite-lived trade names exceeded their respective carrying amounts.

INTANGIBLE ASSETS — Intangible assets at December 28, 2019 and December 29, 2018 were as follows:

	2019		2018	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
<i>(Millions of Dollars)</i>				
Amortized Intangible Assets — Definite lives				
Patents and copyrights	\$ 42.4	\$ (41.5)	\$ 42.5	\$ (40.6)
Trade names	194.5	(127.2)	170.8	(114.9)
Customer relationships	2,739.0	(1,421.7)	2,435.0	(1,269.8)
Other intangible assets	233.1	(182.9)	236.1	(173.6)
Total	\$ 3,209.0	\$ (1,773.3)	\$ 2,884.4	\$ (1,598.9)

Indefinite-lived trade names totaled \$2.186 billion at December 28, 2019 and \$2.199 billion at December 29, 2018. The year-over-year change is due to currency fluctuations.

Intangible assets amortization expense by segment was as follows:

	2019		2018		2017	
<i>(Millions of Dollars)</i>						
Tools & Storage	\$	73.1	\$	75.5	\$	68.0
Industrial		69.6		50.7		45.4
Security		44.7		49.1		50.4
Consolidated	\$	187.4	\$	175.3	\$	163.8

Future amortization expense in each of the next five years amounts to \$175.1 million for 2020, \$166.5 million for 2021, \$157.3 million for 2022, \$148.3 million for 2023, \$139.5 million for 2024 and \$649.0 million thereafter.

G. ACCRUED EXPENSES

Accrued expenses at December 28, 2019 and December 29, 2018 were as follows:

<i>(Millions of Dollars)</i>	2019	2018
Payroll and related taxes	\$ 262.4	\$ 297.0
Income and other taxes	243.9	67.5
Customer rebates and sales returns	112.0	116.6
Insurance and benefits	69.8	69.4
Restructuring costs	147.8	108.8
Derivative financial instruments	22.4	7.5
Warranty costs	69.6	65.5
Deferred revenue	108.9	98.6
Freight costs	72.9	87.3
Environmental costs	57.8	58.1
Deferred purchase price	249.2	—
Current lease liability	141.3	—
Other	419.5	413.5
Total	<u>\$ 1,977.5</u>	<u>\$ 1,389.8</u>

H. LONG-TERM DEBT AND FINANCING ARRANGEMENTS

Long-term debt and financing arrangements at December 28, 2019 and December 29, 2018 were as follows:

<i>(Millions of Dollars)</i>	December 28, 2019							December 29, 2018	
	Interest Rate	Original Notional	Unamortized Discount	Unamortized Gain (Loss) Terminated Swaps ¹	Purchase Accounting FV Adjustment	Deferred Financing Fees	Carrying Value	Carrying Value	
Notes payable due 2021	3.40%	\$ 400.0	\$ (0.1)	\$ 6.7	\$ —	\$ (0.6)	\$ 406.0	\$ 409.1	
Notes payable due 2022	2.90%	754.3	(0.2)	—	—	(1.8)	752.3	751.6	
Notes payable due 2026	3.40%	500.0	(0.6)	—	—	(2.9)	496.5	—	
Notes payable due 2028	7.05%	150.0	—	9.3	9.0	—	168.3	170.4	
Notes payable due 2028	4.25%	500.0	(0.3)	—	—	(3.9)	495.8	495.7	
Notes payable due 2040	5.20%	400.0	(0.2)	(30.5)	—	(2.8)	366.5	364.9	
Notes payable due 2048	4.85%	500.0	(0.5)	—	—	(5.4)	494.1	494.4	
Notes payable due 2052 (junior subordinated)	5.75%	—	—	—	—	—	—	731.6	
Notes payable due 2053 (junior subordinated)	7.08%	—	—	—	—	—	—	396.7	
Other, payable in varying amounts through 2022 ²	0.00% - 4.50%	—	—	—	—	—	—	7.9	
Total long-term debt, including current maturities		\$ 3,204.3	\$ (1.9)	\$ (14.5)	\$ 9.0	\$ (17.4)	\$ 3,179.5	\$ 3,822.3	
Less: Current maturities of long-term debt							(3.1)	(2.5)	
Long-term debt							<u>\$ 3,176.4</u>	<u>\$ 3,819.8</u>	

¹ Unamortized gain (loss) associated with interest rate swaps are more fully discussed in *Note I, Financial Instruments*.

² Finance lease balances as of December 29, 2018 have been reclassified to lease liabilities in accordance with the adoption of the new lease standard in the first quarter of 2019. Refer to *Note A, Significant Accounting Policies*.

As of December 28, 2019, the aggregate annual principal maturities of long-term debt for the next five years and thereafter are as follows: no principal maturities in 2020, \$400.0 million in 2021, \$754.3 million in 2022, no principal maturities in 2023 or 2024, and \$2.050 billion thereafter. These maturities represent the principal amounts to be paid and accordingly exclude the remaining \$9.0 million of unamortized fair value adjustments made in purchase accounting, which increased the Black & Decker note payable due 2028, as well as a net loss of \$16.4 million pertaining to unamortized termination gains and losses on interest rate swaps and unamortized discounts on the notes as described in *Note I, Financial Instruments*, and \$17.4 million of

unamortized deferred financing fees. Interest paid during 2019, 2018 and 2017 amounted to \$252.9 million, \$249.6 million and \$198.3 million, respectively.

In February 2020, the Company issued \$750.0 million of senior unsecured term notes maturing March 15, 2030 ("2030 Term Notes") and \$750.0 million of fixed-to-fixed reset rate junior subordinated debentures maturing March 15, 2060 ("2060 Junior Subordinated Debentures"). The 2030 Term Notes will accrue interest at a fixed rate of 2.3% per annum, with interest payable semi-annually in arrears, and rank equally in right of payment with all of the Company's existing and future unsecured and unsubordinated debt. The 2060 Junior Subordinated Debentures will bear interest at a fixed rate of 4.0% per annum, payable semi-annually in arrears, up to but excluding March 15, 2025. From and including March 15, 2025, the interest rate will be reset for each subsequent five-year reset period equal to the Five-Year Treasury Rate plus 2.657%. The Five-Year Treasury Rate is based on the average yields on actively traded U.S. treasury securities adjusted to constant maturity, for five-year maturities. On each five-year reset date, the 2060 Junior Subordinated Debentures can be called at par value. The 2060 Junior Subordinated Debentures are unsecured and rank subordinate and junior in right of payment to all of the Company's existing and future senior debt. The Company received total net proceeds from these offerings of approximately \$1.487 billion, which reflected approximately \$13.4 million of underwriting expenses and other fees associated with the transactions. The net proceeds from the offering will be used for general corporate purposes, including acquisition funding and repayment of short-term borrowings.

In March 2019, the Company issued \$500.0 million of senior unsecured notes maturing on March 1, 2026 ("2026 Term Notes"). The 2026 Term Notes accrue interest at a fixed rate of 3.40% per annum with interest payable semi-annually in arrears. The 2026 Term Notes rank equally in right of payment with all of the Company's existing and future unsecured and unsubordinated debt. The Company received net cash proceeds of \$496.2 million which reflected the notional amount offset by a discount, underwriting expenses, and other fees associated with the transaction. The Company used the net proceeds from the offering for general corporate purposes, including repayment of other borrowings.

In November 2018, the Company issued \$500.0 million of senior unsecured notes maturing on November 15, 2028 ("2028 Term Notes") and \$500.0 million of senior unsecured notes maturing on November 15, 2048 ("2048 Term Notes"). The 2028 Term Notes and 2048 Term Notes accrue interest at fixed rates of 4.25% per annum and 4.85% per annum, respectively, with interest payable semi-annually in arrears on both notes. The notes are unsecured and rank equally with all of the Company's existing and future unsecured and unsubordinated debt. The Company received net proceeds of \$990.0 million which reflected a discount of \$0.9 million and \$9.1 million of underwriting expenses and other fees associated with the transaction. The Company used the net proceeds from the offering for general corporate purposes, including repayment of other borrowings.

Contemporaneously with the issuance of the 2028 Term Notes and 2048 Term Notes, the Company paid \$977.5 million to settle its remaining obligations of two unsecured notes which matured in November 2018.

In December 2013, the Company issued \$400.0 million aggregate principal amount of 5.75% fixed-to-floating rate junior subordinated debentures maturing December 15, 2053 ("2053 Junior Subordinated Debentures"). The 2053 Junior Subordinated Debentures bore interest at a fixed rate of 5.75% per annum, payable semi-annually in arrears to, but excluding December 15, 2018. From and including December 15, 2018, the 2053 Junior Subordinated Debentures bore interest at an annual rate equal to three-month LIBOR plus 4.304%, payable quarterly in arrears. In February 2019, the Company redeemed all of the outstanding 2053 Junior Subordinated Debentures for \$405.7 million, which represented 100% of the principal amount plus accrued and unpaid interest to the redemption date. The Company recognized a net pre-tax loss of \$3.2 million from the redemption, which was comprised of a \$7.8 million loss related to the write-off of deferred financing fees partially offset by a \$4.6 million gain relating to an unamortized terminated interest rate swap as described in more detailed in *Note I, Financial Instruments*.

In November 2012, the Company issued \$800.0 million of senior unsecured term notes, maturing on November 1, 2022 ("2022 Term Notes") with fixed interest payable semi-annually, in arrears, at a rate of 2.90% per annum. The 2022 Term Notes are unsecured and rank equally with all of the Company's existing and future unsecured and unsubordinated debt. The Company received net proceeds of \$793.9 million, which reflected a discount of \$0.7 million and \$5.4 million of underwriting expenses and other fees associated with the transaction. The Company used the net proceeds from the offering for general corporate purposes, including repayment of short-term borrowings. The 2022 Term Notes include a Change of Control provision that would apply should a Change of Control event (as defined in the Indenture governing the 2022 Term Notes) occur. The Change of Control provision states that the holders of the 2022 Term Notes may require the Company to repurchase, in cash, all of the outstanding 2022 Term Notes for a purchase price at 101.0% of the original principal amount, plus any accrued and unpaid interest outstanding up to the repurchase date. In December 2014, the Company repurchased \$45.7 million of the 2022 Term Notes and paid \$45.3 million in cash and recognized a net pre-tax gain of less than \$0.1 million after expensing \$0.3 million of related loan discount costs and deferred financing fees. At December 28, 2019, the carrying value of the 2022 Term Notes includes \$0.2 million of unamortized discount.

In July 2012, the Company issued \$750.0 million of junior subordinated debentures, maturing on July 25, 2052 ("2052 Junior Subordinated Debentures") with fixed interest payable quarterly, in arrears, at a rate of 5.75% per annum. In December 2019, the Company redeemed all of the outstanding 2052 Junior Subordinated Debentures for \$760.5 million, which represented 100% of the principal amount plus accrued and unpaid interest. The Company recognized a pre-tax loss of \$17.9 million from the redemption related to the write-off of unamortized deferred financing fees.

Commercial Paper and Credit Facilities

The Company has a \$3.0 billion commercial paper program which includes Euro denominated borrowings in addition to U.S. Dollars. As of December 28, 2019, the Company had \$335.5 million of borrowings outstanding representing Euro denominated commercial paper, which was designated as a net investment hedge. As of December 29, 2018, the Company had \$373.0 million of borrowings outstanding, of which approximately \$228.9 million in Euro denominated commercial paper was designated as a net investment hedge. Refer to *Note I, Financial Instruments*, for further discussion.

The Company has a five-year \$2.0 billion committed credit facility (the "5-Year Credit Agreement"). Borrowings under the 5-Year Credit Agreement may be made in U.S. Dollars, Euros or Pounds Sterling. A sub-limit amount of \$653.3 million is designated for swing line advances which may be drawn in Euros pursuant to the terms of the 5-Year Credit Agreement. Borrowings bear interest at a floating rate plus an applicable margin dependent upon the denomination of the borrowing and specific terms of the 5-Year Credit Agreement. The Company must repay all advances under the 5-Year Credit Agreement by the earlier of September 12, 2023 or upon termination. The 5-Year Credit Agreement is designated to be a liquidity back-stop for the Company's \$3.0 billion U.S. Dollar and Euro commercial paper program. As of December 28, 2019 and December 29, 2018, the Company had not drawn on its five-year committed credit facility.

In September 2019, the Company terminated its 364-day \$1.0 billion committed credit facility and concurrently executed a new 364-Day \$1.0 billion committed credit facility (the "September 364-Day Credit Agreement"). Borrowings under the September 364-Day Credit Agreement may be made in U.S. Dollars or Euros and bear interest at a floating rate plus an applicable margin dependent upon the denomination of the borrowing and pursuant to the terms of the September 364-Day Credit Agreement. The Company must repay all advances under the September 364-Day Credit Agreement by the earlier of September 9, 2020 or upon termination. The Company may, however, convert all advances outstanding upon termination into a term loan that shall be repaid in full no later than the first anniversary of the termination date provided that the Company, among other things, pays a fee to the administrative agent for the account of each lender. The September 364-Day Credit Agreement serves as part of the liquidity back-stop for the Company's \$3.0 billion U.S. Dollar and Euro commercial paper program. As of December 28, 2019 and December 29, 2018, the Company had not drawn on its September 364-Day committed credit facility.

In addition, the Company has other short-term lines of credit that are primarily uncommitted, with numerous banks, aggregating to \$521.2 million, of which \$432.5 million was available at December 28, 2019. Short-term arrangements are reviewed annually for renewal.

At December 28, 2019, the aggregate amount of committed and uncommitted lines of credit, long-term and short-term, was \$3.5 billion. At December 28, 2019, \$337.3 million was recorded as short-term borrowings relating to commercial paper and amounts outstanding against uncommitted lines. In addition, \$88.8 million of the short-term credit lines was utilized primarily pertaining to outstanding letters of credit for which there are no required or reported debt balances. The weighted-average interest rates on U.S. dollar denominated short-term borrowings for the years ended December 28, 2019 and December 29, 2018 was 2.3%. The weighted-average interest rate on Euro denominated short-term borrowings for the years ended December 28, 2019 and December 29, 2018 was negative 0.3%.

I. FINANCIAL INSTRUMENTS

In the first quarter of 2018, the Company elected to early adopt ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedge Activities*, which amended the hedge accounting recognition and presentation requirements of ASC 815. ASU 2017-12 required the presentation and disclosure requirements to be applied prospectively and as a result, certain disclosures for fiscal year 2017 conform to the presentation and disclosure requirements prior to the adoption.

The Company is exposed to market risk from changes in foreign currency exchange rates, interest rates, stock prices and commodity prices. As part of the Company's risk management program, a variety of financial instruments such as interest rate swaps, currency swaps, purchased currency options, foreign exchange contracts and commodity contracts, may be used to mitigate interest rate exposure, foreign currency exposure and commodity price exposure.

If the Company elects to do so and if the instrument meets the criteria specified in ASC 815, management designates its derivative instruments as cash flow hedges, fair value hedges or net investment hedges. Generally, commodity price exposures are not hedged with derivative financial instruments and instead are actively managed through customer pricing initiatives, procurement-driven cost reduction initiatives and other productivity improvement projects. Financial instruments are not utilized for speculative purposes.

A summary of the fair values of the Company's derivatives recorded in the Consolidated Balance Sheets at December 28, 2019 and December 29, 2018 follows:

<i>(Millions of Dollars)</i>	Balance Sheet Classification	2019	2018	Balance Sheet Classification	2019	2018
Derivatives designated as hedging instruments:						
Interest Rate Contracts Cash Flow	LT other assets	\$ —	\$ —	LT other liabilities	\$ 40.5	\$ —
Foreign Exchange Contracts Cash Flow	Other current assets	7.0	18.1	Accrued expenses	7.8	0.6
Net Investment Hedge	Other current assets	18.6	5.7	Accrued expenses	8.5	1.5
	LT other assets	—	—	LT other liabilities	2.6	13.8
Non-derivative designated as hedging instrument:						
Net Investment Hedge		—	—	Short-term borrowings	335.5	228.9
Total Designated as hedging instruments		\$ 25.6	\$ 23.8		\$ 394.9	\$ 244.8
Derivatives not designated as hedging instruments:						
Foreign Exchange Contracts	Other current assets	\$ 3.7	\$ 9.1	Accrued expenses	\$ 6.1	\$ 5.4
Total		\$ 29.3	\$ 32.9		\$ 401.0	\$ 250.2

The counterparties to all of the above mentioned financial instruments are major international financial institutions. The Company is exposed to credit risk for net exchanges under these agreements, but not for the notional amounts. The credit risk is limited to the asset amounts noted above. The Company limits its exposure and concentration of risk by contracting with diverse financial institutions and does not anticipate non-performance by any of its counterparties. Further, as more fully discussed in *Note M, Fair Value Measurements*, the Company considers non-performance risk of its counterparties at each reporting period and adjusts the carrying value of these assets accordingly. The risk of default is considered remote. As of December 28, 2019 and December 29, 2018, there were no assets that had been posted as collateral related to the above mentioned financial instruments.

In 2019, 2018 and 2017, cash flows related to derivatives, including those that are separately discussed below, resulted in net cash received of \$69.9 million, \$2.4 million and \$2.6 million, respectively.

CASH FLOW HEDGES — There were after-tax mark-to-market losses of \$54.2 million and \$26.8 million as of December 28, 2019 and December 29, 2018, respectively, reported for cash flow hedge effectiveness in Accumulated other comprehensive loss. An after-tax loss of \$7.4 million is expected to be reclassified to earnings as the hedged transactions occur or as amounts are amortized within the next twelve months. The ultimate amount recognized will vary based on fluctuations of the hedged currencies and interest rates through the maturity dates.

The tables below detail pre-tax amounts of derivatives designated as cash flow hedges in Accumulated other comprehensive loss for active derivatives during the periods in which the underlying hedged transactions affected earnings for 2019, 2018 and 2017:

<i>2019 (Millions of Dollars)</i>	Gain (Loss) Recorded in OCI	Classification of Gain (Loss) Reclassified from OCI to Income	Gain (Loss) Reclassified from OCI to Income	Gain (Loss) Recognized in Income on Amounts Excluded from Effectiveness Testing
Interest Rate Contracts	\$ (40.5)	Interest expense	\$ (16.2)	\$ —
Foreign Exchange Contracts	\$ (16.7)	Cost of sales	\$ (6.5)	\$ —

2018 (Millions of Dollars)	Gain (Loss) Recorded in OCI	Classification of Gain (Loss) Reclassified from OCI to Income	Gain (Loss) Reclassified from OCI to Income	Gain (Loss) Recognized in Income on Amounts Excluded from Effectiveness Testing
Interest Rate Contracts	\$ 33.1	Interest expense	\$ (15.3)	\$ —
Foreign Exchange Contracts	\$ 35.9	Cost of sales	\$ (17.9)	\$ —

2017 (Millions of Dollars)	Gain (Loss) Recorded in OCI	Classification of Gain (Loss) Reclassified from OCI to Income	Gain (Loss) Reclassified from OCI to Income (Effective Portion)	Gain (Loss) Recognized in Income (Ineffective Portion*)
Interest Rate Contracts	\$ (8.4)	Interest expense	\$ —	\$ —
Foreign Exchange Contracts	\$ (66.6)	Cost of sales	\$ 8.4	\$ —

* Includes ineffective portion and amount excluded from effectiveness testing on derivatives.

A summary of the pre-tax effect of cash flow hedge accounting on the Consolidated Statements of Operations for 2019 and 2018 is as follows:

(Millions of dollars)	2019		2018	
	Cost of Sales	Interest Expense	Cost of Sales	Interest Expense
Total amount in the Consolidated Statements of Operations in which the effects of the cash flow hedges are recorded	\$ 9,636.7	\$ 284.3	\$ 9,131.3	\$ 277.9
Gain (loss) on cash flow hedging relationships:				
Foreign Exchange Contracts:				
Hedged Items	\$ 6.5	\$ —	\$ 17.9	\$ —
Gain (loss) reclassified from OCI into Income	\$ (6.5)	\$ —	\$ (17.9)	\$ —
Interest Rate Swap Agreements:				
Gain (loss) reclassified from OCI into Income ¹	\$ —	\$ (16.2)	\$ —	\$ (15.3)

¹ Inclusive of the gain/loss amortization on terminated derivative financial instruments.

For 2017, the hedged items' impact to the Consolidated Statement of Operations was a loss of \$8.4 million in Cost of Sales offsetting the amount shown above. There was no impact related to the interest rate contracts' hedged items for any period presented.

For 2019, 2018 and 2017 after-tax losses of \$13.1 million, \$15.4 million, and \$4.7 million, respectively, were reclassified from Accumulated other comprehensive loss into earnings (inclusive of the gain/loss amortization on terminated derivative financial instruments) during the periods in which the underlying hedged transactions affected earnings.

Interest Rate Contracts: The Company enters into interest rate swap agreements in order to obtain the lowest cost source of funds within a targeted range of variable to fixed-rate debt proportions. During 2019, the Company entered into forward starting interest rate swaps totaling \$650.0 million to offset expected variability on future interest rate payments associated with debt instruments expected to be issued in the future. During 2019, swaps with a notional amount of \$250.0 million matured resulting in a loss of \$1.0 million, which was recorded in Accumulated other comprehensive loss and is being amortized to earnings as interest expense over future periods. The cash flows stemming from the maturity of such interest rate swaps designated as cash flow hedges are presented within other financing activities in the Consolidated Statements of Cash Flows. As of December 28, 2019, the Company had \$400 million of forward starting swaps outstanding. As of December 30, 2018 all interest rate swaps designated as cash flow hedges matured as discussed below.

In 2018, forward starting interest rate swaps with an aggregate notional amount of \$400 million fixing 10 years of interest payments ranging from 4.25%–4.85% matured. The objective of the hedges was to offset the expected variability on future payments associated with the interest rate on debt instruments. This resulted in a loss of \$22.7 million, which was recorded in Accumulated other comprehensive loss and is being amortized to earnings as interest expense over future periods. The cash flows stemming from the maturity of such interest rate swaps designated as cash flow hedges are presented within other financing activities in the Consolidated Statements of Cash Flows.

In January 2020, the Company entered into forward starting interest rate swaps totaling \$1.0 billion to offset expected variability on future interest rate payments associated with debt instruments expected to be issued in the future. In February 2020, the Company terminated these swaps resulting in a loss of \$20.5 million, which was recorded in Accumulated other comprehensive loss and will be amortized to interest expense over future periods.

Foreign Currency Contracts

Forward Contracts: Through its global businesses, the Company enters into transactions and makes investments denominated in multiple currencies that give rise to foreign currency risk. The Company and its subsidiaries regularly purchase inventory from subsidiaries with functional currencies different than their own, which creates currency-related volatility in the Company's results of operations. The Company utilizes forward contracts to hedge these forecasted purchases and sales of inventory. Gains and losses reclassified from Accumulated other comprehensive loss are recorded in Cost of sales as the hedged item affects earnings. There are no components excluded from the assessment of effectiveness for these contracts. At December 28, 2019, and December 29, 2018, the notional values of the forward currency contracts outstanding was \$518.2 million and \$240.0 million, respectively, maturing on various dates through 2020.

Purchased Option Contracts: The Company and its subsidiaries have entered into various intercompany transactions whereby the notional values are denominated in currencies other than the functional currencies of the party executing the trade. In order to better match the cash flows of its intercompany obligations with cash flows from operations, the Company enters into purchased option contracts. Gains and losses reclassified from Accumulated other comprehensive loss are recorded in Cost of sales as the hedged item affects earnings. There are no components excluded from the assessment of effectiveness for these contracts. At December 28, 2019, there were no outstanding option contracts. At December 29, 2018, the notional value of option contracts outstanding was \$370.0 million maturing on various dates through 2019.

FAIR VALUE HEDGES

Interest Rate Risk: In an effort to optimize the mix of fixed versus floating rate debt in the Company's capital structure, the Company enters into interest rate swaps. In prior years, the Company entered into interest rate swaps related to certain of its notes payable which were subsequently terminated. Amortization of the gain/loss on previously terminated swaps is reported as a reduction of interest expense. Prior to termination, the changes in fair value of the swaps and the offsetting changes in fair value related to the underlying notes were recognized in earnings. The Company did not have any active fair value interest rate swaps at December 28, 2019 or December 29, 2018.

A summary of the pre-tax effect of fair value hedge accounting on the Consolidated Statements of Operations for 2019 and 2018 is as follows:

<i>(Millions of dollars)</i>	2019 Interest Expense	2018 Interest Expense
Total amount in the Consolidated Statements of Operations in which the effects of the fair value hedges are recorded	\$ 284.3	\$ 277.9
Amortization of gain on terminated swaps	\$ (7.7)	\$ (3.2)

Amortization of the gain/loss on terminated swaps of \$3.2 million was reported as a reduction of interest expense in 2017.

In February 2019, the Company redeemed all of the outstanding 2053 Junior Subordinated Debentures as discussed in *Note H, Long-Term Debt and Financing Arrangements*. As a result, the Company recorded a pre-tax gain of \$4.6 million relating to the remaining unamortized gain on swap termination related to this debt.

A summary of the amounts recorded in the Consolidated Balance Sheets related to cumulative basis adjustments for fair value hedges as of 2019 and 2018 is as follows:

<i>(Millions of dollars)</i>	2019 Carrying Amount of Hedged Liability ¹	2019 Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Liability
Current maturities of long-term debt	\$ 3.1	Terminated Swaps \$ 3.1
Long-Term Debt	\$ 3,176.4	Terminated Swaps \$ (17.5)

¹Represents hedged items no longer designated in qualifying fair value hedging relationships.

<i>(Millions of dollars)</i>	2018 Carrying Amount of Hedged Liability ¹	2018 Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Liability	
Current maturities of long-term debt	\$ 2.5	Terminated Swaps	\$ 2.1
Long-Term Debt	\$ 3,819.8	Terminated Swaps	\$ (10.0)

¹Represents hedged items no longer designated in qualifying fair value hedging relationships.

NET INVESTMENT HEDGES

Foreign Exchange Contracts: The Company utilizes net investment hedges to offset the translation adjustment arising from re-measurement of its investment in the assets and liabilities of its foreign subsidiaries. The total after-tax amounts in Accumulated other comprehensive loss were gains of \$97.3 million and \$63.3 million at December 28, 2019 and December 29, 2018, respectively.

As of December 28, 2019, the Company had cross currency swaps with a notional value totaling \$1.1 billion maturing on various dates through 2023 hedging a portion of its Japanese yen, Euro and Swiss franc denominated net investments and Euro denominated commercial paper with a value of \$335.5 million maturing in 2020 hedging a portion of its Euro denominated net investments.

As of December 29, 2018, the Company had foreign exchange contracts maturing on various dates through 2019 with notional values totaling \$262.4 million outstanding hedging a portion of its British pound sterling, Swedish krona, and Euro denominated net investments; a cross currency swap with a notional value totaling \$250.0 million maturing in 2023 hedging a portion of its Japanese yen denominated net investment; an option contract with a notional value totaling \$35.1 million maturing in 2019 hedging a portion of its Mexican peso denominated net investment; and Euro denominated commercial paper with a value of \$228.9 million maturing in 2019 hedging a portion of its Euro denominated net investments.

In January 2020, the Company entered into cross currency swaps with notional values totaling \$1.4 billion maturing in 2021 hedging a portion of its Euro, British pound sterling, Swedish krona and Swiss franc denominated net investments.

Maturing foreign exchange contracts resulted in net cash received of \$8.0 million and \$25.7 million during 2019 and 2018, respectively, and cash paid of \$23.3 million during 2017.

Gains and losses on net investment hedges remain in Accumulated other comprehensive loss until disposal of the underlying assets. Upon adoption of ASU 2017-12, gains and losses representing components excluded from the assessment of effectiveness are recognized in earnings in Other, net on a straight-line basis over the term of the hedge. Prior to the adoption of ASU 2017-12, no components were excluded from the assessment of effectiveness. Gains and losses after a hedge has been de-designated are recorded directly to the Consolidated Statements of Operations in Other, net.

The pre-tax gains and losses from fair value changes during 2019 and 2018 were as follows:

<i>(Millions of Dollars)</i>	2019					
	Total Gain (Loss) Recorded in OCI	Excluded Component Recorded in OCI	Income Statement Classification	Total Gain (Loss) Reclassified from OCI to Income	Excluded Component Amortized from OCI to Income	
Forward Contracts	\$ 6.4	\$ 4.6	Other, net	\$ 4.3	\$ 4.3	
Cross Currency Swap	\$ 54.8	\$ 48.8	Other, net	\$ 29.9	\$ 29.9	
Option Contracts	\$ (3.7)	\$ —	Other, net	\$ —	\$ —	
Non-derivative designated as Net Investment Hedge	\$ 21.7	\$ —	Other, net	\$ —	\$ —	

<i>(Millions of Dollars)</i>	2018					
	Total Gain (Loss) Recorded in OCI	Excluded Component Recorded in OCI	Income Statement Classification	Total Gain (Loss) Reclassified from OCI to Income	Excluded Component Amortized from OCI to Income	
Forward Contracts	\$ 37.1	\$ 8.6	Other, net	\$ 8.2	\$ 8.2	
Cross Currency Swap	\$ (2.3)	\$ 5.8	Other, net	\$ 6.8	\$ 6.8	
Option Contracts	\$ (2.0)	\$ —	Other, net	\$ —	\$ —	
Non-derivative designated as Net Investment Hedge	\$ 61.8	\$ —	Other, net	\$ —	\$ —	

The pre-tax loss from fair value changes during 2017 was as follows:

<i>(Millions of Dollars)</i>	2017		
	Amount Recorded in OCI Gain (Loss)	Effective Portion Recorded in Income Statement	Ineffective Portion* Recorded in Income Statement
Other-net	\$ (131.3)	\$ —	\$ —

*Includes ineffective portion.

As discussed in *Note H, Long-Term Debt and Financing Arrangements*, the Company has a commercial paper program which authorizes Euro denominated borrowings in addition to U.S. Dollars. Euro denominated borrowings against this commercial paper program are designated as a net investment hedge against a portion of its Euro denominated net investment. As of December 28, 2019 and December 29, 2018, the Company had \$335.5 million and \$228.9 million, respectively, in Euro denominated borrowings outstanding against this commercial paper program.

UNDESIGNATED HEDGES

Foreign Exchange Contracts: Currency swaps and foreign exchange forward contracts are used to reduce risks arising from the change in fair value of certain foreign currency denominated assets and liabilities (such as affiliate loans, payables and receivables). The objective of these practices is to minimize the impact of foreign currency fluctuations on operating results. The total notional amount of the forward contracts outstanding at December 28, 2019 was \$946.8 million maturing on various dates through 2020. The total notional amount of the forward contracts outstanding at December 29, 2018 was \$1.0 billion maturing on various dates through 2019. The gain (loss) recorded in the income statement from changes in the fair value related to derivatives not designated as hedging instruments under ASC 815 for 2019, 2018 and 2017 are as follows:

<i>(Millions of Dollars)</i>	Income Statement Classification	2019	2018	2017
Foreign Exchange Contracts	Other-net	\$ (4.1)	\$ 17.0	\$ 51.5

J. CAPITAL STOCK

EARNINGS PER SHARE — The following table reconciles net earnings attributable to common shareowners and the weighted-average shares outstanding used to calculate basic and diluted earnings per share for the fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017.

	2019	2018	2017
Numerator (in millions):			
Net Earnings Attributable to Common Shareowners	\$ 955.8	\$ 605.2	\$ 1,227.3
Denominator (in thousands):			
Basic weighted-average shares outstanding	148,365	148,919	149,629
Dilutive effect of stock contracts and awards	2,193	2,724	2,820
Diluted weighted-average shares outstanding	150,558	151,643	152,449
Earnings per share of common stock:			
Basic	\$ 6.44	\$ 4.06	\$ 8.20
Diluted	\$ 6.35	\$ 3.99	\$ 8.05

The following weighted-average stock options were not included in the computation of diluted shares outstanding because the effect would be anti-dilutive (in thousands):

	2019	2018	2017
Number of stock options	2,151	1,339	389

In November 2019, the Company issued 7,500,000 Equity Units with a total notional value of \$750.0 million ("2019 Equity Units"). Each unit initially consists of 750,000 shares of convertible preferred stock and forward stock purchase contracts. On and after November 15, 2022, the convertible preferred stock may be converted into common stock at the option of the holder. At the election of the Company, upon conversion, the Company may deliver cash, common stock, or a combination thereof. The conversion rate is initially 5.2263 shares of common stock per one share of convertible preferred stock, which is equivalent to an initial conversion price of approximately \$191.34 per share of common stock. The convertible preferred stock is excluded from the denominator of the diluted earnings per share calculation on the basis that the convertible preferred stock will be settled in cash except to the extent that the conversion value of the convertible preferred stock exceeds its liquidation preference. Therefore, before any redemption or conversion, the common shares that would be required to settle the applicable conversion value in excess of the liquidation preference, if the Company elects to settle such excess in common shares, are included in the denominator of diluted earnings per share in periods in which they are dilutive. The shares related to the convertible preferred stock were anti-dilutive during November and December of 2019.

In May 2017, the Company issued 7,500,000 Equity Units with a total notional value of \$750.0 million ("2017 Equity Units"). Each unit initially consists of 750,000 shares of convertible preferred stock and forward stock purchase contracts. On and after May 15, 2020, the convertible preferred stock may be converted into common stock at the option of the holder. At the election of the Company, upon conversion, the Company may deliver cash, common stock, or a combination thereof. The conversion rate was initially 6.1627 shares of common stock per one share of convertible preferred stock, which was equivalent to an initial conversion price of approximately \$162.27 per share of common stock. As of December 28, 2019, due to the customary anti-dilution provisions, the conversion rate was 6.1954, equivalent to a conversion price of approximately \$161.41 per share of common stock. The convertible preferred stock is excluded from the denominator of the diluted earnings per share calculation on the basis that the convertible preferred stock will be settled in cash except to the extent that the conversion value of the convertible preferred stock exceeds its liquidation preference. Therefore, before any redemption or conversion, the common shares that would be required to settle the applicable conversion value in excess of the liquidation preference, if the Company elects to settle such excess in common shares, are included in the denominator of diluted earnings per share in periods in which they are dilutive. The shares related to the convertible preferred stock were anti-dilutive during most of 2019.

See "Other Equity Arrangements" below for further details of the above transactions.

COMMON STOCK ACTIVITY — Common stock activity for 2019, 2018 and 2017 was as follows:

	2019	2018	2017
Outstanding, beginning of year	151,302,450	154,038,031	152,559,767
Issued from treasury	2,391,336	941,854	1,680,339
Returned to treasury	(187,377)	(3,677,435)	(202,075)
Outstanding, end of year	153,506,409	151,302,450	154,038,031
Shares subject to the forward share purchase contract	(3,645,510)	(3,645,510)	(3,645,510)
Outstanding, less shares subject to the forward share purchase contract	149,860,899	147,656,940	150,392,521

In April 2018, the Company repurchased 1,399,732 shares of common stock for approximately \$200.0 million. In July 2018, the Company repurchased 2,086,792 shares of common stock for approximately \$300.0 million.

In March 2015, the Company entered into a forward share purchase contract with a financial institution counterparty for 3,645,510 shares of common stock. The contract obligates the Company to pay \$350.0 million, plus an additional amount related to the forward component of the contract. In February 2020, the Company amended the settlement date to April 2022, or earlier at the Company's option. The reduction of common shares outstanding was recorded at the inception of the forward share purchase contract in March 2015 and factored into the calculation of weighted-average shares outstanding at that time.

COMMON STOCK RESERVED — Common stock shares reserved for issuance under various employee and director stock plans at December 28, 2019 and December 29, 2018 are as follows:

	2019	2018
Employee stock purchase plan	1,593,759	1,606,224
Other stock-based compensation plans	11,330,531	14,277,893
Total shares reserved	12,924,290	15,884,117

On January 22, 2018, the Board of Directors adopted the 2018 Omnibus Award Plan (the "2018 Plan") and authorized the issuance of 6,750,000 shares of the Company's common stock in connection with the awards pursuant to the 2018 Plan. No further awards will be issued under the Company's 2013 Long-Term Incentive Plan.

STOCK-BASED COMPENSATION PLANS — The Company has stock-based compensation plans for salaried employees and non-employee members of the Board of Directors. The plans provide for discretionary grants of stock options, restricted stock units and other stock-based awards.

The plans are generally administered by the Compensation and Talent Development Committee of the Board of Directors, consisting of non-employee directors.

Stock Option Valuation Assumptions:

Stock options are granted at the fair market value of the Company's stock on the date of grant and have a 10-year term. Generally, stock option grants vest ratably over 4 years from the date of grant.

The following describes how certain assumptions affecting the estimated fair value of stock options are determined: the dividend yield is computed as the annualized dividend rate at the date of grant divided by the strike price of the stock option; expected volatility is based on an average of the market implied volatility and historical volatility for the 5.25 year expected life; the risk-free interest rate is based on U.S. Treasury securities with maturities equal to the expected life of the option; and a seven percent forfeiture rate is assumed. The Company uses historical data in order to estimate forfeitures and holding period behavior for valuation purposes.

The fair value of stock option grants is estimated on the date of grant using the Black-Scholes option pricing model. The following weighted-average assumptions were used to value grants made in 2019, 2018 and 2017:

	2019	2018	2017
Average expected volatility	25.0%	23.0%	20.0%
Dividend yield	1.8%	2.0%	1.5%
Risk-free interest rate	1.5%	2.9%	2.2%
Expected term	5.3 years	5.3 years	5.2 years
Fair value per option	\$ 30.09	\$ 26.54	\$ 30.71
Weighted-average vesting period	2.8 years	2.9 years	2.9 years

Stock Options:

The number of stock options and weighted-average exercise prices as of December 28, 2019 are as follows:

	Options	Price
Outstanding, beginning of year	7,352,263	\$ 107.36
Granted	1,225,750	150.69
Exercised	(1,851,761)	78.17
Forfeited	(271,581)	144.05
Outstanding, end of year	6,454,671	\$ 122.42
Exercisable, end of year	3,720,639	\$ 105.71

At December 28, 2019, the range of exercise prices on outstanding stock options was \$57.50 to \$168.78. Stock option expense was \$27.7 million, \$23.9 million and \$21.3 million for the years ended December 28, 2019, December 29, 2018 and December 30, 2017, respectively. At December 28, 2019, the Company had \$55.9 million of unrecognized pre-tax compensation expense for stock options. This expense will be recognized over the remaining vesting periods which are 1.8 years on a weighted-average basis.

During 2019, the Company received \$144.7 million in cash from the exercise of stock options. The related tax benefit from the exercise of these options was \$34.7 million. During 2019, 2018 and 2017, the total intrinsic value of options exercised was \$143.7 million, \$18.3 million and \$72.7 million, respectively. When options are exercised, the related shares are issued from treasury stock.

An excess tax benefit is generated on the extent to which the actual gain, or spread, an optionee receives upon exercise of an option exceeds the fair value determined at the grant date; that excess spread over the fair value of the option times the applicable tax rate represents the excess tax benefit. During 2019, 2018 and 2017, the excess tax benefit arising from tax deductions in excess of recognized compensation cost totaled \$25.8 million, \$2.3 million and \$18.3 million, respectively, and was recorded in income tax expense.

Outstanding and exercisable stock option information at December 28, 2019 follows:

Exercise Price Ranges	Outstanding Stock Options			Exercisable Stock Options		
	Options	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Options	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
\$75.00 and below	991,566	1.64	\$ 64.69	991,566	1.64	\$ 64.69
\$75.01 — \$125.00	2,154,836	5.91	107.44	1,932,443	5.80	106.10
\$125.01 and higher	3,308,269	8.97	149.48	796,630	8.13	155.84
	6,454,671	6.83	\$ 122.42	3,720,639	5.19	\$ 105.71

Compensation cost for new grants is recognized on a straight-line basis over the vesting period. The expense for retirement eligible employees (those aged 55 and over and with 10 or more years of service) is recognized by the date they become retirement eligible, as such employees may retain their options for the 0 year contractual term in the event they retire prior to the end of the vesting period stipulated in the grant.

As of December 28, 2019, the aggregate intrinsic value of stock options outstanding and stock options exercisable was \$283.5 million and \$225.5 million, respectively.

Employee Stock Purchase Plan:

The Employee Stock Purchase Plan ("ESPP") enables eligible employees in the United States, Canada and Israel to purchase shares of the Company's common stock at the lower of 85.0% of the fair market value of the shares on the grant date (\$110.80 per share for fiscal year 2019 purchases) or 85.0% of the fair market value of the shares on the last business day of each month. A maximum of 6,000,000 shares are authorized for subscription. In conjunction with the Company's cost savings initiatives, the ESPP was temporarily suspended in 2019 and has been reinstated in 2020. During 2019, 2018 and 2017, 12,465 shares, 139,715 shares and 190,154 shares, respectively, were issued under the plan at average prices of \$103.02, \$121.00, and \$103.35 per share, respectively, and the intrinsic value of the ESPP purchases was \$0.3 million, \$3.1 million and \$8.7 million, respectively. For 2019, the Company received \$1.3 million in cash from ESPP purchases, and there was no related tax benefit. The fair value of ESPP shares was estimated using the Black-Scholes option pricing model. ESPP compensation cost is recognized ratably over the one year term based on actual employee stock purchases under the plan. The fair value of the employees' purchase rights under the ESPP was estimated using the following assumptions for 2019, 2018 and 2017, respectively: dividend yield of 2.2%, 1.6% and 1.8%; expected volatility of 28.0%, 16.0% and 21.0%; risk-free interest rates of 2.5%, 1.6%, and 0.9%; and expected lives of one year. The weighted-average fair value of those purchase rights granted in 2019, 2018 and 2017 was \$27.75, \$43.69 and \$35.70, respectively. Total compensation expense recognized for ESPP was \$6.6 million in 2019, \$6.6 million in 2018 and \$6.7 million in 2017.

Restricted Share Units and Awards:

Compensation cost for restricted share units and awards, including restricted shares granted to French employees in lieu of RSUs, (collectively "RSUs") granted to employees is recognized ratably over the vesting term, which varies but is generally 4 years. RSU grants totaled 282,598 shares, 413,838 shares and 304,976 shares in 2019, 2018 and 2017, respectively. The weighted-average grant date fair value of RSUs granted in 2019, 2018 and 2017 was \$149.14, \$133.90 and \$160.04 per share, respectively.

Total compensation expense recognized for RSUs amounted to \$41.2 million, \$40.1 million and \$31.7 million in 2019, 2018 and 2017, respectively. The actual tax benefit received related to the shares that were delivered in 2019 was \$12.7 million. The excess tax benefit recognized was \$3.4 million, \$1.8 million, and \$4.9 million in 2019, 2018 and 2017, respectively. As of December 28, 2019, unrecognized compensation expense for RSUs amounted to \$80.9 million and will be recognized over a weighted-average period of 2 years.

A summary of non-vested restricted stock unit and award activity as of December 28, 2019, and changes during the twelve month period then ended is as follows:

	Restricted Share Units & Awards	Weighted-Average Grant Date Fair Value
Non-vested at December 29, 2018	1,074,735	\$ 129.65
Granted	282,598	149.14
Vested	(372,571)	119.92
Forfeited	(118,242)	136.62
Non-vested at December 28, 2019	866,520	\$ 139.23

The total fair value of shares vested (market value on the date vested) during 2019, 2018 and 2017 was \$56.7 million, \$46.8 million and \$46.6 million, respectively.

Non-employee members of the Board of Directors received restricted share-based grants which must be cash settled and accordingly mark-to-market accounting is applied. The Company recognized \$6.8 million of expense for these awards in 2019, \$3.4 million of income in 2018, and expense of \$7.0 million in 2017. Additionally, the Board of Directors were granted restricted share units for which compensation expense of \$1.2 million, \$1.2 million, and \$1.0 million was recognized for 2019, 2018 and 2017, respectively.

Management Incentive Compensation Plan Performance Stock Units:

In 2019, the Company granted Performance Stock Units (collectively "MICP-PSUs") under the Management Incentive Compensation Plan ("MICP") to participating employees. Awards are payable in shares of common stock and generally no award is made if the employee terminates employment prior to the settlement dates. The ultimate delivery of the shares related to the 2019 MICP-PSU grant will occur ratably in March 2020, 2021, and 2022. The total shares to be delivered are based on actual 2019 performance in relation to the established goals.

Compensation cost for these performance awards is recognized ratably over the vesting term of 3 years. Total expense recognized in 2019 related to these MICP-PSUs approximated \$9.5 million. The maximum number of shares that may be issued under the 2019 grant is 346,011 share units which remain non-vested as of December 28, 2019. The grant date fair value associated with the MICP-PSUs granted in 2019 is \$127.27 per share.

Long-Term Performance Awards:

The Company has granted Long-Term Performance Awards (“LTIP”) under its 2018 Omnibus Award Plan and 2013 Long Term Incentive Plan to senior management employees for achieving Company performance measures. Awards are payable in shares of common stock, which may be restricted if the employee has not achieved certain stock ownership levels, and generally no award is made if the employee terminates employment prior to the settlement date. LTIP grants were made in 2017, 2018 and 2019. Each grant has separate annual performance goals for each year within the respective three year performance period. Earnings per share and cash flow return on investment represent 75% of the grant value. There is a third market-based metric, representing 25% of the total grant, which measures the Company’s common stock return relative to peers over the performance period. The ultimate delivery of shares will occur in 2020, 2021 and 2022 for the 2017, 2018 and 2019 grants, respectively. Share settlements are based on actual performance in relation to these goals.

Expense recognized for these performance awards amounted to \$9.0 million in 2019, \$4.7 million in 2018, and \$18.0 million in 2017. With the exception of the market-based metric comprising 25% of the award, in the event performance goals are not met, compensation cost is not recognized and any previously recognized compensation cost is reversed.

A summary of the activity pertaining to the maximum number of shares that may be issued is as follows:

	Share Units	Weighted-Average Grant Date Fair Value
Non-vested at December 29, 2018	627,407	\$ 116.85
Granted	639,957	123.01
Vested	(154,217)	86.56
Forfeited	(105,910)	91.12
Non-vested at December 28, 2019	1,007,237	\$ 128.10

OTHER EQUITY ARRANGEMENTS

2019 Equity Units and Capped Call Transactions

In November 2019, the Company issued 7,500,000 Equity Units with a total notional value of \$750.0 million (“2019 Equity Units”). Each unit has a stated amount of \$100 and initially consists of a three-year forward stock purchase contract (“2022 Purchase Contracts”) for the purchase of a variable number of shares of common stock, on November 15, 2022, for a price of \$100, and a 10% beneficial ownership interest in one share of 0% Series D Cumulative Perpetual Convertible Preferred Stock, without par, with a liquidation preference of \$1,000 per share (“Series D Preferred Stock”). The Company received approximately \$735.0 million in net cash proceeds from the 2019 Equity Units net of offering expenses and underwriting costs and commissions, and issued 750,000 shares of Series D Preferred Stock, recording \$750.0 million in preferred stock. The proceeds were used for general corporate purposes, including repayment of short-term borrowings. The Company also used \$19.2 million of the proceeds to enter into capped call transactions utilized to hedge potential economic dilution as described in more detail below.

Convertible Preferred Stock

In November 2019, the Company issued 750,000 shares of Series D Preferred Stock, without par, with a liquidation preference of \$1,000 per share. The convertible preferred stock will initially not bear any dividends and the liquidation preference of the convertible preferred stock will not accrete. The convertible preferred stock has no maturity date and will remain outstanding unless converted by holders or redeemed by the Company. Holders of shares of the convertible preferred stock will generally have no voting rights.

The Series D Preferred Stock is pledged as collateral to support holders’ purchase obligations under the 2022 Purchase Contracts and can be remarketed. In connection with any successful remarketing, the Company may (but is not required to) modify certain terms of the convertible preferred stock, including the dividend rate, the conversion rate, and the earliest

redemption date. After any successful remarketing in connection with which the dividend rate on the convertible preferred stock is increased, the Company will pay cumulative dividends on the convertible preferred stock, if declared by the Board of Directors, quarterly in arrears from the applicable remarketing settlement date.

On and after November 15, 2022, the Series D Preferred Stock may be converted into common stock at the option of the holder. The conversion rate is initially 5.2263 shares of common stock per one share of Series D Preferred Stock, which is equivalent to an initial conversion price of approximately \$191.34 per share of common stock. At the election of the Company, upon conversion, the Company may deliver cash, common stock, or a combination thereof.

The Company may not redeem the Series D Preferred Stock prior to December 22, 2022. At the election of the Company, on or after December 22, 2022, the Company may redeem for cash, all or any portion of the outstanding shares of the Series D Preferred Stock at a redemption price equal to 100% of the liquidation preference, plus any accumulated and unpaid dividends. If the Company calls the Series D Preferred Stock for redemption, holders may convert their shares immediately preceding the redemption date.

2022 Purchase Contracts

The 2022 Purchase Contracts obligate the holders to purchase, on November 15, 2022, for a price of \$100 in cash, a maximum number of 4.7 million shares of the Company's common stock (subject to customary anti-dilution adjustments). The 2022 Purchase Contract holders may elect to settle their obligation early, in cash. The Series D Preferred Stock is pledged as collateral to guarantee the holders' obligations to purchase common stock under the terms of the 2022 Purchase Contracts. The initial settlement rate determining the number of shares that each holder must purchase will not exceed the maximum settlement rate, and is determined over a market value averaging period immediately preceding November 15, 2022.

The initial maximum settlement rate of 0.6272 was calculated using an initial reference price of \$159.45, equal to the last reported sale price of the Company's common stock on November 7, 2019. If the applicable market value of the Company's common stock is less than or equal to the reference price, the settlement rate will be the maximum settlement rate; and if the applicable market value of common stock is greater than the reference price, the settlement rate will be a number of shares of the Company's common stock equal to \$100 divided by the applicable market value. Upon settlement of the 2022 Purchase Contracts, the Company will receive additional cash proceeds of \$750 million.

The Company will pay the holders of the 2022 Purchase Contracts quarterly payments ("Contract Adjustment Payments") at a rate of 5.25% per annum, payable quarterly in arrears on February 15, May 15, August 15 and November 15, which will commence on February 15, 2020. The \$114.2 million present value of the Contract Adjustment Payments reduced Shareowners' Equity at inception. As each quarterly Contract Adjustment Payment is made, the related liability is reduced and the difference between the cash payment and the present value will accrete to interest expense, approximately \$1.3 million per year over the three-year term. As of December 28, 2019, the present value of the Contract Adjustment Payments was \$114.4 million.

The holders can settle the purchase contracts early, for cash, subject to certain exceptions and conditions in the prospectus supplement. Upon early settlement of any purchase contracts, the Company will deliver the number of shares of its common stock equal to 85% of the number of shares of common stock that would have otherwise been deliverable.

Capped Call Transactions

In order to offset the potential economic dilution associated with the common shares issuable upon conversion of the Series D Preferred Stock, to the extent that the conversion value of the convertible preferred stock exceeds its liquidation preference, the Company entered into capped call transactions with three major financial institutions.

The capped call transactions have a term of approximately three years and are intended to cover the number of shares issuable upon conversion of the Series D Preferred Stock. Subject to customary anti-dilution adjustments, the capped call has an initial lower strike price of \$191.34, which corresponds to the minimum 5.2263 settlement rate of the Series D Preferred Stock, and an upper strike price of \$207.29, which is approximately 30% higher than the closing price of the Company's common stock on November 7, 2019.

The capped call transactions may be settled by net share settlement (the default settlement method) or, at the Company's option and subject to certain conditions, cash settlement, physical settlement or modified physical settlement. The number of shares the Company will receive will be determined by the terms of the contracts using a volume-weighted average price calculation for the market value of the Company's common stock, over an averaging period. The market value determined will then be

measured against the applicable strike price of the capped call transactions. The Company expects the capped call transactions to offset the potential dilution upon conversion of the Series D Preferred Stock if the calculated market value is greater than the lower strike price but less than or equal to the upper strike price of the capped call transactions. Should the calculated market value exceed the upper strike price of the capped call transactions, the dilution mitigation will be limited based on such capped value as determined under the terms of the contracts.

With respect to the impact on the Company, the capped call transactions and 2019 Equity Units, when taken together, result in the economic equivalent of having the conversion price on the 2019 Equity Units at \$207.29, the upper strike price of the capped call as of December 28, 2019.

The Company paid \$19.2 million, or an average of \$4.90 per option, to enter into capped call transactions on 3.9 million shares of common stock. The \$19.2 million premium paid was a reduction of Shareowners' Equity. The aggregate fair value of the options at December 28, 2019 was \$19.2 million.

2018 Capped Call Transactions

In March 2018, the Company purchased from a financial institution "at-the money" capped call options with an approximate term of three years, on 3.2 million shares of its common stock (subject to customary anti-dilution adjustments) for an aggregate premium of \$57.3 million, or an average of \$17.96 per share. The premium paid was recorded as reduction of Shareowners' equity. The purpose of the capped call options was to hedge the risk of stock price appreciation between the lower and upper strike prices of the capped call options for a future share repurchase.

The capped call had an initial lower strike price of \$156.86 and an upper strike price of \$203.92, which was approximately 30% higher than the closing price of the Company's common stock on March 13, 2018. As of December 28, 2019, due to the customary anti-dilution provisions, the capped call transactions had an adjusted lower strike price of \$156.59 and an adjusted upper strike price of \$203.57. The aggregate fair value of the options at December 28, 2019 was \$56.4 million.

The capped call transactions may be settled by net-share settlement (the default settlement method) or, at the Company's option and subject to certain conditions, cash settlement, physical settlement or modified physical settlement. The number of shares the Company will receive will be determined by the terms of the contracts using a volume-weighted average price calculation for the market value of the Company's common stock, over an average period. The market value determined will then be measured against the applicable strike price of the capped call transactions.

2017 Equity Units and Capped Call Transactions

In May 2017, the Company issued 7,500,000 Equity Units with a total notional value of \$750.0 million ("2017 Equity Units"). Each unit has a stated amount of \$100 and initially consists of a three-year forward stock purchase contract ("2020 Purchase Contracts") for the purchase of a variable number of shares of common stock, on May 15, 2020, for a price of \$100, and a 10% beneficial ownership interest in one share of 0% Series C Cumulative Perpetual Convertible Preferred Stock, without par, with a liquidation preference of \$1,000 per share ("Series C Preferred Stock"). The Company received approximately \$726.0 million in net cash proceeds from the 2017 Equity Units net of offering expenses and underwriting costs and commissions, and issued 750,000 shares of Series C Preferred Stock, recording \$750.0 million in preferred stock. The proceeds were used for general corporate purposes, including repayment of short-term borrowings. The Company also used \$25.1 million of the proceeds to enter into capped call transactions utilized to hedge potential economic dilution as described in more detail below.

Convertible Preferred Stock

In May 2017, the Company issued 750,000 shares of Series C Preferred Stock, without par, with a liquidation preference of \$1,000 per share. The convertible preferred stock will initially not bear any dividends and the liquidation preference of the convertible preferred stock will not accrete. The convertible preferred stock has no maturity date, and will remain outstanding unless converted by holders or redeemed by the Company. Holders of shares of the convertible preferred stock will generally have no voting rights.

The Series C Preferred Stock is pledged as collateral to support holders' purchase obligations under the 2020 Purchase Contracts and can be remarketed. In connection with any successful remarketing, the Company may (but is not required to) modify certain terms of the convertible preferred stock, including the dividend rate, the conversion rate, and the earliest redemption date. After any successful remarketing in connection with which the dividend rate on the convertible preferred

stock is increased, the Company will pay cumulative dividends on the convertible preferred stock, if declared by the Board of Directors, quarterly in arrears from the applicable remarketing settlement date.

On and after May 15, 2020, the Series C Preferred Stock may be converted into common stock at the option of the holder. The initial conversion rate was 6.1627 shares of common stock per one share of Series C Preferred Stock, which was equivalent to an initial conversion price of approximately \$162.27 per share of common stock. As of December 28, 2019, due to the customary anti-dilution provisions, the conversion rate was 6.1954, equivalent to a conversion price of approximately \$161.41 per share of common stock. At the election of the Company, upon conversion, the Company may deliver cash, common stock, or a combination thereof.

The Company may not redeem the Series C Preferred Stock prior to June 22, 2020. At the election of the Company, on or after June 22, 2020, the Company may redeem for cash, all or any portion of the outstanding shares of the Series C Preferred Stock at a redemption price equal to 100% of the liquidation preference, plus any accumulated and unpaid dividends. If the Company calls the Series C Preferred Stock for redemption, holders may convert their shares immediately preceding the redemption date.

2020 Purchase Contracts

The 2020 Purchase Contracts obligate the holders to purchase, on May 15, 2020, for a price of \$100 in cash, a maximum number of 5.4 million shares of the Company's common stock (subject to customary anti-dilution adjustments). The 2020 Purchase Contract holders may elect to settle their obligation early, in cash. The Series C Preferred Stock is pledged as collateral to guarantee the holders' obligations to purchase common stock under the terms of the 2020 Purchase Contracts. The initial settlement rate determining the number of shares that each holder must purchase will not exceed the maximum settlement rate, and is determined over a market value averaging period immediately preceding May 15, 2020.

The initial maximum settlement rate of 0.7241 was calculated using an initial reference price of \$138.10, equal to the last reported sale price of the Company's common stock on May 11, 2017. As of December 28, 2019, due to the customary anti-dilution provisions, the maximum settlement rate was 0.7279, equivalent to a reference price of \$137.38. If the applicable market value of the Company's common stock is less than or equal to the reference price, the settlement rate will be the maximum settlement rate; and if the applicable market value of common stock is greater than the reference price, the settlement rate will be a number of shares of the Company's common stock equal to \$100 divided by the applicable market value. Upon settlement of the 2020 Purchase Contracts, the Company will receive additional cash proceeds of \$750 million.

The Company pays the holders of the 2020 Purchase Contracts quarterly payments ("Contract Adjustment Payments") at a rate of 5.375% per annum, payable quarterly in arrears on February 15, May 15, August 15 and November 15, which commenced August 15, 2017. The \$117.1 million present value of the Contract Adjustment Payments reduced Shareowners' Equity at inception. As each quarterly Contract Adjustment Payment is made, the related liability is reduced and the difference between the cash payment and the present value accretes to interest expense, approximately \$1.3 million per year over the three-year term. As of December 28, 2019, the present value of the Contract Adjustment Payments was \$19.7 million.

The holders can settle the purchase contracts early, for cash, subject to certain exceptions and conditions in the prospectus supplement. Upon early settlement of any purchase contracts, the Company will deliver the number of shares of its common stock equal to 85% of the number of shares of common stock that would have otherwise been deliverable.

Capped Call Transactions

In order to offset the potential economic dilution associated with the common shares issuable upon conversion of the Series C Preferred Stock, to the extent that the conversion value of the convertible preferred stock exceeds its liquidation preference, the Company entered into capped call transactions with three major financial institutions.

The capped call transactions have a term of approximately three years and are intended to cover the number of shares issuable upon conversion of the Series C Preferred Stock. Subject to customary anti-dilution adjustments, the capped call has an initial lower strike price of \$162.27, which corresponds to the minimum 6.1627 settlement rate of the Series C Preferred Stock, and an upper strike price of \$179.53, which is approximately 30% higher than the closing price of the Company's common stock on May 11, 2017. As of December 28, 2019, due to the customary anti-dilution provisions, the capped call transactions had an adjusted lower strike price of \$161.41 and an adjusted upper strike price of \$178.58.

The capped call transactions may be settled by net-share settlement (the default settlement method) or, at the Company's option and subject to certain conditions, cash settlement, physical settlement or modified physical settlement. The number of shares the Company will receive will be determined by the terms of the contracts using a volume-weighted average price calculation

for the market value of the Company's common stock, over an averaging period. The market value determined will then be measured against the applicable strike price of the capped call transactions. The Company expects the capped call transactions to offset the potential dilution upon conversion of the Series C Preferred Stock if the calculated market value is greater than the lower strike price but less than or equal to the upper strike price of the capped call transactions. Should the calculated market value exceed the upper strike price of the capped call transactions, the dilution mitigation will be limited based on such capped value as determined under the terms of the contracts.

With respect to the impact on the Company, the capped call transactions and 2017 Equity Units, when taken together, result in the economic equivalent of having the conversion price on the 2017 Equity Units at \$178.58, the upper strike price of the capped call as of December 28, 2019.

The Company paid \$25.1 million, or an average of \$5.43 per option, to enter into capped call transactions on 4.6 million shares of common stock. The \$25.1 million premium paid was a reduction of Shareowners' Equity. The aggregate fair value of the options at December 28, 2019 was \$36.0 million.

K. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the changes in the accumulated balances for each component of accumulated other comprehensive loss:

<i>(Millions of Dollars)</i>	Currency translation adjustment and other	Unrealized (losses) gains on cash flow hedges, net of tax	Unrealized gains (losses) on net investment hedges, net of tax	Pension (losses) gains, net of tax	Total
Balance - December 30, 2017	\$ (1,108.2)	\$ (112.6)	\$ 3.4	\$ (371.7)	\$ (1,589.1)
Other comprehensive (loss) income before reclassifications	(373.0)	70.4	71.2	(9.7)	(241.1)
Reclassification adjustments to earnings	—	15.4	(11.3)	11.8	15.9
Net other comprehensive (loss) income	(373.0)	85.8	59.9	2.1	(225.2)
Balance - December 29, 2018	\$ (1,481.2)	\$ (26.8)	\$ 63.3	\$ (369.6)	\$ (1,814.3)
Other comprehensive (loss) income before reclassifications	(36.0)	(40.5)	60.0	(53.3)	(69.8)
Reclassification adjustments to earnings	—	13.1	(26.0)	12.4	(0.5)
Net other comprehensive (loss) income	(36.0)	(27.4)	34.0	(40.9)	(70.3)
Balance - December 28, 2019	\$ (1,517.2)	\$ (54.2)	\$ 97.3	\$ (410.5)	\$ (1,884.6)

(Millions of Dollars)

Components of accumulated other comprehensive loss	2019	2018	Affected line item in Consolidated Statements of Operations
	Reclassification adjustments	Reclassification adjustments	
Realized losses on cash flow hedges	\$ (6.5)	\$ (17.9)	Cost of sales
Realized losses on cash flow hedges	(16.2)	(15.3)	Interest expense
Total before taxes	\$ (22.7)	\$ (33.2)	
Tax effect	9.6	17.8	Income taxes
Realized losses on cash flow hedges, net of tax	\$ (13.1)	\$ (15.4)	
Realized gains on net investment hedges	\$ 34.2	\$ 15.0	Other, net
Tax effect	(8.2)	(3.7)	Income taxes
Realized gains on net investment hedges, net of tax	\$ 26.0	\$ 11.3	
Actuarial losses and prior service costs / credits	(15.3)	(14.8)	Other, net
Settlement losses	(1.0)	(0.7)	Other, net
Total before taxes	(16.3)	(15.5)	
Tax effect	3.9	3.7	Income taxes
Amortization of defined benefit pension items, net of tax	\$ (12.4)	\$ (11.8)	

L. EMPLOYEE BENEFIT PLANS

EMPLOYEE STOCK OWNERSHIP PLAN ("ESOP") — Most U.S. employees may make contributions that do not exceed 25% of their eligible compensation to a tax-deferred 401(k) savings plan, subject to restrictions under tax laws. Employees generally direct the investment of their own contributions into various investment funds. An employer match benefit is provided under the plan equal to one-half of each employee's tax-deferred contribution up to the first 7% of their compensation. Participants direct the entire employer match benefit such that no participant is required to hold the Company's common stock in their 401(k) account. The employer match benefit totaled \$28.8 million, \$28.0 million and \$24.8 million in 2019, 2018 and 2017, respectively. In addition to the regular employer match, \$0.7 million was allocated to the employee's accounts for forfeitures and a surplus resulting from appreciation of the Company's share value in 2018. There was no additional employer match allocated to employee's accounts in 2019 and 2017.

In addition, approximately 9,400 U.S. salaried and non-union hourly employees are eligible to receive a non-contributory benefit under the Core benefit plan. Core benefit allocations range from 2% to 6% of eligible employee compensation based on age. Allocations for benefits earned under the Core plan were \$28.8 million, \$29.0 million, and \$25.4 million in 2019, 2018 and 2017, respectively. Assets held in participant Core accounts are invested in target date retirement funds which have an age-based allocation of investments.

Shares of the Company's common stock held by the ESOP were purchased with the proceeds of borrowings from the Company in 1991 ("1991 internal loan"). Shareowners' equity reflects a reduction equal to the cost basis of unearned (unallocated) shares purchased with the internal borrowings. In 2019, 2018 and 2017, the Company made additional contributions to the ESOP for \$7.2 million, \$7.0 million, and \$4.8 million, respectively, which were used by the ESOP to make additional payments on the 1991 internal loan. These payments triggered the release of 226,212, 207,049 and 133,694 shares of unallocated stock in 2019, 2018 and 2017, respectively.

Net ESOP activity recognized is comprised of the cost basis of shares released, the cost of the aforementioned Core and 401(k) match defined contribution benefits, less the fair value of shares released and dividends on unallocated ESOP shares. The Company's net ESOP activity resulted in income of \$0.5 million in 2019 and expense of \$0.4 million in 2018 and \$1.3 million in 2017. ESOP expense is affected by the market value of the Company's common stock on the monthly dates when shares are released. The weighted-average market value of shares released was \$138.67 per share in 2019, \$139.45 per share in 2018 and \$138.60 per share in 2017.

Unallocated shares are released from the trust based on current period debt principal and interest payments as a percentage of total future debt principal and interest payments. Dividends on both allocated and unallocated shares may be used for debt service and to credit participant accounts for dividends earned on allocated shares. Dividends paid on the shares acquired with

the 1991 internal loan were used solely to pay internal loan debt service in all periods. Dividends on ESOP shares, which are charged to shareowners' equity as declared, were \$6.3 million in 2019, \$7.7 million in 2018 and \$8.4 million in 2017, net of the tax benefit which is recorded in earnings. Dividends on ESOP shares were utilized entirely for debt service in all years. Interest costs incurred by the ESOP on the 1991 internal loan, which have no earnings impact, were \$0.5 million, \$1.6 million and \$2.2 million for 2019, 2018 and 2017, respectively. Both allocated and unallocated ESOP shares are treated as outstanding for purposes of computing earnings per share. As of December 28, 2019, the cumulative number of ESOP shares allocated was 15,418,053, of which participants held 1,889,408 shares, and the number of unallocated shares was 122,681. At December 28, 2019, there were no released shares in the ESOP trust holding account pending allocation. The Company made cash contributions totaling \$2.2 million in 2019, \$2.3 million in 2018 and \$1.8 million in 2017, excluding additional contributions of \$7.2 million, \$7.0 million and \$4.8 million in 2019, 2018 and 2017, respectively, as discussed previously.

PENSION AND OTHER BENEFIT PLANS — The Company sponsors pension plans covering most domestic hourly and certain executive employees, and approximately 15,800 foreign employees. Benefits are generally based on salary and years of service, except for U.S. collective bargaining employees whose benefits are based on a stated amount for each year of service.

The Company contributes to a number of multi-employer plans for certain collective bargaining U.S. employees. The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

- a. Assets contributed to the multi-employer plan by one employer may be used to provide benefit to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be inherited by the remaining participating employers.
- c. If the Company chooses to stop participating in some of its multi-employer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

In addition, the Company also contributes to a number of multi-employer plans outside of the U.S. The foreign plans are insured, therefore, the Company's obligation is limited to the payment of insurance premiums.

The Company has assessed and determined that none of the multi-employer plans to which it contributes are individually significant to the Company's financial statements. The Company does not expect to incur a withdrawal liability or expect to significantly increase its contributions over the remainder of the contract period.

In addition to the multi-employer plans, various other defined contribution plans are sponsored worldwide.

The expense for defined contribution plans, aside from the earlier discussed ESOP plans, is as follows:

<i>(Millions of Dollars)</i>	2019	2018	2017
Multi-employer plan expense	\$ 7.2	\$ 7.3	\$ 7.2
Other defined contribution plan expense	\$ 36.2	\$ 12.9	\$ 27.5

The components of net periodic pension expense (benefit) are as follows:

<i>(Millions of Dollars)</i>	U.S. Plans			Non-U.S. Plans		
	2019	2018	2017	2019	2018	2017
Service cost	\$ 12.3	\$ 7.5	\$ 8.7	\$ 14.6	\$ 15.2	\$ 13.7
Interest cost	47.1	42.8	43.2	30.3	28.6	29.1
Expected return on plan assets	(61.7)	(68.7)	(64.4)	(45.6)	(46.5)	(45.5)
Amortization of prior service cost (credit)	1.0	1.1	1.1	(0.6)	(1.3)	(1.2)
Actuarial loss amortization	8.0	7.8	8.3	8.6	8.5	9.4
Settlement / curtailment loss	—	—	2.9	1.0	0.7	12.7
Net periodic pension expense (benefit)	<u>\$ 6.7</u>	<u>\$ (9.5)</u>	<u>\$ (0.2)</u>	<u>\$ 8.3</u>	<u>\$ 5.2</u>	<u>\$ 18.2</u>

The Company provides medical and dental benefits for certain retired employees in the United States, Brazil, and Canada. Approximately 16,600 participants are covered under these plans. Net periodic post-retirement benefit expense was comprised of the following elements:

<i>(Millions of Dollars)</i>	Other Benefit Plans		
	2019	2018	2017
Service cost	\$ 0.3	\$ 0.5	\$ 0.6
Interest cost	1.6	1.6	1.7
Amortization of prior service credit	(1.4)	(1.3)	(1.4)
Actuarial loss amortization	(0.3)	—	—
Net periodic post-retirement expense	\$ 0.2	\$ 0.8	\$ 0.9

For the year ended December 30, 2017, the Company recorded pre-tax charges of approximately \$12.2 million, reflecting losses previously reported in accumulated other comprehensive loss, related to a non-U.S. pension plan for which the Company settled its obligation by purchasing an annuity and making lump sum payments to participants. Also, in accordance with policy, \$2.9 million and \$0.5 million in pre-tax settlement and curtailment losses were recorded for other U.S. and non-U.S. plans, respectively, in December 2017 due to standard lump sum benefit payments elected exceeding the sum of service cost and interest cost.

Changes in plan assets and benefit obligations recognized in accumulated other comprehensive loss in 2019 are as follows:

<i>(Millions of Dollars)</i>	2019
Current year actuarial loss	\$ 63.3
Amortization of actuarial loss	(15.3)
Prior service cost from plan amendments	2.1
Settlement / curtailment loss	(1.0)
Currency / other	4.2
Total loss recognized in accumulated other comprehensive loss (pre-tax)	\$ 53.3

The amounts in Accumulated other comprehensive loss expected to be recognized as components of net periodic benefit costs during 2020 total \$19.7 million, representing amortization of actuarial losses.

The changes in the pension and other post-retirement benefit obligations, fair value of plan assets, as well as amounts recognized in the Consolidated Balance Sheets, are shown below.

<i>(Millions of Dollars)</i>	U.S. Plans		Non-U.S. Plans		Other Benefits	
	2019	2018	2019	2018	2019	2018
Change in benefit obligation						
Benefit obligation at end of prior year	\$ 1,260.9	\$ 1,365.3	\$ 1,305.3	\$ 1,446.1	\$ 44.8	\$ 52.3
Service cost	12.3	7.5	14.6	15.2	0.3	0.5
Interest cost	47.1	42.8	30.3	28.6	1.6	1.6
Settlements/curtailments	—	—	(6.0)	(4.3)	—	—
Actuarial loss (gain)	130.4	(106.2)	140.6	(64.1)	8.6	(6.2)
Plan amendments	1.4	0.2	0.7	16.0	—	0.1
Foreign currency exchange rates	—	—	25.8	(77.0)	—	(1.0)
Participant contributions	—	—	0.3	0.3	—	—
Acquisitions, divestitures, and other	(10.0)	34.0	(2.2)	3.4	2.4	1.9
Benefits paid	(116.7)	(82.7)	(59.5)	(58.9)	(5.5)	(4.4)
Benefit obligation at end of year	\$ 1,325.4	\$ 1,260.9	\$ 1,449.9	\$ 1,305.3	\$ 52.2	\$ 44.8
Change in plan assets						
Fair value of plan assets at end of prior year	\$ 1,020.7	\$ 1,114.1	\$ 974.3	\$ 1,099.2	\$ —	\$ —
Actual return on plan assets	190.0	(52.9)	133.2	(18.6)	—	—
Participant contributions	—	—	0.3	0.3	—	—
Employer contributions	19.5	19.4	22.6	20.9	5.5	4.4
Settlements	—	—	(5.6)	(4.2)	—	—
Foreign currency exchange rate changes	—	—	30.4	(61.5)	—	—
Acquisitions, divestitures, and other	(10.0)	22.8	(2.2)	(2.9)	—	—
Benefits paid	(116.7)	(82.7)	(59.5)	(58.9)	(5.5)	(4.4)
Fair value of plan assets at end of plan year	\$ 1,103.5	\$ 1,020.7	\$ 1,093.5	\$ 974.3	\$ —	\$ —
Funded status — assets less than benefit obligation	\$ (221.9)	\$ (240.2)	\$ (356.4)	\$ (331.0)	\$ (52.2)	\$ (44.8)
Unrecognized prior service cost (credit)	4.7	4.3	(17.5)	(18.2)	(2.0)	(3.4)
Unrecognized net actuarial loss (gain)	266.2	272.0	318.7	270.8	1.1	(7.6)
Net amount recognized	\$ 49.0	\$ 36.1	\$ (55.2)	\$ (78.4)	\$ (53.1)	\$ (55.8)

<i>(Millions of Dollars)</i>	U.S. Plans		Non-U.S. Plans		Other Benefits	
	2019	2018	2019	2018	2019	2018
Amounts recognized in the Consolidated Balance Sheets						
Prepaid benefit cost (non-current)	\$ —	\$ —	\$ 0.1	\$ 1.0	\$ —	\$ —
Current benefit liability	(7.6)	(7.7)	(9.1)	(9.1)	(4.5)	(4.8)
Non-current benefit liability	(214.3)	(232.5)	(347.4)	(322.9)	(47.7)	(40.0)
Net liability recognized	\$ (221.9)	\$ (240.2)	\$ (356.4)	\$ (331.0)	\$ (52.2)	\$ (44.8)
Accumulated other comprehensive loss (pre-tax):						
Prior service cost (credit)	\$ 4.7	\$ 4.3	\$ (17.5)	\$ (18.2)	\$ (2.0)	\$ (3.4)
Actuarial loss (gain)	266.2	272.0	318.7	270.8	1.1	(7.6)
	\$ 270.9	\$ 276.3	\$ 301.2	\$ 252.6	\$ (0.9)	\$ (11.0)
Net amount recognized	\$ 49.0	\$ 36.1	\$ (55.2)	\$ (78.4)	\$ (53.1)	\$ (55.8)

The accumulated benefit obligation for all defined benefit pension plans was \$2.768 billion at December 28, 2019 and \$2.513 billion at December 29, 2018. Information regarding pension plans in which accumulated benefit obligations exceed plan assets follows:

<i>(Millions of Dollars)</i>	U.S. Plans		Non-U.S. Plans	
	2019	2018	2019	2018
Projected benefit obligation	\$ 1,325.4	\$ 1,260.9	\$ 1,447.2	\$ 1,275.7
Accumulated benefit obligation	\$ 1,323.7	\$ 1,257.6	\$ 1,390.1	\$ 1,228.6
Fair value of plan assets	\$ 1,103.5	\$ 1,020.7	\$ 1,090.8	\$ 945.0

Information regarding pension plans in which projected benefit obligations (inclusive of anticipated future compensation increases) exceed plan assets follows:

<i>(Millions of Dollars)</i>	U.S. Plans		Non-U.S. Plans	
	2019	2018	2019	2018
Projected benefit obligation	\$ 1,325.4	\$ 1,260.9	\$ 1,448.6	\$ 1,301.7
Accumulated benefit obligation	\$ 1,323.7	\$ 1,257.6	\$ 1,391.2	\$ 1,252.7
Fair value of plan assets	\$ 1,103.5	\$ 1,020.7	\$ 1,092.0	\$ 969.7

The major assumptions used in valuing pension and post-retirement plan obligations and net costs were as follows:

	Pension Benefits								
	U.S. Plans			Non-U.S. Plans			Other Benefits		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Weighted-average assumptions used to determine benefit obligations at year end:									
Discount rate	3.20%	4.20%	3.53%	1.80%	2.62%	2.24%	3.64%	4.03%	3.53%
Rate of compensation increase	3.50%	3.00%	3.00%	3.30%	3.44%	3.45%	3.50%	3.50%	3.50%
Weighted-average assumptions used to determine net periodic benefit cost:									
Discount rate - service cost	4.43%	3.72%	4.10%	2.37%	2.15%	2.27%	5.22%	5.11%	4.53%
Discount rate - interest cost	3.86%	3.16%	3.30%	2.37%	2.20%	2.31%	4.04%	3.77%	2.93%
Rate of compensation increase	3.00%	3.00%	3.00%	3.44%	3.45%	3.63%	3.50%	3.50%	3.50%
Expected return on plan assets	6.25%	6.25%	6.25%	4.73%	4.37%	4.41%	—	—	—

The expected rate of return on plan assets is determined considering the returns projected for the various asset classes and the relative weighting for each asset class. The Company will use a 4.70% weighted-average expected rate of return assumption to determine the 2020 net periodic benefit cost.

PENSION PLAN ASSETS— Plan assets are invested in equity securities, government and corporate bonds and other fixed income securities, money market instruments and insurance contracts. The Company's worldwide asset allocations at December 28, 2019 and December 29, 2018 by asset category and the level of the valuation inputs within the fair value hierarchy established by ASC 820, *Fair Value Measurement*, are as follows:

<i>Asset Category (Millions of Dollars)</i>	<u>2019</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 35.8	\$ 16.1	\$ 19.7
Equity securities			
U.S. equity securities	321.4	111.1	210.3
Foreign equity securities	259.4	95.8	163.6
Fixed income securities			
Government securities	741.6	271.5	470.1
Corporate securities	751.5	—	751.5
Insurance contracts	39.0	—	39.0
Other	48.3	—	48.3
Total	<u>\$ 2,197.0</u>	<u>\$ 494.5</u>	<u>\$ 1,702.5</u>

<i>Asset Category (Millions of Dollars)</i>	<u>2018</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 139.5	\$ 113.6	\$ 25.9
Equity securities			
U.S. equity securities	248.7	83.4	165.3
Foreign equity securities	220.0	85.2	134.8
Fixed income securities			
Government securities	642.3	205.5	436.8
Corporate securities	656.6	—	656.6
Insurance contracts	37.1	—	37.1
Other	50.8	—	50.8
Total	<u>\$ 1,995.0</u>	<u>\$ 487.7</u>	<u>\$ 1,507.3</u>

U.S. and foreign equity securities primarily consist of companies with large market capitalizations and to a lesser extent mid and small capitalization securities. Government securities primarily consist of U.S. Treasury securities and foreign government securities with de minimus default risk. Corporate fixed income securities include publicly traded U.S. and foreign investment grade and to a small extent high yield securities. Assets held in insurance contracts are invested in the general asset pools of the various insurers, mainly debt and equity securities with guaranteed returns. Other investments include diversified private equity holdings. The level 2 investments are primarily comprised of institutional mutual funds that are not publicly traded; the investments held in these mutual funds are generally level 1 publicly traded securities.

The Company's investment strategy for pension assets focuses on a liability-matching approach with gradual de-risking taking place over a period of many years. The Company utilizes the current funded status to transition the portfolio toward investments that better match the duration and cash flow attributes of the underlying liabilities. Assets approximating 50% of the Company's current pension liabilities have been invested in fixed income securities, using a liability / asset matching duration strategy, with the primary goal of mitigating exposure to interest rate movements and preserving the overall funded status of the underlying plans. Plan assets are broadly diversified and are invested to ensure adequate liquidity for immediate and medium term benefit payments. The Company's target asset allocations include approximately 20%-40% in equity securities, approximately 50%-70% in fixed income securities and approximately 10% in other securities. In 2019, the funded status percentage (total plan assets divided by total projected benefit obligation) of all global pension plans was 99%, which is consistent with 78% in 2018 and 79% in 2017.

CONTRIBUTIONS — The Company's funding policy for its defined benefit plans is to contribute amounts determined annually on an actuarial basis to provide for current and future benefits in accordance with federal law and other regulations. The Company expects to contribute approximately \$38 million to its pension and other post-retirement benefit plans in 2020.

EXPECTED FUTURE BENEFIT PAYMENTS — Benefit payments, inclusive of amounts attributable to estimated future employee service, are expected to be paid as follows over the next 10 years:

<i>(Millions of Dollars)</i>	<u>Total</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Years 6-10</u>
Future payments	\$ 1,393.7	\$ 138.5	\$ 138.6	\$ 139.1	\$ 140.9	\$ 139.8	\$ 696.8

These benefit payments will be funded through a combination of existing plan assets, the returns on those assets, and amounts to be contributed in the future by the Company.

HEALTH CARE COST TRENDS — The weighted-average annual assumed rate of increase in the per-capita cost of covered benefits (i.e., health care cost trend rate) is assumed to be 6.6% for 2020, reducing gradually to 5.0% by 2028 and remaining at that level thereafter. A one percentage point change in the assumed health care cost trend rate would affect the post-retirement benefit obligation as of December 28, 2019 by approximately \$0.7 million to \$0.9 million, and would have an immaterial effect on the net periodic post-retirement benefit cost.

M. FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurement*, defines, establishes a consistent framework for measuring, and expands disclosure requirements about fair value. ASC 820 requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 — Quoted prices for identical instruments in active markets.

Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs and significant value drivers are observable.

Level 3 — Instruments that are valued using unobservable inputs.

The Company is exposed to market risk from changes in foreign currency exchange rates, interest rates, stock prices and commodity prices. The Company holds various financial instruments to manage these risks. These financial instruments are carried at fair value and are included within the scope of ASC 820. The Company determines the fair value of these financial instruments through the use of matrix or model pricing, which utilizes observable inputs such as market interest and currency rates. When determining fair value for which Level 1 evidence does not exist, the Company considers various factors including the following: exchange or market price quotations of similar instruments, time value and volatility factors, the Company's own credit rating and the credit rating of the counterparty.

The following table presents the Company's financial assets and liabilities that are measured at fair value on a recurring basis for each of the hierarchy levels:

<i>(Millions of Dollars)</i>	Total Carrying Value	Level 1	Level 2	Level 3
December 28, 2019				
Money market fund	\$ 1.2	\$ 1.2	\$ —	\$ —
Derivative assets	\$ 29.3	\$ —	\$ 29.3	\$ —
Derivative liabilities	\$ 65.5	\$ —	\$ 65.5	\$ —
Non-derivative hedging instrument	\$ 335.5	\$ —	\$ 335.5	\$ —
Contingent consideration liability	\$ 196.1	\$ —	\$ —	\$ 196.1
December 29, 2018				
Money market fund	\$ 4.8	\$ 4.8	\$ —	\$ —
Derivative assets	\$ 32.9	\$ —	\$ 32.9	\$ —
Derivative liabilities	\$ 21.3	\$ —	\$ 21.3	\$ —
Non-derivative hedging instrument	\$ 228.9	\$ —	\$ 228.9	\$ —
Contingent consideration liability	\$ 169.2	\$ —	\$ —	\$ 169.2

The following table provides information about the Company's financial assets and liabilities not carried at fair value:

<i>(Millions of Dollars)</i>	December 28, 2019		December 29, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Other investments	\$ 14.4	\$ 14.8	\$ 7.6	\$ 7.7
Long-term debt, including current portion	\$ 3,179.5	\$ 3,601.0	\$ 3,822.3	\$ 3,905.4

The money market fund and other investments related to the West Coast Loading Corporation ("WCLC") trust are considered Level 1 instruments within the fair value hierarchy. The long-term debt instruments are considered Level 2 instruments and are measured using a discounted cash flow analysis based on the Company's marginal borrowing rates. The differences between the carrying values and fair values of long-term debt are attributable to the stated interest rates differing from the Company's

marginal borrowing rates. The fair values of the Company's variable rate short-term borrowings approximate their carrying values as of December 28, 2019 and December 29, 2018. The fair values of derivative financial instruments in the table above are based on current settlement values.

As part of the Craftsman® brand acquisition in March 2017, the Company recorded a contingent consideration liability representing the Company's obligation to make future payments to Transform Holdco, LLC, which operates Sears and Kmart retail locations, of between 2.5% and 3.5% on sales of Craftsman products in new Stanley Black & Decker channels through March 2032, which was valued at \$134.5 million as of the acquisition date. The first payment is due the second quarter of 2020 relating to royalties owed for the previous twelve quarters, and future payments will be due quarterly through the first quarter of 2032. The estimated fair value of the contingent consideration liability is determined using a discounted cash flow analysis taking into consideration future sales projections, forecasted payments to Transform Holdco, LLC, based on contractual royalty rates, and the related tax impacts. The estimated fair value of the contingent consideration liability was \$196.1 million and \$169.2 million as of December 28, 2019 and December 29, 2018, respectively. The change in fair value during 2019 was recorded in SG&A in the Consolidated Statements of Operations. A 100 basis point reduction in the discount rate would result in an increase to the liability of approximately \$7.5 million as of December 28, 2019.

The Company had no significant non-recurring fair value measurements, nor any other financial assets or liabilities measured using Level 3 inputs, during 2019 or 2018.

Refer to *Note I, Financial Instruments*, for more details regarding derivative financial instruments, *Note S, Contingencies*, for more details regarding the other investments related to the WCLC trust, and *Note H, Long-Term Debt and Financing Arrangements*, for more information regarding the carrying values of the Company's long-term debt.

N. OTHER COSTS AND EXPENSES

Other, net is primarily comprised of intangible asset amortization expense (see *Note F, Goodwill and Intangible Assets*), currency-related gains or losses, environmental remediation expense, acquisition-related transaction and consulting costs, and certain pension gains or losses. Acquisition-related transaction and consulting costs of \$30.2 million and \$30.4 million were included in Other, net for the years ended December 28, 2019 and December 29, 2018, respectively. In addition, Other, net included a \$77.7 million environmental remediation charge recorded in 2018 related to a settlement with the Environmental Protection Agency ("EPA"). Refer to *Note S, Contingencies*, for further discussion of the EPA settlement.

Research and development costs, which are classified in SG&A, were \$255.2 million, \$275.8 million and \$252.3 million for fiscal years 2019, 2018 and 2017, respectively.

O. RESTRUCTURING CHARGES

A summary of the restructuring reserve activity from December 29, 2018 to December 28, 2019 is as follows:

<i>(Millions of Dollars)</i>	December 29, 2018	Net Additions	Usage	Currency	December 28, 2019
Severance and related costs	\$ 105.7	\$ 131.9	\$ (97.4)	\$ 0.1	\$ 140.3
Facility closures and asset impairments	3.1	22.2	(17.9)	0.1	7.5
Total	\$ 108.8	\$ 154.1	\$ (115.3)	\$ 0.2	\$ 147.8

During 2019, the Company recognized net restructuring charges of \$154.1 million, primarily related to severance costs associated with a cost reduction program announced in the third quarter of 2019. Current and expected actions of the program include headcount reductions across the Company as well as footprint rationalization opportunities.

The majority of the \$147.8 million of reserves remaining as of December 28, 2019 is expected to be utilized within the next 12 months.

Segments: The \$154 million of net restructuring charges for the year ended December 28, 2019 includes: \$63 million pertaining to the Tools & Storage segment; \$27 million pertaining to the Industrial segment; \$18 million pertaining to the Security segment; and \$46 million pertaining to Corporate.

P. BUSINESS SEGMENTS AND GEOGRAPHIC AREAS

The Company's operations are classified into three reportable segments, which also represent its operating segments: Tools & Storage, Industrial and Security.

The Tools & Storage segment is comprised of the Power Tools & Equipment ("PTE") and Hand Tools, Accessories & Storage ("HTAS") businesses. The PTE business includes both professional and consumer products. Professional products include professional grade corded and cordless electric power tools and equipment including drills, impact wrenches and drivers, grinders, saws, routers and sanders, as well as pneumatic tools and fasteners including nail guns, nails, staplers and staples, concrete and masonry anchors. Consumer products include corded and cordless electric power tools sold primarily under the BLACK+DECKER® brand, lawn and garden products, including hedge trimmers, string trimmers, lawn mowers, edgers and related accessories, and home products such as hand-held vacuums, paint tools and cleaning appliances. The HTAS business sells hand tools, power tool accessories and storage products. Hand tools include measuring, leveling and layout tools, planes, hammers, demolition tools, clamps, vises, knives, saws, chisels and industrial and automotive tools. Power tool accessories include drill bits, screwdriver bits, router bits, abrasives, saw blades and threading products. Storage products include tool boxes, sawhorses, medical cabinets and engineered storage solution products.

The Industrial segment is comprised of the Engineered Fastening and Infrastructure businesses. The Engineered Fastening business primarily sells engineered fastening products and systems designed for specific applications. The product lines include blind rivets and tools, blind inserts and tools, drawn arc weld studs and systems, engineered plastic and mechanical fasteners, self-piercing riveting systems, precision nut running systems, micro fasteners, and high-strength structural fasteners. The Infrastructure business consists of the Oil & Gas and Attachment Tools product lines. Oil & Gas sells and rents custom pipe handling, joint welding and coating equipment used in the construction of large and small diameter pipelines, and provides pipeline inspection services. Attachment Tools sells hydraulic tools, attachments and accessories.

The Security segment is comprised of the Convergent Security Solutions ("CSS") and Mechanical Access Solutions ("MAS") businesses. The CSS business designs, supplies and installs commercial electronic security systems and provides electronic security services, including alarm monitoring, video surveillance, fire alarm monitoring, systems integration and system maintenance. Purchasers of these systems typically contract for ongoing security systems monitoring and maintenance at the time of initial equipment installation. The business also sells healthcare solutions, which include asset tracking, infant protection, pediatric protection, patient protection, wander management, fall management, and emergency call products. The MAS business primarily sells automatic doors.

The Company utilizes segment profit, which is defined as net sales minus cost of sales and SG&A inclusive of the provision for doubtful accounts (aside from corporate overhead expense), and segment profit as a percentage of net sales to assess the profitability of each segment. Segment profit excludes the corporate overhead expense element of SG&A, other, net (inclusive of intangible asset amortization expense), gain or loss on sales of businesses, pension settlement, restructuring charges, loss on debt extinguishment, interest income, interest expense, income taxes and share of net loss of equity method investment. Corporate overhead is comprised of world headquarters facility expense, cost for the executive management team and expenses pertaining to certain centralized functions that benefit the entire Company but are not directly attributable to the businesses, such as legal and corporate finance functions. Refer to *Note F, Goodwill and Intangible Assets*, and *Note O, Restructuring Charges*, for the amount of intangible asset amortization expense and net restructuring charges, respectively, attributable to each segment. Transactions between segments are not material. Segment assets primarily include cash, accounts receivable, inventory, other current assets, property, plant and equipment, right-of-use lease assets and intangible assets. Net sales and long-lived assets are attributed to the geographic regions based on the geographic locations of the end customer and the Company subsidiary, respectively.

BUSINESS SEGMENTS

<i>(Millions of Dollars)</i>	2019	2018	2017
Net Sales			
Tools & Storage	\$ 10,062.1	\$ 9,814.0	\$ 9,045.0
Industrial	2,434.7	2,187.8	1,974.3
Security	1,945.4	1,980.6	1,947.3
Consolidated	<u>\$ 14,442.2</u>	<u>\$ 13,982.4</u>	<u>\$ 12,966.6</u>
Segment Profit			
Tools & Storage	\$ 1,533.3	\$ 1,393.1	\$ 1,438.9
Industrial	334.1	319.8	345.9
Security	126.6	169.3	211.7
Segment Profit	1,994.0	1,882.2	1,996.5
Corporate overhead	(229.5)	(202.8)	(217.4)
Other, net	(249.1)	(287.0)	(269.2)
Gain (loss) on sales of businesses	17.0	(0.8)	264.1
Pension settlement	—	—	(12.2)
Restructuring charges	(154.1)	(160.3)	(51.5)
Loss on debt extinguishment	(17.9)	—	—
Interest income	53.9	68.7	40.1
Interest expense	(284.3)	(277.9)	(222.6)
Earnings before income taxes and equity interest	<u>\$ 1,130.0</u>	<u>\$ 1,022.1</u>	<u>\$ 1,527.8</u>
Capital and Software Expenditures			
Tools & Storage	\$ 297.2	\$ 353.7	\$ 327.2
Industrial	89.6	95.8	76.2
Security	37.9	42.6	39.0
Consolidated	<u>\$ 424.7</u>	<u>\$ 492.1</u>	<u>\$ 442.4</u>
Depreciation and Amortization			
Tools & Storage	\$ 327.8	\$ 300.1	\$ 271.9
Industrial	159.3	125.9	107.4
Security	73.1	80.5	81.4
Consolidated	<u>\$ 560.2</u>	<u>\$ 506.5</u>	<u>\$ 460.7</u>
Segment Assets			
Tools & Storage	\$ 13,642.4	\$ 13,122.6	\$ 12,870.3
Industrial	4,207.0	3,620.5	3,413.3
Security	3,448.6	3,413.6	3,407.0
	21,298.0	20,156.7	19,690.6
Corporate assets	(701.4)	(748.7)	(592.9)
Consolidated	<u>\$ 20,596.6</u>	<u>\$ 19,408.0</u>	<u>\$ 19,097.7</u>

Corporate assets primarily consist of cash, equity method investment, deferred taxes, and property, plant and equipment. Based on the nature of the Company's cash pooling arrangements, at times corporate-related cash accounts will be in a net liability position.

Sales to Lowe's were approximately 21%, 17% and 16% of the Tools & Storage segment net sales in 2019, 2018 and 2017, respectively. Sales to The Home Depot were approximately 15%, 14%, and 13% of the Tools & Storage segment net sales in 2019, 2018 and 2017, respectively.

As described in *Note A, Significant Accounting Policies*, the Company recognizes revenue at a point in time from the sale of tangible products or over time depending on when the performance obligation is satisfied. For the years ended December 28, 2019 and December 29, 2018, the majority of the Company's revenue was recognized at the time of sale. The following table provides the percent of total segment revenue recognized over time for the Industrial and Security segments for the years ended December 28, 2019, December 29, 2018 and December 30, 2017:

	2019	2018	2017
Industrial	10.9%	11.9%	13.4%
Security	45.8%	44.9%	48.1%

The following table is a further disaggregation of the Industrial segment revenue for the years ended December 28, 2019, December 29, 2018 and December 30, 2017:

<i>(Millions of Dollars)</i>	2019	2018	2017
Engineered Fastening	\$ 1,738.5	\$ 1,766.6	\$ 1,554.3
Infrastructure	696.2	421.2	420.0
Industrial	<u>\$ 2,434.7</u>	<u>\$ 2,187.8</u>	<u>\$ 1,974.3</u>

GEOGRAPHIC AREAS

<i>(Millions of Dollars)</i>	2019	2018	2017
Net Sales			
United States	\$ 8,472.1	\$ 7,700.3	\$ 7,025.7
Canada	609.9	628.3	583.3
Other Americas	717.9	801.5	790.7
France	610.2	627.8	623.8
Other Europe	2,870.8	2,989.9	2,791.1
Asia	1,161.3	1,234.6	1,152.0
Consolidated	<u>\$ 14,442.2</u>	<u>\$ 13,982.4</u>	<u>\$ 12,966.6</u>
Property, Plant & Equipment			
United States	\$ 1,046.8	\$ 1,018.3	\$ 850.2
Canada	27.4	25.5	30.0
Other Americas	117.9	112.7	111.2
France	57.3	63.9	65.1
Other Europe	352.3	356.9	378.0
Asia	357.8	337.9	308.0
Consolidated	<u>\$ 1,959.5</u>	<u>\$ 1,915.2</u>	<u>\$ 1,742.5</u>

Q. INCOME TAXES

Significant components of the Company's deferred tax assets and liabilities at the end of each fiscal year were as follows:

<i>(Millions of Dollars)</i>	2019	2018
Deferred tax liabilities:		
Depreciation	\$ 144.9	\$ 128.5
Amortization of intangibles	731.8	672.8
Liability on undistributed foreign earnings	159.3	202.5
Lease right-of-use asset	129.7	—
Other	89.5	73.9
Total deferred tax liabilities	<u>\$ 1,255.2</u>	<u>\$ 1,077.7</u>
Deferred tax assets:		
Employee benefit plans	\$ 235.4	\$ 222.1
Basis differences in liabilities	82.0	93.3
Operating loss, capital loss and tax credit carryforwards	1,100.3	710.6
Lease liability	129.6	—
Other	149.2	147.3
Total deferred tax assets	<u>\$ 1,696.5</u>	<u>\$ 1,173.3</u>
Net Deferred Tax Asset before Valuation Allowance	<u>\$ 441.3</u>	<u>\$ 95.6</u>
Valuation Allowance	<u>\$ (1,065.0)</u>	<u>\$ (626.7)</u>
Net Deferred Tax Liability after Valuation Allowance	<u>\$ (623.7)</u>	<u>\$ (531.1)</u>

A valuation allowance is recorded on certain deferred tax assets if it has been determined it is more likely than not that all or a portion of these assets will not be realized. The Company recorded a valuation allowance of \$1,065.0 million and \$626.7 million on deferred tax assets existing as of December 28, 2019 and December 29, 2018, respectively. The valuation allowance in 2019 and 2018 was primarily attributable to foreign and state net operating loss carryforwards and foreign capital loss carryforwards.

As of December 28, 2019, the Company has approximately \$5.2 billion of unremitted foreign earnings and profits. Of the total amount, the Company has provided for deferred taxes of \$159.3 million on approximately \$2.5 billion, which is not indefinitely reinvested primarily due to the changes brought about by the Act. The Company otherwise continues to consider the remaining undistributed earnings of its foreign subsidiaries to be permanently reinvested based on its current plans for use outside of the U.S. and accordingly no taxes have been provided on such earnings. The cash that the Company's non-U.S. subsidiaries hold for indefinite reinvestment is generally used to finance foreign operations and investments, including acquisitions. The income taxes applicable to such earnings are not readily determinable or practicable to calculate.

Net operating loss carryforwards of \$4.3 billion as of December 28, 2019 are available to reduce future tax obligations of certain U.S. and foreign companies. The net operating loss carryforwards have various expiration dates beginning in 2020 with certain jurisdictions having indefinite carryforward periods. The foreign capital loss carryforwards of \$32.9 million as of December 28, 2019 have indefinite carryforward periods.

The components of earnings before income taxes and equity interest consisted of the following:

<i>(Millions of Dollars)</i>	2019	2018	2017
United States	\$ 214.5	\$ 444.1	\$ 715.2
Foreign	915.5	578.0	812.6
Earnings before income taxes and equity interest	<u>\$ 1,130.0</u>	<u>\$ 1,022.1</u>	<u>\$ 1,527.8</u>

Income tax expense (benefit) consisted of the following:

<i>(Millions of Dollars)</i>	2019	2018	2017
Current:			
Federal	\$ (23.7)	\$ 25.4	\$ 590.6
Foreign	195.9	175.0	224.6
State	6.5	24.8	25.4
Total current	\$ 178.7	\$ 225.2	\$ 840.6
Deferred:			
Federal	\$ 5.7	\$ 29.7	\$ (513.0)
Foreign	(32.9)	132.7	(33.0)
State	9.3	28.7	6.3
Total deferred	(17.9)	191.1	(539.7)
Income taxes	\$ 160.8	\$ 416.3	\$ 300.9

Net income taxes paid during 2019, 2018 and 2017 were \$250.1 million, \$339.4 million and \$273.6 million, respectively. The 2019, 2018 and 2017 amounts include refunds of \$72.5 million, \$43.7 million and \$28.5 million, respectively, primarily related to prior year overpayments and settlement of tax audits.

The reconciliation of the U.S. federal statutory income tax provision to Income taxes in the Consolidated Statements of Operations is as follows:

<i>(Millions of Dollars)</i>	2019	2018	2017
Tax at statutory rate	\$ 237.3	\$ 214.6	\$ 534.1
State income taxes, net of federal benefits	22.1	24.7	13.3
Foreign tax rate differential	(53.3)	(33.2)	(149.0)
Uncertain tax benefits	(53.1)	4.5	64.4
Change in valuation allowance	10.5	5.1	(5.4)
Change in deferred tax liabilities on undistributed foreign earnings	—	—	(94.1)
Basis difference for businesses Held for Sale	—	—	27.9
Stock-based compensation	(24.1)	(4.1)	(23.2)
Sale of businesses	6.7	—	(47.3)
U.S. Federal tax reform	—	199.6	23.6
Other	14.7	5.1	(43.4)
Income taxes	\$ 160.8	\$ 416.3	\$ 300.9

The Company conducts business globally and, as a result, files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course, the Company is subject to examinations by taxing authorities throughout the world. The Internal Revenue Service is currently examining the Company's consolidated U.S. income tax returns for the 2015 and 2016 tax years. With few exceptions, as of December 28, 2019, the Company is no longer subject to U.S. federal, state, local, or foreign examinations by tax authorities for years before 2012.

The Company's liabilities for unrecognized tax benefits relate to U.S. and various foreign jurisdictions. The following table summarizes the activity related to the unrecognized tax benefits:

<i>(Millions of Dollars)</i>	2019	2018	2017
Balance at beginning of year	\$ 406.3	\$ 387.8	\$ 309.8
Additions based on tax positions related to current year	48.6	28.3	34.6
Additions based on tax positions related to prior years	78.5	103.0	82.5
Reductions based on tax positions related to prior years	(91.1)	(91.5)	(4.2)
Settlements	(0.3)	(2.5)	(0.3)
Statute of limitations expirations	(35.7)	(18.8)	(34.6)
Balance at end of year	\$ 406.3	\$ 406.3	\$ 387.8

The gross unrecognized tax benefits at December 28, 2019 and December 29, 2018 include \$398.2 million and \$397.0 million, respectively, of tax benefits that, if recognized, would impact the effective tax rate. The liability for potential penalties and interest related to unrecognized tax benefits decreased by \$4.3 million in 2019 and \$15.8 million in 2018, and increased by \$3.8 million in 2017. The liability for potential penalties and interest totaled \$47.8 million as of December 28, 2019, \$52.1 million as of December 29, 2018, and \$67.9 million as of December 30, 2017. The Company classifies all tax-related interest and penalties as income tax expense.

The Company considers many factors when evaluating and estimating its tax positions and the impact on income tax expense, which may require periodic adjustments, and which may not accurately anticipate actual outcomes. It is reasonably possible that the amount of the unrecognized benefit with respect to certain of the Company's unrecognized tax positions will significantly increase or decrease within the next twelve months. However, based on the uncertainties associated with finalizing audits with the relevant tax authorities including formal legal proceedings, it is not possible to reasonably estimate the impact of any such change.

Changes resulting from the Act included, but were not limited to, a corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, changes to U.S. international taxation, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017. Pursuant to Staff Accounting Bulletin No. 118 ("SAB 118") issued by the U.S. Securities and Exchange Commission ("SEC") in December 2017, issuers were permitted up to one year from the enactment of the Act to complete the accounting for the income tax effects of the Act ("the measurement period"). The Company completed its accounting for the tax effects of the Act within the measurement period and those effects are included as a component of Income taxes in the Consolidated Statements of Operations.

Deferred tax assets and liabilities: U.S. deferred tax assets and liabilities were remeasured as a result of the Act based on the rates at which they are expected to reverse in the future, resulting in an income tax benefit of approximately \$230.6 million. The Company recorded an income tax provision of \$21.9 million in 2018 as an adjustment to its provisional income tax benefit recorded in 2017 of \$252.5 million.

Transition Tax: The one-time transition tax, which totals \$447.2 million, is based on the Company's post-1986 earnings and profits that were previously deferred from U.S. income taxes. As a result of legislative guidance issued in 2019, the Company recorded a \$2.9 million adjustment to its income tax payable of approximately \$450.1 million recorded as of December 29, 2018. The Company has elected to pay its transition tax over the eight-year period provided in the Act. As of December 28, 2019, the remaining balance of the transition tax obligation is \$344.1 million, which will be paid over the next six years.

Indefinite reinvestment: Following enactment of the Act and the associated one-time transition tax, in general, repatriation of foreign earnings to the United States can be completed with no incremental U.S. tax. However, repatriation of foreign earnings could subject the Company to U.S. state and non-U.S. jurisdictional taxes (including withholding taxes) on distributions. While repatriation of some foreign earnings held outside the United States may be restricted by local laws, most of the Company's foreign earnings as of December 2017 could be repatriated to the United States. As a result of the Act, the Company analyzed all unrepatriated foreign earnings as of December 2017 and concluded at that time that it no longer asserted indefinite reinvestment on approximately \$4.8 billion. The deferred tax liability associated with these unrepatriated foreign earnings was approximately \$217.7 million. The Company recorded a \$188.3 million income tax provision in 2018, mainly comprised of U.S. state and non-U.S. jurisdictional withholding taxes. The Company otherwise continues to consider the remaining undistributed earnings of its foreign subsidiaries to be permanently reinvested based on its current plans for use outside of the U.S. and accordingly no taxes have been provided on such earnings.

R. COMMITMENTS AND GUARANTEES

COMMITMENTS — The Company has numerous assets, predominantly real estate, vehicles and equipment, under various lease arrangements. At inception of arrangements with vendors, the Company determines whether the contract is or contains a lease based on each party's rights and obligations under the arrangement. If the lease arrangement also contains non-lease components, the lease and non-lease elements are separately accounted for in accordance with the appropriate accounting guidance for each item. From time to time, lease arrangements allow for, and the Company executes, the purchase of the underlying leased asset. Lease arrangements may also contain renewal options or early termination options. As part of its lease liability and right-of-use asset calculation, consideration is given to the likelihood of exercising any extension or termination options. The present value of the Company's lease liability was calculated using a weighted-average incremental borrowing rate of 3.75%. The Company determined its incremental borrowing rate based on interest rates from its debt issuances taking into consideration adjustments for collateral, lease terms and foreign currency. As a result of acquiring right-of-use assets from new leases entered into during the year ended December 28, 2019, the Company's lease liability increased approximately \$186.9 million. As of December 28, 2019, the Company recognized a lease liability of approximately

\$536.9 million and a right-of-use asset of approximately \$535.4 million. The right-of-use asset is included within Other assets in the Consolidated Balance Sheets, while the lease liability is included within Accrued expenses and Other liabilities, as appropriate. As permitted by ASC 842, leases with expected durations of less than 12 months from inception (i.e. short-term leases) were excluded from the Company's calculation of its lease liability and right-of-use asset. Furthermore, as permitted by ASC 842, the Company elected to apply the package of practical expedients upon transition, which allowed companies not to reassess: (a) whether its expired or existing contracts are or contain leases, (b) the lease classification for any expired or existing leases, and (c) initial direct costs for any existing leases.

The Company is a party to leases for one of its major distribution centers and two of its office buildings in which the periodic rental payments vary based on interest rates (i.e. LIBOR). The leases qualify as operating leases for accounting purposes.

The following is a summary of the Company's total lease cost for the year ended December 28, 2019:

<i>(Millions of Dollars)</i>	2019	
Operating lease cost	\$	151.6
Short-term lease cost		26.6
Variable lease cost		8.5
Sublease income		(2.8)
Total lease cost	\$	183.9

During 2019, the Company paid approximately \$154.4 million relating to leases included in the measurement of its lease liability and right-of-use asset. The weighted-average remaining term for the Company's leases is approximately 7 years.

The following is a summary of the Company's future lease obligations on an undiscounted basis at December 28, 2019:

<i>(Millions of Dollars)</i>	Total	2020	2021	2022	2023	2024	Thereafter
Lease obligations	\$ 607.4	\$ 144.1	\$ 110.7	\$ 82.4	\$ 59.4	\$ 53.7	\$ 157.1

In 2019, the Company completed many actions within the Margin Resiliency Program and one rooftop footprint initiative resulted in a sale-leaseback arrangement related to one of its distribution centers, which resulted in cash proceeds of \$93.0 million, a pre-tax gain of \$69.5 million and a twelve-year lease obligation.

Prior to the adoption of the new lease standard as further discussed in *Note A, Significant Accounting Policies*, the Company's rental expense, exclusive of sublease income, for operating leases was \$177.6 million and \$150.4 million in 2018 and 2017, respectively.

The following is a summary of the Company's future marketing commitments at December 28, 2019:

<i>(Millions of Dollars)</i>	Total	2020	2021	2022	2023	2024	Thereafter
Marketing commitments	\$ 34.5	\$ 24.9	\$ 6.5	\$ 2.7	\$ 0.4	\$ —	\$ —

GUARANTEES — The Company's financial guarantees at December 28, 2019 are as follows:

<i>(Millions of Dollars)</i>	Term	Maximum Potential Payment	Carrying Amount of Liability
Guarantees on the residual values of leased properties	One to five years	\$ 102.6	\$ —
Standby letters of credit	Up to three years	154.4	—
Commercial customer financing arrangements	Up to six years	64.7	6.3
Total		\$ 321.7	\$ 6.3

The Company has guaranteed a portion of the residual values of leased assets relating to the previously discussed leases for one of its major distribution centers and two of its office buildings. The lease guarantees aggregate \$102.6 million while the fair value of the underlying assets is estimated at \$123.6 million. The related assets would be available to satisfy the guarantee obligations and therefore it is unlikely the Company will incur any future loss associated with these guarantees.

The Company has issued \$154.4 million in standby letters of credit that guarantee future payments which may be required under certain insurance programs and in relation to certain environmental remediation activities described more fully in *Note S, Contingencies*.

The Company provides various limited and full recourse guarantees to financial institutions that provide financing to U.S. and Canadian Mac Tool distributors and franchisees for their initial purchase of the inventory and truck necessary to function as a distributor and franchisee. In addition, the Company provides limited and full recourse guarantees to financial institutions that extend credit to certain end retail customers of its U.S. Mac Tool distributors and franchisees. The gross amount guaranteed in these arrangements is \$64.7 million and the \$6.3 million carrying value of the guarantees issued is recorded in Other liabilities in the Consolidated Balance Sheets.

The Company provides warranties which vary across its businesses. The types of product warranties offered generally range from one year to limited lifetime. There are also certain products with no warranty. Further, the Company sometimes incurs discretionary costs to service its products in connection with product performance issues. Historical warranty and service claim experience forms the basis for warranty obligations recognized. Adjustments are recorded to the warranty liability as new information becomes available.

Following is a summary of the warranty liability activity for the years ended December 28, 2019, December 29, 2018, and December 30, 2017:

<i>(Millions of Dollars)</i>	2019	2018	2017
Balance beginning of period	\$ 102.1	\$ 108.5	\$ 103.4
Warranties and guarantees issued	128.1	110.4	105.3
Warranty payments and currency	(130.1)	(116.8)	(100.2)
Balance end of period	<u>\$ 100.1</u>	<u>\$ 102.1</u>	<u>\$ 108.5</u>

S. CONTINGENCIES

The Company is involved in various legal proceedings relating to environmental issues, employment, product liability, workers' compensation claims and other matters. The Company periodically reviews the status of these proceedings with both inside and outside counsel, as well as an actuary for risk insurance. Management believes that the ultimate disposition of these matters will not have a material adverse effect on operations or financial condition taken as a whole.

On January 25, 2019, IPS Worldwide, LLC ("IPS"), a third-party provider of freight payment processing services for the Company, filed for Chapter 11 bankruptcy protection and listed the Company as an unsecured creditor. As of December 29, 2018, there were outstanding obligations of approximately \$50.8 million owed to certain of the Company's freight carriers. Such amounts had previously been remitted to IPS through a third-party financing program for ultimate payment to these freight carriers. However, due to nonperformance of IPS with respect to processing these payments and the Company's obligation to its freight carriers, an incremental \$50.8 million charge was recorded in the fourth quarter of 2018. This charge did not include any amounts that the Company will attempt to recover from insurance and/or through the bankruptcy proceedings, which could ultimately reduce the loss exposure recorded.

In the normal course of business, the Company is a party to administrative proceedings and litigation, before federal and state regulatory agencies, relating to environmental remediation with respect to claims involving the discharge of hazardous substances into the environment, generally at current and former manufacturing facilities. In addition, some of these claims assert that the Company is responsible for damages and liability, for remedial investigation and clean-up costs, with respect to sites that have never been owned or operated by the Company but the Company has been identified as a potentially responsible party ("PRP").

In connection with the 2010 merger with Black & Decker, the Company assumed certain commitments and contingent liabilities. Black & Decker is a party to litigation and administrative proceedings with respect to claims involving the discharge of hazardous substances into the environment at current and former manufacturing facilities and has also been named as a PRP in certain administrative proceedings.

The Company, along with many other companies, has been named as a PRP in numerous administrative proceedings for the remediation of various waste sites, including 28 active Superfund sites. Current laws potentially impose joint and several liabilities upon each PRP. In assessing its potential liability at these sites, the Company has considered the following: whether responsibility is being disputed, the terms of existing agreements, experience at similar sites, and the Company's volumetric contribution at these sites.

The Company's policy is to accrue environmental investigatory and remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If no amount in the range of probable loss is considered most likely, the minimum loss in the range is accrued. The amount of liability recorded is based on an evaluation of currently available facts with respect to each individual site and includes such factors as existing technology, presently enacted laws and regulations, and prior experience in remediation of contaminated sites. The liabilities recorded do not take into account any claims for recoveries from insurance or third parties. As assessments and remediation progress at individual sites, the amounts recorded are reviewed periodically and adjusted to reflect additional technical and legal information that becomes available. As of December 28, 2019 and December 29, 2018, the Company had reserves of \$213.8 million and \$246.6 million, respectively, for remediation activities associated with Company-owned properties, as well as for Superfund sites, for losses that are probable and estimable. Of the 2019 amount, \$57.8 million is classified as current and \$156.0 million as long-term which is expected to be paid over the estimated remediation period. As of December 28, 2019, the range of environmental remediation costs that is reasonably possible is \$149.1 million to \$286.1 million which is subject to change in the near term. The Company may be liable for environmental remediation of sites it no longer owns. Liabilities have been recorded on those sites in accordance with the Company's policy.

As of December 28, 2019, the Company has recorded \$15.6 million in other assets related to funding received by the Environmental Protection Agency ("EPA") and placed in a trust in accordance with the final settlement with the EPA, embodied in a Consent Decree approved by the United States District Court for the Central District of California on July 3, 2013. Per the Consent Decree, Emhart Industries, Inc. (a dissolved and liquidated former indirectly wholly-owned subsidiary of The Black & Decker Corporation) ("Emhart") has agreed to be responsible for an interim remedy at a site located in Rialto, California and formerly operated by West Coast Loading Corporation ("WCLC"), a defunct company for which Emhart was alleged to be liable as a successor. The remedy will be funded by (i) the amounts received from the EPA as gathered from multiple parties, and, to the extent necessary, (ii) Emhart's affiliate. The interim remedy requires the construction of a water treatment facility and the filtering of ground water at or around the site for a period of approximately 30 years or more. As of December 28, 2019, the Company's net cash obligation associated with remediation activities, including WCLC assets, is \$198.2 million.

The EPA also asserted claims in federal court in Rhode Island against Black & Decker and Emhart related to environmental contamination found at the Centredale Manor Restoration Project Superfund Site ("Centredale"), located in North Providence, Rhode Island. The EPA discovered a variety of contaminants at the site, including but not limited to, dioxins, polychlorinated biphenyls, and pesticides. The EPA alleged that Black & Decker and Emhart are liable for site clean-up costs under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") as successors to the liability of Metro-Atlantic, Inc., a former operator at the site, and demanded reimbursement of the EPA's costs related to this site. Black & Decker and Emhart contested the EPA's allegation that they are responsible for the contamination, and asserted contribution claims, counterclaims and cross-claims against a number of other PRPs, including the federal government as well as insurance carriers. The EPA released its Record of Decision ("ROD") in September 2012, which identified and described the EPA's selected remedial alternative for the site. Black & Decker and Emhart contested the EPA's selection of the remedial alternative set forth in the ROD on the grounds that the EPA's actions were arbitrary and capricious and otherwise not in accordance with law, and proposed other equally-protective, more cost-effective alternatives. On June 10, 2014, the EPA issued an Administrative Order under Sec. 106 of CERCLA, instructing Black & Decker and Emhart to perform the remediation of Centredale pursuant to the ROD. Black & Decker and Emhart disputed the factual, legal and scientific bases cited by the EPA for such an administrative order and provided the EPA with numerous good-faith bases for their declination to comply with the administrative order. Black & Decker and Emhart then vigorously litigated the issue of their liability for environmental conditions at the Centredale site, including completing trial on Phase 1 of the proceedings in late July 2015 and completing trial on Phase 2 of the proceedings in April 2017. Following the Phase 1 trial, the Court found that dioxin contamination at the Centredale site was not "divisible" and that Black & Decker and Emhart were jointly and severally liable for dioxin contamination at the site. Following the Phase 2 trial, the Court found that certain components of the EPA's selected remedy were arbitrary and capricious, and remanded the matter to the EPA while retaining jurisdiction over the ongoing remedy selection and implementation process. The Court also held in Phase 2 that Black & Decker and Emhart had sufficient cause for their declination to comply with the EPA's June 10, 2014 administrative order and that no associated civil penalties or fines were warranted. The United States filed a Motion for Reconsideration concerning the Court's Phase 2 rulings and appealed the ruling to the United States Court of Appeals for the First Circuit. Black & Decker and Emhart's Motion to Dismiss the Appeal was denied without prejudice for consideration with the merits. On July 9, 2018, a Consent Decree was lodged with the United States District Court documenting the terms of a settlement between the Company and the United States for reimbursement of EPA's past costs and remediation of environmental contamination found at the Centredale site. The terms of the Consent Decree were subject to public comment and Court approval. After a full hearing on March 19, 2019, the Court approved and entered the Consent Decree on April 8, 2019. The settlement resolves outstanding issues relating to Phase 1 and 2 of the litigation with the United States. The Company is complying with the terms of the settlement while several PRPs at the site have appealed the District Court's entry of the Consent Decree to the United States Court of Appeals for the First Circuit. Phase 3 of the litigation,

is addressing the potential allocation of liability to other PRPs who may have contributed to contamination of the Centredale site with dioxins, polychlorinated biphenyls and other contaminants of concern. Based on the Company's estimated remediation and response cost obligations arising out of the settlement reached with the United States (including the EPA's past costs as well as costs of additional investigation, remediation, and related costs such as EPA's oversight costs), the Company has increased its reserve for this site. Accordingly, in 2018, a \$77.7 million increase was recorded in Other, net in the Consolidated Statements of Operations. As of December 28, 2019, the Company has reserved \$113.8 million for this site.

The Company and approximately 47 other companies comprise the Lower Passaic Cooperating Parties Group (the "CPG"). The CPG members and other companies are parties to a May 2007 Administrative Settlement Agreement and Order on Consent ("AOC") with the EPA to perform a remedial investigation/feasibility study ("RI/FS") of the lower seventeen miles of the Lower Passaic River in New Jersey (the "River"). The Company's potential liability stems from former operations in Newark, New Jersey. As an interim step related to the 2007 AOC, on June 18, 2012, the CPG members voluntarily entered into an AOC with the EPA for remediation actions focused solely at mile 10.9 of the River. The Company's estimated costs related to the RI/FS and focused remediation action at mile 10.9, based on an interim allocation, are included in its environmental reserves. On April 11, 2014, the EPA issued a Focused Feasibility Study ("FFS") and proposed plan which addressed various early action remediation alternatives for the lower 8.3 miles of the River. The EPA received public comment on the FFS and proposed plan (including comments from the CPG and other entities asserting that the FFS and proposed plan do not comply with CERCLA) which public comment period ended on August 20, 2014. The CPG submitted to the EPA a draft RI report in February 2015 and draft FS report in April 2015 for the entire lower seventeen miles of the River. On March 4, 2016, the EPA issued a Record of Decision selecting the remedy for the lower 8.3 miles of the River. The cleanup plan adopted by the EPA is now considered a final action for the lower 8.3 miles of the River and will include the removal of 3.5 million cubic yards of sediment, placement of a cap over the entire lower 8.3 miles of the River, and, according to the EPA, will cost approximately \$1.4 billion and take 6 years to implement after the remedial design is completed. (The EPA estimates that the remedial design will take four years to complete.) The Company and 105 other parties received a letter dated March 31, 2016 from the EPA notifying such parties of potential liability for the costs of the cleanup of the lower 8.3 miles of the River and a letter dated March 30, 2017 stating that the EPA had offered 20 of the parties (not including the Company) an early cash out settlement. In a letter dated May 17, 2017, the EPA stated that these 20 parties did not discharge any of the eight hazardous substances identified as the contaminants of concern in the lower 8.3 mile ROD. In the March 30, 2017 letter, the EPA stated that other parties who did not discharge dioxins, furans or polychlorinated biphenyls (which are considered the contaminants of concern posing the greatest risk to human health or the environment) may also be eligible for cash out settlement, but expects those parties' allocation to be determined through a complex settlement analysis using a third-party allocator. The EPA subsequently clarified this statement to say that such parties would be eligible to be "funding parties" for the lower 8.3 mile remedial action with each party's share of the costs determined by the EPA based on the allocation process and the remaining parties would be "work parties" for the remedial action. The Company currently is participating in the allocation process that is expected to be completed in late 2020. The Company asserts that it did not discharge dioxins, furans or polychlorinated biphenyls and should be eligible to be a "funding party" for the lower 8.3 mile remedial action. On September 30, 2016, Occidental Chemical Corporation ("OCC") entered into an agreement with the EPA to perform the remedial design for the cleanup plan for the lower 8.3 miles of the River. On June 30, 2018, OCC filed a complaint in the United States District Court for the District of New Jersey against over 100 companies, including the Company, seeking CERCLA cost recovery or contribution for past costs relating to various investigations and cleanups OCC has conducted or is conducting in connection with the River. According to the complaint, OCC has incurred or is incurring costs which include the estimated cost (\$165 million) to complete the remedial design for the cleanup plan for the lower 8.3 miles of the River. OCC also seeks a declaratory judgment to hold the defendants liable for their proper shares of future response costs for OCC's ongoing activities in connection with the River. The Company and other defendants have answered the complaint and currently are engaged in discovery with OCC. On October 10, 2018, the EPA issued a letter directing the CPG to prepare a streamlined feasibility study for the upper 9 miles of the River based on an iterative approach using adaptive management strategies. The CPG submitted a draft Interim Remedy Feasibility Study to EPA on August 12, 2019, which identifies various targeted dredge and cap alternatives with costs that range from \$412 million to \$460 million (net present value). At this time, the Company cannot reasonably estimate its liability related to the litigation and remediation efforts, excluding the RI/FS and remediation actions at mile 10.9, as the RI/FS is ongoing, the ultimate remedial approach and associated cost for the upper portion of the River has not yet been determined, and the parties that will participate in funding the remediation and their respective allocations are not yet known.

Per the terms of a Final Order and Judgment approved by the United States District Court for the Middle District of Florida on January 22, 1991, Emhart is responsible for a percentage of remedial costs arising out of the Kerr McGee Chemical Corporation Superfund Site located in Jacksonville, Florida. On March 15, 2017, the Company received formal notification from the EPA that the EPA had issued a ROD selecting the preferred alternative identified in the Proposed Cleanup Plan. The cleanup adopted by the EPA is estimated to cost approximately \$68.7 million. As of December 28, 2019, the Company has reserved \$26.3 million for this site.

The environmental liability for certain sites that have cash payments beyond the current year that are fixed or reliably determinable have been discounted using a rate of 1.6% to 2.3%, depending on the expected timing of disbursements. The discounted and undiscounted amount of the liability relative to these sites is \$40.8 million and \$47.1 million, respectively. The payments relative to these sites are expected to be \$1.4 million in 2020, \$3.0 million in 2021, \$3.0 million in 2022, \$3.0 million in 2023, \$3.1 million in 2024, and \$33.6 million thereafter.

The amount recorded for identified contingent liabilities is based on estimates. Amounts recorded are reviewed periodically and adjusted to reflect additional technical and legal information that becomes available. Actual costs to be incurred in future periods may vary from the estimates, given the inherent uncertainties in evaluating certain exposures. Subject to the imprecision in estimating future contingent liability costs, the Company does not expect that any sum it may have to pay in connection with these matters in excess of the amounts recorded will have a materially adverse effect on its financial position, results of operations or liquidity.

T. DIVESTITURES

On May 30, 2019, the Company sold its Sargent & Greenleaf mechanical locks business within the Security segment, which resulted in net proceeds of \$9.0 million and a pre-tax gain of \$17.0 million. The divestiture allows the Company to invest in other areas of the Company that fit into its long-term growth strategy. This disposal did not qualify as a discontinued operation and is included in the Company's Consolidated Statements of Operations for all periods presented through the date of sale in 2019.

Following is the pre-tax income for this business for the years ended December 28, 2019, December 29, 2018, and December 30, 2017:

<i>(Millions of Dollars)</i>	2019	2018	2017
Pre-tax income	\$ 4.6	\$ 11.7	\$ 13.4

On January 3, 2017, the Company sold a business within the Tools & Storage segment for \$25.6 million. During the second quarter of 2017, the Company received additional proceeds of \$0.5 million as a result of the finalization of the purchase price. On February 22, 2017, the Company sold the majority of its mechanical security businesses within the Security segment, which included the commercial hardware brands of Best Access, phi Precision and GMT, for net proceeds of \$717.1 million. The Company also sold a small business in the Industrial segment during the third quarter of 2017 and a small business in the Tools & Storage segment during the fourth quarter of 2017 for total proceeds of approximately \$13.7 million. As a result of these sales, the Company recognized a net pre-tax gain of \$264.1 million in 2017, primarily related to the sale of the mechanical security businesses. The results of these disposals are included in the Company's Consolidated Statements of Operations through their respective dates of sale in 2017. The Company recognized pre-tax income for these businesses of \$7.0 million for the year ended December 30, 2017.

SELECTED QUARTERLY FINANCIAL DATA (unaudited)

<i>(Millions of Dollars, except per share amounts)</i>	Quarter				Year
	First	Second	Third	Fourth	
2019					
Net Sales	\$ 3,333.6	\$ 3,761.3	\$ 3,633.1	\$ 3,714.2	\$ 14,442.2
Gross profit	1,105.6	1,299.8	1,239.5	1,160.6	4,805.5
Selling, general and administrative ⁽¹⁾	778.9	782.3	756.1	723.7	3,041.0
Net earnings	170.4	357.4	231.1	199.1	958.0
Less: Net earnings attributable to non-controlling interest	0.5	1.1	0.6	—	2.2
Net Earnings Attributable to Common Shareowners	\$ 169.9	\$ 356.3	\$ 230.5	\$ 199.1	\$ 955.8
Earnings per share of common stock:					
Basic	\$ 1.15	\$ 2.41	\$ 1.55	\$ 1.34	\$ 6.44
Diluted	\$ 1.13	\$ 2.37	\$ 1.53	\$ 1.32	\$ 6.35
2018					
Net Sales	\$ 3,209.3	\$ 3,643.6	\$ 3,494.8	\$ 3,634.7	\$ 13,982.4
Gross profit	1,165.7	1,287.1	1,238.4	1,159.9	4,851.1
Selling, general and administrative ⁽¹⁾	785.6	805.8	798.9	781.4	3,171.7
Net earnings (loss)	170.1	293.4	248.3	(106.0)	605.8
Less: Net (loss) earnings attributable to non-controlling interest	(0.5)	(0.2)	0.5	0.8	0.6
Net Earnings (Loss) Attributable to Common Shareowners	\$ 170.6	\$ 293.6	\$ 247.8	\$ (106.8)	\$ 605.2
Earnings (loss) per share of common stock:					
Basic	\$ 1.13	\$ 1.96	\$ 1.67	\$ (0.72)	\$ 4.06
Diluted	\$ 1.11	\$ 1.93	\$ 1.65	\$ (0.72)	\$ 3.99

⁽¹⁾ Includes provision for doubtful accounts.

The 2019 year-to-date results above include \$363 million of pre-tax acquisition-related and other charges, a \$78 million tax benefit of the pre-tax acquisition-related and other charges, as well as \$24 million of after-tax charges related to the Company's share of equity method investment earnings. The net impact of the above items and effect on diluted earnings per share by quarter was as follows:

Acquisition-Related Charges & Other	Diluted EPS Impact
• Q1 2019 — \$52 million loss (\$43 million after-tax and equity interest)	(\$0.29) per diluted share
• Q2 2019 — \$33 million loss (\$44 million after-tax and equity interest)	(\$0.29) per diluted share
• Q3 2019 — \$114 million loss (\$91 million after-tax and equity interest)	(\$0.60) per diluted share
• Q4 2019 — \$164 million loss (\$131 million after-tax and equity interest)	(\$0.86) per diluted share

The 2018 year-to-date results above include \$450 million of pre-tax acquisition-related and other charges, as well as net tax charges of \$181 million, which is comprised of charges related to the Tax Cuts and Jobs Act ("the Act") partially offset by the tax benefit of the pre-tax acquisition-related and other charges. The net impact of the above items and effect on diluted earnings per share by quarter was as follows:

Acquisition-Related Charges & Other	Diluted EPS Impact
• Q1 2018 — \$25 million loss (\$43 million after-tax)	(\$0.28) per diluted share
• Q2 2018 — \$127 million loss (\$98 million after-tax)	(\$0.64) per diluted share
• Q3 2018 — \$85 million loss (\$66 million after-tax)	(\$0.43) per diluted share
• Q4 2018 — \$213 million loss (\$424 million after-tax)	(\$2.83) per diluted share

EXHIBIT INDEX
STANLEY BLACK & DECKER, INC.
EXHIBIT LIST

Some of the agreements included as exhibits to this Annual Report on Form 10-K (whether incorporated by reference to earlier filings or otherwise) may contain representations and warranties, recitals or other statements that appear to be statements of fact. These agreements are included solely to provide investors with information regarding their terms and are not intended to provide any other factual or disclosure information about the Company or the other parties to the agreements. Representations and warranties, recitals, and other common disclosure provisions have been included in the agreements solely for the benefit of the other parties to the applicable agreements and often are used as a means of allocating risk among the parties. Accordingly, such statements (i) should not be treated as categorical statements of fact; (ii) may be qualified by disclosures that were made to the other parties in connection with the negotiation of the applicable agreements, which disclosures are not necessarily reflected in the agreement or included as exhibits hereto; (iii) may apply standards of materiality in a way that is different from what may be viewed as material by or to investors in or lenders to the Company; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, representations and warranties, recitals or other disclosures contained in agreements may not describe the actual state of affairs as of the date they were made or at any other time and should not be relied on by any person other than the parties thereto in accordance with their terms. Additional information about the Company may be found in this Annual Report on Form 10-K and the Company's other public filings, which are available without charge through the SEC's website at <http://www.sec.gov>.

- 3.1 (a) [Restated Certificate of Incorporation dated September 15, 1998 \(incorporated by reference to Exhibit 3\(i\) to the Company's Quarterly Report on Form 10-Q filed on May 13, 2010\).](#)
- (b) [Certificate of Amendment to the Restated Certificate of Incorporation dated December 21, 2009 \(incorporated by reference to Exhibit 3\(ii\) to the Company's Quarterly Report on Form 10-Q filed on May 13, 2010\).](#)
- (c) [Certificate of Amendment to the Restated Certificate of Incorporation dated March 12, 2010 \(incorporated by reference to Exhibit 3\(iii\) to the Company's Quarterly Report on Form 10-Q filed on May 13, 2010\).](#)
- (d) [Certificate of Amendment to the Restated Certificate of Incorporation dated November 5, 2010 \(incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on November 9, 2010\).](#)
- (e) [Certificate of Amendment to the Restated Certificate of Incorporation dated April 17, 2012 \(incorporated by reference to Exhibit 3\(i\) to the Company's Quarterly Report on Form 10-Q filed on May 2, 2012\).](#)
- (f) [Certificate of Amendment to the Restated Certificate of Incorporation dated May 17, 2017 \(incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 17, 2017\).](#)
- (g) [Certificate of Amendment to the Restated Certificate of Incorporation dated November 13, 2019 \(incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on November 13, 2019\).](#)
- 3.2 (a) [Amended & Restated ByLaws \(incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on January 21, 2020\).](#)
- 4.1 (a) [Indenture, dated as of June 26, 1998, by and among Black & Decker Holdings Inc., as Issuer, The Black & Decker Corporation, as Guarantor, and The First National Bank of Chicago, as Trustee \(incorporated by reference to Exhibit 4.9 to the Company's Current Report on Form 8-K filed on March 12, 2010\).](#)
- 4.2 (a) [Senior Indenture, dated as of November 1, 2002 between The Stanley Works and The Bank of New York Mellon Trust Company, N.A., as successor trustee to JPMorgan Chase Bank \(incorporated by reference to Exhibit 4\(vi\) to the Company's Annual Report on Form 10-K for the year ended December 28, 2002\).](#)
- (b) [Third Supplemental Indenture dated as of September 3, 2010, to the Indenture dated as of November 1, 2002, among Stanley Black & Decker, Inc., The Black & Decker Corporation and The Bank of New York Mellon Trust Company, N.A., as successor trustee to JPMorgan Chase Bank, N.A. \(formerly known as JPMorgan Chase Bank\), as trustee \(incorporated by reference to the Company's Current Report on Form 8-K filed on September 7, 2010\).](#)

- (c) [Fourth Supplemental Indenture, dated as of November 22, 2011, among Stanley Black & Decker, Inc., The Black & Decker Corporation, as Guarantor, and the Bank of New York Mellon Trust Company, N.A., as Trustee, relating to the 3.40% Notes due 2021 \(incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 22, 2011\).](#)
 - (d) [Fifth Supplemental Indenture, dated as of November 6, 2012, among Stanley Black & Decker, Inc., The Black & Decker Corporation, as Guarantor, and the Bank of New York Mellon Trust Company, N.A., as Trustee, relating to the 2.90% Notes due 2022 \(incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on November 6, 2012\).](#)
 - (e) [Sixth Supplemental Indenture, dated as of November 6, 2018, between the Company and the Bank of New York Mellon Trust Company, N.A., as trustee, relating to the 4.250% Notes due 2028 and the 4.850% Notes due 2048 \(incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated November 6, 2018\).](#)
 - (f) [Seventh Supplemental Indenture, dated as of March 1, 2019, between the Company and the Bank of New York Mellon Trust Company, N.A., as trustee, relating to the 3.400% Notes due 2026 \(incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated March 1, 2019\).](#)
- 4.3 (a) [Indenture, dated November 22, 2005, between The Stanley Works and HSBC Bank USA, National Association, as indenture trustee \(incorporated by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K dated November 29, 2005\).](#)
 - 4.4 [Purchase Contract and Pledge Agreement, dated May 17, 2017, among the Company, The Bank of New York Mellon Trust Company, National Association, as Purchase Contract Agent, and HSBC Bank USA, National Association, as Collateral Agent, Custodial Agent and Securities Intermediary \(incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed May 17, 2017\).](#)
 - 4.5 [Form of Corporate Unit \(incorporated by reference as part of Exhibit 4.1 of the Company's Current Report on Form 8-K filed May 17, 2017\).](#)
 - 4.6 [Form of Treasury Unit \(incorporated by reference as part of Exhibit 4.1 of the Company's Current Report on Form 8-K filed May 17, 2017\).](#)
 - 4.7 [Form of Cash Settled Unit \(incorporated by reference as part of Exhibit 4.1 of the Company's Current Report on Form 8-K filed May 17, 2017\).](#)
 - 4.8 [0% Series C Cumulative Perpetual Preferred Stock Certificate \(incorporated by reference to Exhibit 4.5 of the Company's Current Report on Form 8-K filed May 17, 2017\).](#)
 - 4.9 [Purchase Contract and Pledge Agreement, dated November 13, 2019, among the Company, The Bank of New York Mellon Trust Company, National Association, as Purchase Contract Agent, and HSBC Bank USA, National Association, as Collateral Agent, Custodial Agent and Securities Intermediary \(incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed November 13, 2019\).](#)
 - 4.10 [Form of Corporate Unit \(incorporated by reference as part of Exhibit 4.1 of the Company's Current Report on Form 8-K filed November 13, 2019\).](#)
 - 4.11 [Form of Treasury Unit \(incorporated by reference as part of Exhibit 4.1 of the Company's Current Report on Form 8-K filed November 13, 2019\).](#)
 - 4.12 [Form of Cash Settled Unit \(incorporated by reference as part of Exhibit 4.1 of the Company's Current Report on Form 8-K filed November 13, 2019\).](#)
 - 4.13 [0% Series D Cumulative Perpetual Preferred Stock Certificate \(incorporated by reference to Exhibit 4.5 of the Company's Current Report on Form 8-K filed November 13, 2019\).](#)
 - 4.14 [Description of the Company's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.](#)
- 10.1 (a) [Amended and Restated Five Year Credit Agreement, made as of September 12, 2018 among Stanley Black & Decker, Inc., the initial lenders named therein and Citibank, N.A. as administrative agent for the Lenders \(incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on September 14, 2018\).](#)

- (b) [364-Day Credit Agreement, made as of September 11, 2019 among Stanley Black & Decker, Inc., the initial lenders named therein and Citibank, N.A. as administrative agent for the Lenders \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 11, 2019\).](#)
- 10.2 (a) [Letter Agreement, dated July 21, 2016, between Stanley Black & Decker, Inc. and James M. Loree \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on July 25, 2016\).*](#)
- (b) [Second Amended and Restated Change in Control Severance Agreement dated July 21, 2016 between Stanley Black & Decker, Inc. and James M. Loree \(incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on July 25, 2016\).](#)
- 10.3 [Letter Agreement between Stanley Black & Decker, Inc. and John H. Wyatt effective December 22, 2014, as amended February 17, 2016 \(incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K filed on February 19, 2016\).*](#)
- 10.4 [Change in Control Severance Agreement, dated December 4, 2018 between Stanley Black & Decker, Inc. and Jeffery D. Ansell Change in Control Severance Agreement, dated December 4, 2018 between Stanley Black & Decker, Inc. and Jeffery D. Ansell \(incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the period ended December 29, 2018\).*](#)
- 10.5 [Change in Control Severance Agreement, dated December 4, 2018 between Stanley Black & Decker, Inc. and Donald Allan Jr \(incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K for the period ended December 29, 2018\).*](#)
- 10.6 [Revised Form B of Change in Control Severance Agreement. John H. Wyatt is a Party to a Change In Control Severance Agreement in this Form and Three of the Company's other Executive Officers are parties to a Change in Control Severance Agreement in this Form \(incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the period ended December 29, 2012\).*](#)
- 10.7 [Form C of Change in Control Severance Agreement. Ten Executive Officers of the Company are parties to Change in Control Severance Agreements in this Form \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 28, 2013\).*](#)
- 10.8 [Deferred Compensation Plan for Non-Employee Directors amended and restated as of July 19, 2017 \(incorporated by reference to Exhibit 99 to the Company's Registration Statement on Form S-8 filed on August 15, 2017\).*](#)
- 10.9 [Deferred Compensation Plan for Participants in Stanley's Management Incentive Plan amended and restated as of December 11, 2007 \(incorporated by reference to Exhibit 10\(ix\) to the Company's Annual Report on Form 10-K for the year ended December 29, 2007\).*](#)
- 10.10 (a) [Stanley Black & Decker Supplemental Retirement Account Plan \(as in effect, January 1, 2011, except as otherwise provided therein\) \(incorporated by reference to the Company's Annual Report on Form 10-K for the period ended January 1, 2011\).*](#)
- (b) [Stanley Black & Decker Supplemental Retirement Plan \(effective, January 1, 2011, except as otherwise provided therein\) \(incorporated by reference to the Company's Annual Report on Form 10-K for the period ended January 1, 2011\).*](#)
- 10.11 [Stanley Black & Decker, Inc. Supplemental Executive Retirement Program as amended and restated effective October 15, 2015. \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 16, 2015\).*](#)
- 10.12 [New 1991 Loan Agreement, dated June 30, 1998, between The Stanley Works, as lender, and Citibank, N.A. as trustee under the trust agreement for the Stanley Account Value Plan, to refinance the 1991 Salaried Employee ESOP Loan and the 1991 Hourly ESOP Loan and their related promissory notes \(incorporated by reference to Exhibit 10\(ii\) to the Company's Quarterly Report on Form 10-Q for the quarter ended July 4, 1998\).](#)
- 10.13 The Stanley Works Non-Employee Directors' Benefit Trust Agreement dated December 27, 1989 and amended as of January 1, 1991 by and between The Stanley Works and Fleet National Bank, as successor trustee (incorporated by reference to Exhibit (10)(xvii)(a) to the Company's Annual Report on Form 10-K for year ended December 29, 1990). *P*
- 10.14 (a) [The Stanley Works 2009 Long-Term Incentive Plan \(as amended March 12, 2010\) \(incorporated by reference Exhibit 4.7 to the Company's Registration Statement on Form S-8 Reg. No. 333-165454 filed on March 12, 2010\).*](#)

- (b) [Form of award letter for restricted stock unit grants to executive officers pursuant to the Company's 2009 Long Term Incentive Plan \(as amended March 12, 2010\) \(incorporated by reference to Exhibit 10\(vi\)\(b\) to the Company's Quarterly Report on Form 10-Q filed on May 13, 2010\).*](#)
 - (c) [Form of stock option certificate for executive officers pursuant to the Company's 2009 Long Term Incentive Plan \(as amended March 12, 2010\) \(incorporated by reference to Exhibit 10\(vi\)\(c\) to the Company's Quarterly Report on Form 10-Q filed on May 13, 2010\).*](#)
 - (d) [Terms of special one-time award of restricted stock units to John F. Lundgren under his employment agreement and The Stanley Works 2009 Long-Term Incentive Plan \(as amended March 12, 2010\) \(incorporated by reference to Exhibit 10\(vi\)\(d\) to the Company's Quarterly Report on Form 10-Q filed on May 13, 2010\).*](#)
- 10.15
- (a) [The Stanley Black & Decker 2013 Long Term Incentive Plan \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 30, 2013\).*](#)
 - (b) [Form of Award Document for Performance Awards granted to Executive Officers under 2013 Long Term Incentive Plan, updated 2018 \(incorporated by reference to Exhibit 10.16\(b\) to the Company's Annual Report on Form 10-K for the period ended December 30, 2017\).*](#)
 - (c) [Form of stock option certificate for grants to executive officers pursuant to the Company's 2013 Long Term Incentive Plan \(incorporated by reference to Exhibit 10.18\(c\) to the Company's Annual Report on Form 10-K for the period ended December 28, 2013\).*](#)
 - (d) [Form of restricted stock unit award certificate for grants of restricted stock units to executive officers pursuant to the Company's 2013 Long Term Incentive Plan \(incorporated by reference to Exhibit 10.18\(d\) to the Company's Annual Report on Form 10-K for the period ended December 28, 2013\).*](#)
 - (e) [Form of restricted stock unit retention award certificate for grants of restricted stock units to executive officers pursuant to the Company's 2013 Long Term Incentive Plan \(incorporated by reference to the Company's Annual Report on Form 10-K for the period ended December 31, 2016\).*](#)
- 10.16
- (a) [The Stanley Black & Decker 2018 Omnibus Award Plan \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on July 20, 2018\).*](#)
 - (b) [Form of stock option certificate for grants to executive officers pursuant to the Company's 2018 Omnibus Award Plan \(filed herewith\).*](#)
 - (c) [Form of restricted stock unit award certificate for grants to executive officers pursuant to the Company's 2018 Omnibus Award Plan \(filed herewith\).*](#)
 - (d) [Form of restricted stock unit retention award certificate for grants to executive officers pursuant to the Company's 2018 Omnibus Award Plan \(filed herewith\).*](#)
 - (e) [Form of Award Document for Performance Award granted to Executive Officers under the 2018 Omnibus Award \(incorporated by reference to Exhibit 10.16\(e\) to the Company's Annual Report on Form 10-K for the period ended December 29, 2018\).](#)
 - (f) [Form of Award Document granted to Executive Officers under the 2019 Management Incentive Compensation Plan \(incorporated by reference to Exhibit 10.16\(f\) to the Company's Annual Report on Form 10-K for the period ended December 29, 2018\).](#)
- 10.17
- [The Stanley Black & Decker, Inc. Deferred Compensation Plan Relating to Long-Term Performance Awards \(incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the period ended December 29, 2018\).](#)
- 10.18
- (a) [The Stanley Works Restricted Stock Unit Plan for Non-Employee Directors amended and restated as of December 11, 2007 \(incorporated by reference to Exhibit 10\(xx\) to the Company's Annual Report on Form 10-K for the year ended December 29, 2007\).*](#)
 - (b) [Form of Certificate for RSUs issued pursuant to The Stanley Works Restricted Stock Unit Plan for Non-Employee Directors \(incorporated by reference to Exhibit 10\(xxv\) to the Company's Annual Report on Form 10-K for the year ended January 1, 2005\).*](#)
- 10.19
- [The Stanley Black & Decker, Inc. 2020 Restricted Stock Unit Deferral Plan For Non-Employee Directors \(filed herewith\).*](#)
- 10.20
- [The Stanley Black & Decker, Inc. 2017 Management Incentive Compensation Plan \(incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended April 1, 2017\).*](#)

- 10.21 [Special Severance Policy for Management Incentive Compensation Plan Participants Levels 1-5 as amended effective October 17, 2008 \(incorporated by reference to Exhibit 10\(xxi\) to the Company's Annual Report on Form 10-K for the period ended January 3, 2009\).](#)*
- 10.22 [Global Omnibus Employee Stock Purchase Plan approved by shareholders of the Company on April 17, 2019 \(incorporated by reference to Exhibit 99.1\(a\) to the Company's Registration Statement on Form S-8 filed on November 13, 2019\).](#)*
- 10.23 [The Black & Decker 2003 Stock Option Plan, as amended \(incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed on March 12, 2010\).](#)*
- 10.24 [Form of Nonqualified Stock Option Agreement relating to The Black & Decker Corporation's stock option plans \(incorporated by reference to Exhibit 10\(xix\) to the Company's Quarterly Report on Form 10-Q filed on May 13, 2010\).](#)*
- 10.25 (a) [The Black & Decker Supplemental Pension Plan, as amended and restated \(incorporated by reference to Exhibit 10\(xx\) to the Company's Quarterly Report on Form 10-Q filed on May 13, 2010\).](#)*
- (b) [First Amendment to The Black & Decker Supplemental Pension Plan \(incorporated by reference to Exhibit 10\(xxi\) to the Company's Quarterly Report on Form 10-Q filed on May 13, 2010\).](#)*
- 10.26 [The Black & Decker Supplemental Executive Retirement Plan, as amended and restated \(incorporated by reference to Exhibit 10\(xxii\) to the Company's Quarterly Report on Form 10-Q filed on May 13, 2010\).](#)*
- 10.27 [Employment Offer Letter, dated June 12, 2017, between Stanley Black & Decker, Inc. and Janet M. Link \(incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the period ended December 30, 2017\).](#)*
- 10.28 [Change in Control Severance Agreement, dated December 19, 2017, between Stanley Black & Decker, Inc. and Janet M. Link \(incorporated by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K for the period ended December 30, 2017\).](#)*
- 10.29 [Employment Offer Letter, date April 1, 2019, between Stanley Black & Decker, Inc. and Robert Blackburn \(filed herewith\).](#)*
- 21 [Subsidiaries of Registrant.](#)
- 23 [Consent of Independent Registered Public Accounting Firm.](#)
- 24 [Power of Attorney.](#)
- 31.1 (a) [Certification by Chief Executive Officer pursuant to Rule 13a-14\(a\).](#)
- 31.1 (b) [Certification by Chief Financial Officer pursuant to Rule 13a-14\(a\).](#)
- 32.1 [Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 99.1 Policy on Confidential Proxy Voting and Independent Tabulation and Inspection of Elections as adopted by The Board of Directors October 23, 1991 (incorporated by reference to Exhibit (28)(i) to the Quarterly Report on Form 10-Q for the quarter ended September 28, 1991). *P*
- 101 The following materials from Stanley Black & Decker Inc.'s Annual Report on Form 10-K for the year ended December 28, 2019, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Statements of Operations for the fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017; (ii) Consolidated Statements of Comprehensive Income for the fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017; (iii) Consolidated Balance Sheets at December 28, 2019 and December 29, 2018; (iv) Consolidated Statements of Cash Flows for the fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017; (v) Consolidated Statements of Changes in Shareowners' Equity for the fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017; and (v) Notes to Consolidated Financial Statements**.
- 104 The cover page of Stanley Black & Decker Inc.'s Annual Report on Form 10-K for the year ended December 28, 2019, formatted in iXBRL (included within Exhibit 101).

* Management contract or compensation plan or arrangement.

P Paper Filing

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

DESCRIPTION OF COMMON STOCK

The following is a description of the material terms of our common stock. It does not purport to be complete and is subject to and qualified in its entirety by our Restated Certificate of Incorporation, as amended (the "certificate of incorporation"), our Amended & Restated ByLaws, as amended (the "bylaws"), and the Connecticut Business Corporation Act (the "CBCA"). Copies of the certificate of incorporation and the bylaws have been filed with the Securities and Exchange Commission as Exhibits 3.1 (a) through (g) and 3.2, respectively, to our Annual Report on Form 10-K. The terms "Stanley Black & Decker, Inc.," "we," "our" and "us" refer to Stanley Black & Decker, Inc., a Connecticut corporation, and do not, unless otherwise specified, include its subsidiaries.

General

Each shareholder of record of our common stock is entitled to one vote for each share held on every matter properly submitted to the shareholders for their vote. Holders of our common stock do not have cumulative voting rights. After satisfaction of the dividend rights of holders of preferred stock, holders of common stock are entitled ratably to any dividend declared by the board of directors out of funds legally available for this purpose.

Upon our liquidation, dissolution or winding up, the holders of our common stock are entitled to receive ratably our net assets available, if any, after the payment of all debts and other liabilities and subject to the prior rights of any outstanding preferred stock.

Holders of our common stock have no redemption or conversion rights, no sinking fund provisions and no preemptive right to subscribe for or purchase additional shares of any class of our capital stock.

The outstanding shares of our common stock are fully paid and nonassessable, and any shares of common stock and any shares of common stock issuable upon the exercise of common stock warrants or conversion or exchange of debt securities or preferred stock which are convertible into or exchangeable for our common stock, or in connection with the obligations of a holder of stock purchase contracts to purchase our common stock, when issued in accordance with their terms will be fully paid and nonassessable. The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

Anti-Takeover Effects of Provisions of the Certificate of Incorporation, Bylaws and Other Agreements

The rights of our shareholders and related matters are governed by the CBCA, the certificate of incorporation and the bylaws. Provisions of the CBCA, the certificate of incorporation and the bylaws, which are summarized below, may discourage or make more difficult a takeover attempt that shareholders might consider in their best interest. These provisions may also adversely affect prevailing market prices for our common stock.

Board of Directors

The certificate of incorporation provides that the board of directors shall consist of not less than nine nor more than eighteen directors, the exact number to be fixed by the board of directors from time to time. At each annual meeting of the shareholders, each nominee for director shall stand for election to a one-year term expiring at the next annual

meeting of shareholders. Despite the expiration of a director's term, such director shall continue to serve until either the director's successor shall have been duly elected and qualified or there is a decrease in the number of directors. In no case will a decrease in the number of directors shorten the term of any incumbent director. Any vacancy on the board of directors may be filled by the board of directors, whether such vacancy occurs as a result of an increase in the number of directors or otherwise. The certificate of incorporation also provides that directors may be removed from office, but only for cause by the affirmative vote of at least a majority of the votes entitled to be cast thereon.

Shareholder Action by Written Consent; Special Meetings

Under the CBCA our shareholders may take action by written unanimous consent of holders of all of our shares in lieu of an annual or special meeting. Otherwise, shareholders will only be able to take action at an annual or special meeting called in accordance with the bylaws.

The bylaws provide that special meetings of shareholders may only be called by:

- the chairman of the board;
- the chief executive officer;
- the secretary;
or
- the chairman of the board, the chief executive officer or the secretary upon the written request of the holders of not less than thirty-five percent (35%) of our outstanding voting stock.

In addition, the CBCA provides that a corporation with a class of voting stock registered under the Exchange Act shall hold a special meeting of shareholders if the holders of thirty-five percent (35%) of the votes entitled to be cast on any issue proposed to be considered demand such a meeting.

Advance Notice Requirements for Director Nominations and Other Proposals

Director Nominations. The bylaws contain advance notice procedures with regard to shareholder proposals related to the nomination of candidates for election as directors. These procedures provide that notice of shareholder proposals related to shareholder nominations for the election of directors must be received at our executive offices at least 90 days, but no more than 120 days before the first anniversary of the date on which the proxy statement for the preceding annual meeting was mailed; provided, however, that in the event the annual meeting is not within 30 days before or after such anniversary date, notice by the shareholder must be received not later than the close of business 10 days after the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever occurs first. Our bylaws require that all directors be shareholders of record.

A shareholder's notice to our corporate secretary must be in proper written form and must set forth certain information including:

- the name, and record addresses of the nominating shareholder, and any other person on whose behalf the nomination is being made, and the nominee;
- the class or series and number of shares of our capital stock which are beneficially or of record owned by the nominating shareholder or such other person;
- a description of all arrangements or understandings between the nominating shareholder or such other person and any nominee(s) in connection with the nomination;

- any other information relating to the nominee that would be required to be disclosed in a proxy statement or other solicitations of proxies for election of directors or as otherwise required to be disclosed pursuant to the Exchange Act had the nominee been nominated by the board of directors;
- a consent of the nominee to be named in the proxy statement and to serve if elected;
and
- a representation that the nominating shareholder intends to appear in person or by proxy at the meeting to make such nomination.

Other Proposals. In addition to the procedures for nominating directors, the bylaws also contain notice procedures for other shareholder proposals to be brought before an annual meeting. To be timely, we must receive shareholder proposals at least 90 days, but no more than 120 days before the first anniversary of the date on which the proxy statement for the preceding annual meeting was mailed; provided, however, that in the event the annual meeting is not within 30 days before or after such anniversary date, notice by the shareholder must be received not later than the close of business 10 days after the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever occurs first.

A shareholder's notice to our corporate secretary must be in proper written form and must set forth, as to each matter that shareholder proposes to bring before the meeting:

- a brief description of the business desired to be brought before the meeting and the reasons for conducting that business at the meeting;
- the complete text of any resolutions to be presented;
- the name and record address of that shareholder and any other person on whose behalf the proposal is made;
- the class and series and number of shares of each class and series of our capital stock which are owned beneficially or of record by that shareholder or such other person;
- a description of all arrangements or understandings between that shareholder and any such other person in connection with the proposal of that business and any material interest of that shareholder or such other person in that business; and
- a representation that the shareholder intends to appear in person or by proxy at the meeting to bring that business before the meeting.

Antitakeover Legislation

We are subject to the provisions of Section 33-844 of the CBCA which prohibits a Connecticut corporation from engaging in a "business combination" with an "interested shareholder" for a period of five years after the date of the transaction in which the person became an interested shareholder, unless the business combination or the purchase of stock by which such person becomes an interested shareholder is approved by our board of directors, and by a majority of our non-employee directors, prior to the date on which the person becomes an interested shareholder. A "business combination" generally includes mergers, asset sales, some types of stock issuances and other transactions with, or resulting in a disproportionate financial benefit to, the interested shareholder. Subject to exceptions, an "interested shareholder" is a person who owns 10% or more of our voting power, or is an affiliate or associate of Stanley Black & Decker, Inc. and owned 10% or more of our voting power within the past five years.

Under our certificate of incorporation, the affirmative vote by the holders of 80% of our outstanding voting stock is required for the approval or authorization of any business combination involving an interested shareholder. This voting requirement does not apply if:

- 2/3 of our disinterested directors expressly approve the proposed business combination;
or
- The following conditions are satisfied:
 - The cash and fair market value of other consideration received on a per share basis by each shareholder is no less than the highest share price (or the equivalent value) paid by the interested shareholder in acquiring our capital stock; and
 - A proxy statement is mailed to all shareholders of the corporation for the purpose of soliciting shareholder approval of the business combination.

This 80% vote is required even if no vote or a lesser percentage is required by any applicable laws. Additionally, the affirmative vote of the holders of not less than 80% of our outstanding shares of capital stock is required to modify this section of our certificate of incorporation.

Notwithstanding the 80% vote required by our certificate of incorporation, we are also subject to Section 33-841 and Section 33-842 of the CBCA. These provisions generally require business combinations with an interested shareholder to be approved by the board of directors and then by the affirmative vote of at least:

- the holders of 80% of the voting power of the outstanding shares of our voting stock;
and
- the holders of 2/3 of the voting power of the outstanding shares of our voting stock, excluding the voting stock held by the interested shareholder;

unless the consideration to be received by the shareholders meets certain price and other requirements set forth in Section 33-842 of the CBCA or unless the board of directors of the corporation has by resolution determined to exempt business combinations with that interested shareholder prior to the time that such shareholder became an interested shareholder.

We are also subject to Section 33-756(g) of the CBCA, generally requiring directors acting with respect to mergers, sales of assets and other specified transactions to consider, in determining what they reasonably believe to be in the best interests of the corporation, specified interests, including those of the corporation's employees, customers, creditors and suppliers and any community in which any office or other facility of the corporation is located. Section 33-756(g) of the CBCA also allows a director to consider, in the discretion of such director, any other factors the director reasonably considers appropriate in determining what the director reasonably believes to be in the best interest of the corporation.

Limitation of Liability of Directors

The certificate of incorporation contains provisions permitted under the CBCA relating to the personal liability of directors. The provisions limit the personal liability to us or our shareholders of a director for monetary damages for breach of duty as a director to an amount that is not more than the compensation received by that director for serving us during the year of the violation to the extent permitted by applicable law, which permits such limitation provided that such violation must not involve a knowing and culpable violation of law, enable the director or an affiliate to receive an improper personal gain, show a lack of good faith and a conscious disregard for the director's duty to the corporation, amount to an abdication of the director's duty to the corporation, or create liability for an unlawful

distribution. Our bylaws provide for the indemnification and reimbursement of, and advances of expenses to, any person that is made a party to an action by reason of the fact that he or she:

- is or was our director, officer, employee or agent,
or
- served at our request as a director, officer, employee or agent of another corporation. Our bylaws provide for indemnification of directors and officers to the fullest extent permitted by Connecticut law.

Listing

Our common stock is listed on the New York Stock Exchange under the symbol “SWK.”

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Investor Services, LLC.

DESCRIPTION OF THE 2017 CORPORATE UNITS

The following is a description of the material terms of our 7,500,000 equity units (the "Equity Units") issued as 7,500,000 corporate units (the "Corporate Units") on May 17, 2017, including the related purchase contracts ("purchase contracts") and the 0% Series C Cumulative Perpetual Convertible Preferred Stock (the "convertible preferred stock"). It does not purport to be complete and is subject to and qualified in its entirety by our Certificate of Amendment to the Restated Certificate of Incorporation, dated May 17, 2017 (the "certificate of amendment"), and the Purchase Contract and Pledge Agreement, dated May 17, 2017 (the "purchase contract and pledge agreement"), among us, The Bank of New York Mellon Trust Company, National Association, as purchase contract agent (the "purchase contract agent"), and HSBC Bank USA, National Association (the "collateral agent"), as collateral agent, custodial agent and securities intermediary. Copies of the certificate of amendment and the purchase contract and pledge agreement have been filed with the Securities and Exchange Commission as Exhibits 3.1(f) and [●], respectively, to our Annual Report on Form 10-K. In this description, "we," "us," "our" or "the Company" refer only to Stanley Black & Decker, Inc. and any successor obligor, and not to any of its subsidiaries.

Description of the Equity Units

General

The Equity Units may be Corporate Units, Treasury Units or Cash Settled Units. The Equity Units initially consist of 7,500,000 Corporate Units, each with a stated amount of \$100. Each Corporate Unit offered by us consist of:

1. a purchase contract under which:
 - the holder agreed to purchase from us on May 15, 2020, which we refer to as the "purchase contract settlement date," and we agreed to sell to the holder, unless the purchase contract terminates prior to that date as described under "Description of the Purchase Contracts—Termination" or is settled early as described under "Description of the Purchase Contracts—Early Settlement" or "— Early Settlement Upon a Fundamental Change" below, for \$100, a number of shares of our common stock equal to the applicable settlement rate described under "Description of the Purchase Contracts—Purchase of Common Stock," "— Early Settlement" or "— Early Settlement Upon a Fundamental Change," as the case may be, *plus*, in the case of an early settlement upon a fundamental change, an additional make-whole amount of shares as described under "— Early Settlement Upon a Fundamental Change—Calculation of Make-Whole Shares;" and
 - we agreed to pay to the holder quarterly contract adjustment payments at the rate of 5.375% of the stated amount of \$100 per year, subject to our right to defer such contract adjustment payments, payable in cash, shares of our common stock or a combination thereof, at our election; and
2. either:
 - a 1/10, or 10%, undivided beneficial ownership in one share of 0% Series C Cumulative Perpetual Convertible Preferred Stock, without par value, with a liquidation preference of \$1,000 per share (the "convertible preferred stock"), issued by us; or
 - following a successful optional remarketing, the applicable ownership interest in a portfolio of U.S. Treasury securities, which we refer to as the "Treasury portfolio."

“Applicable ownership interest” means, with respect to a Corporate Unit and the U.S. Treasury securities in the Treasury portfolio, a 1/10, or 10%, undivided beneficial ownership interest in \$1,000 face amount of U.S. Treasury securities (or principal or interest strips thereof) included in the Treasury portfolio that matures on or prior to the purchase contract settlement date.

The fair market value of the Corporate Units we issued were recorded in our financial statements based on an allocation between the purchase contracts and the convertible preferred stock in proportion to their respective fair market values at the time of issuance. Under the purchase contract and pledge agreement, holders were deemed to have agreed to allocate the entire purchase price to their convertible preferred stock.

As long as a unit is in the form of a Corporate Unit, any ownership interest in a share of convertible preferred stock or any applicable ownership interest in the Treasury portfolio forming a part of the Corporate Unit will be pledged to us through the collateral agent to secure a holder’s obligation to purchase our common stock under the related purchase contract.

Creating Treasury Units by Substituting a Treasury Security for Convertible Preferred Stock

Each holder of 10 Corporate Units may create, at any time other than (i) if we elect an optional remarketing, during the period from 5:00 p.m., New York City time, on the second business day immediately preceding the first day of any optional remarketing period until the settlement date of such remarketing or the date we announce that no successful optional remarketing has occurred during the optional remarketing period, (ii) following any successful remarketing and (iii) after 5:00 p.m., New York City time, on the second business day immediately preceding the first day of the final remarketing period (we refer to each such period as a “blackout period”), 10 Treasury Units by substituting for the share of convertible preferred stock that is a component of 10 Corporate Units a zero-coupon U.S. Treasury security with a principal amount of \$1,000 that matures on or prior to May 15, 2020 (e.g., CUSIP No. 912803AT0), which we refer to as a “Treasury security.” This substitution would create 10 Treasury Units, and the related share of convertible preferred stock would be released to the holder and would be separately tradable from the Treasury Units. Because the convertible preferred stock is issued with a liquidation preference of \$1,000 per share, holders of Corporate Units may make this substitution only in integral multiples of 10 Corporate Units.

Each Treasury Unit will consist of:

1. a purchase contract under which:
 - the holder will agree to purchase from us on the purchase contract settlement date, unless the purchase contract terminates prior to that date as described under “Description of the Purchase Contracts—Termination” or is settled early as described under “Description of the Purchase Contracts—Early Settlement” or “— Early Settlement Upon a Fundamental Change” below, for \$100, a number of shares of our common stock equal to the applicable settlement rate, *plus*, in the case of an early settlement upon a fundamental change, an additional make-whole amount of shares; and
 - we will pay to the holder quarterly contract adjustment payments at the rate of 5.375% of the stated amount of \$100 per year, subject to our right to defer such contract adjustment payments, payable in cash, shares of our common stock or a combination thereof, at our election; and
2. a 1/10 undivided beneficial ownership interest in a Treasury security.

The term “business day” means any day other than a Saturday or a Sunday or any other day on which banking institutions and trust companies in New York City, New York are authorized or required by law or executive order to remain closed.

To create 10 Treasury Units, a holder is required to:

- deposit with the collateral agent a Treasury security, which must be purchased in the open market at the expense of the Corporate Unit holder, unless otherwise owned by the holder; and
- transfer to the purchase contract agent 10 Corporate Units, accompanied by a notice stating that the holder of the Corporate Units has deposited the Treasury security with the collateral agent, and requesting that the purchase contract agent instruct the collateral agent in writing to release the related share of convertible preferred stock.

Promptly following receipt of written instructions from the purchase contract agent and receipt of the Treasury security, the collateral agent will release the related share of convertible preferred stock from the pledge and deliver it to the purchase contract agent on behalf of the holder, free and clear of our security interest. The purchase contract agent then will:

- cancel the 10 Corporate Units;
- transfer the related share of convertible preferred stock to the holder;
and
- deliver 10 Treasury Units to the holder.

The Treasury Unit holder’s beneficial ownership interest in the Treasury security will be pledged to us through the collateral agent to secure the holder’s obligation to purchase our common stock under the related purchase contracts. The share of convertible preferred stock thereafter will trade and be transferable separately from the Treasury Units.

Holders who create Treasury Units or recreate Corporate Units, as discussed below, will be responsible for any fees or expenses (including reasonable fees and expenses of counsel) payable to the collateral agent in connection with substitutions of collateral. See “Certain Provisions of the Purchase Contracts and the Purchase Contract and Pledge Agreement—Miscellaneous.”

Recreating Corporate Units from Treasury Units

Each holder of 10 Treasury Units will have the right, at any time other than during a blackout period, to substitute for the related Treasury security held by the collateral agent one share of convertible preferred stock for each such 10 Treasury Units. This substitution would recreate Corporate Units and the applicable Treasury security would be released to the holder. Because the convertible preferred stock is issued with a liquidation preference of \$1,000 per share, holders of Treasury Units may make the substitution only in integral multiples of 10 Treasury Units.

To recreate 10 Corporate Units, a holder is required to:

- deposit with the collateral agent one share of convertible preferred stock, which must be purchased in the open market at the expense of the Treasury Unit holder, unless otherwise owned by the holder; and
- transfer to the purchase contract agent 10 Treasury Units, accompanied by a notice stating that the holder of the Treasury Units has deposited one share of convertible preferred stock with the collateral agent, and requesting that the purchase contract agent instruct the collateral agent in writing to release the related Treasury security.

Promptly following receipt of written instructions from the purchase contract agent and receipt of the share of convertible preferred stock, the collateral agent will release the related Treasury security from the pledge and promptly instruct the securities intermediary to transfer such Treasury security to the purchase contract agent on behalf of the holder, free and clear of our security interest. The purchase contract agent then will:

- cancel the 10 Treasury Units;
- transfer the related Treasury security to the holder;
and
- deliver 10 Corporate Units to the holder.

The share of convertible preferred stock will be substituted for the Treasury security and will be pledged to us through the collateral agent to secure the holder's obligation to purchase shares of our common stock under the related purchase contracts. The Treasury security thereafter will trade and be transferable separately from the Corporate Units.

Creating Cash Settled Units from Corporate Units

Each holder of 10 Corporate Units may create, only during the period after the date we give notice of the final remarketing period and prior to 5:00 p.m., New York City time, on the second business day immediately preceding the first day of the final remarketing period, Cash Settled Units by substituting for a share of convertible preferred stock that is a component of the Corporate Units \$1,000 in cash. This substitution would create 10 Cash Settled Units, and the related share of convertible preferred stock would be released to the holder and would be separately tradable from the Cash Settled Units. Because the convertible preferred stock is issued with a liquidation preference of \$1,000 per share, holders of Corporate Units may make this substitution only in integral multiples of 10 Corporate Units. Holders of Cash Settled Units do not have the right to recreate Corporate Units or create Treasury Units.

Each Cash Settled Unit will consist of:

1. a purchase contract under which:
 - the holder will agree to purchase from us on the purchase contract settlement date, unless the purchase contract terminates prior to that date as described under "Description of the Purchase Contracts—Termination" or is settled early as described under "— Early Settlement Upon a Fundamental Change" below, for \$100, a number of shares of our common stock equal to the applicable settlement rate, *plus*, in the case of an early settlement upon a fundamental change, an additional make-whole amount of shares; and
 - we will pay to the holder the final quarterly contract adjustment payment due on the purchase contract settlement date (including any accrued and unpaid deferred contract adjustment payments and compounded contract adjustment payments thereon), payable in cash, shares of our common stock or a combination thereof, at our election; and
2. \$100 in cash.

To create 10 Cash Settled Units, a holder is required to:

- deposit with the collateral agent \$1,000 in cash;
and

- transfer to the purchase contract agent 10 Corporate Units, accompanied by a notice stating that the holder of the Corporate Units has deposited \$1,000 in cash with the collateral agent, and requesting that the purchase contract agent instruct the collateral agent in writing to release the related share of convertible preferred stock.

Promptly following receipt of written instructions from the purchase contract agent and receipt of cash, the collateral agent will release the related share of convertible preferred stock from the pledge and deliver it to the purchase contract agent on behalf of the holder, free and clear of our security interest. The purchase contract agent then will:

- cancel the 10 Corporate Units;
- transfer the related share of convertible preferred stock to the holder;
and
- deliver 10 Cash Settled Units to the holder.

The cash will be substituted for the share of convertible preferred stock and will be pledged to us through the collateral agent to secure the holder's obligation to purchase shares of our common stock under the related purchase contract. Cash held as a component of the Cash Settled Unit will be held in a non-interest bearing account as set forth in the purchase contract and pledge agreement. The share of convertible preferred stock thereafter will trade separately from the Cash Settled Units.

Holders who create Cash Settled Units, as discussed below, will be responsible for any fees or expenses payable to the collateral agent (including reasonable fees and expenses of counsel) in connection with substitutions of collateral. See "Certain Provisions of the Purchase Contracts and the Purchase Contract and Pledge Agreement—Miscellaneous."

Current Payments

Holders of Corporate Units and Treasury Units receive quarterly contract adjustment payments payable by us at the rate of 5.375% per year on the stated amount of \$100 per Equity Unit until the earliest of the purchase contract settlement date, the fundamental change early settlement date (in the case of a fundamental change where the holder has elected to settle its purchase contracts early in connection with such fundamental change as described in "Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change") and the most recent quarterly payment date on or before an early settlement as described in "Description of the Purchase Contracts—Early Settlement." Holders of Cash Settled Units will receive the final quarterly contract adjustment payment payable by us on the final contract adjustment payment date. Holders of Corporate Units do not receive any dividends on the convertible preferred stock attributable to such Corporate Units (but will receive distributions on the applicable ownership interest in the Treasury portfolio, if any, if the convertible preferred stock has been replaced by the Treasury portfolio) and the liquidation preference of the convertible preferred stock does not accrete. Any contract adjustment payments may be paid in cash, shares of our common stock or a combination thereof, at our election, as described herein. There will be no distributions in respect of the Treasury securities that are a component of the Treasury Units or the cash that is a component of the Cash Settled Units. If the dividend rate on the convertible preferred stock has been increased in connection with a successful remarketing, the holders of the Treasury Units will receive quarterly dividend payments (when, as and if declared by our board of directors) on the shares of convertible preferred stock that were released to them when they created the Treasury Units as long as they continue to hold such shares.

We are required to make all contract adjustment payments quarterly in arrears on February 15, May 15, August 15 and November 15 of each year (except where such date is not a business day, in which case contract adjustment

payments will be payable as of the next subsequent business day, without adjustment), commencing on August 15, 2017.

We have the right to defer payment of quarterly contract adjustment payments as described under “Description of the Purchase Contracts—Contract Adjustment Payments.” Even if the dividend rate is increased in connection with a successful remarketing, and dividends therefore begin to accumulate on the convertible preferred stock, we are not obligated to declare or pay any such dividends on the convertible preferred stock, as described under “Description of the Convertible Preferred Stock—Dividends Following a Successful Remarketing.”

Listing

We have listed the Corporate Units on the New York Stock Exchange under the symbol “SWP.” Unless and until substitution has been made as described above, none of the convertible preferred stock component of a Corporate Unit, the Treasury security component of a Treasury Unit nor the cash component of a Cash Settled Unit will trade separately from Corporate Units, Treasury Units or Cash Settled Units. The convertible preferred stock component trades as a unit with the purchase contract component of the Corporate Units, the Treasury security component will trade as a unit with the purchase contract component of the Treasury Units and the cash component will trade as a unit with the purchase contract component of the Cash Settled Units. In addition, if Treasury Units, Cash Settled Units or shares of convertible preferred stock are separately traded to a sufficient extent that the applicable exchange listing requirements are met, we may, but have no obligation to, cause the Treasury Units, Cash Settled Units or convertible preferred stock to be listed on the exchange on which the Corporate Units are then listed, including, if applicable, the New York Stock Exchange.

Voting and Certain Other Rights

Holders of purchase contracts forming part of the Corporate Units, Treasury Units, or Cash Settled Units, in their capacities as such holders, have no voting or other rights in respect of our common stock. Holders of shares of convertible preferred stock, whether or not part of a Corporate Unit, have only the limited voting rights described in “Description of the Convertible Preferred Stock—Limited Voting Rights.”

Description of the Purchase Contracts

The following description is a summary of some of the terms of the purchase contracts. The purchase contracts were issued pursuant to the purchase contract and pledge agreement among us, the purchase contract agent and the collateral agent, the custodial agent and the securities intermediary. The description of the purchase contracts and the purchase contract and pledge agreement in this Description of the 2017 Corporate Units is a summary of their material terms but does not purport to be complete, and reference is hereby made to the purchase contract and pledge agreement that were filed as an exhibit on Form 8-K.

In this Description of the Purchase Contracts, “we,” “us,” “our” or “the Company” refer only to Stanley Black & Decker, Inc. and any successor obligor, and not to any of its subsidiaries.

Purchase of Common Stock

Each purchase contract that is a part of a Corporate Unit, a Treasury Unit or a Cash Settled Unit obligates its holder to purchase, and us to sell, on the purchase contract settlement date (unless the purchase contract terminates prior to that date as described under “—Termination” or is settled early at the holder’s option as described under “—Early Settlement” or “—Early Settlement Upon a Fundamental Change”), for \$100 in cash, a number of shares of our common stock equal to the settlement rate (together with cash, if applicable, in lieu of any fractional shares of common stock in the manner described below). The number of shares of our common stock issuable upon settlement of each purchase contract on the purchase contract settlement date (which we call the “settlement rate”) will be rounded to the nearest ten-thousandth of a share and determined as follows, subject to adjustment as described under “—Anti-dilution Adjustments” below:

1. If the applicable market value of our common stock is less than or equal to \$138.10, which we refer to as the “reference price,” the settlement rate will be 0.7241 shares of our common stock (which we refer to as the “maximum settlement rate”).

Accordingly, if the market price for our common stock decreases from the date of the prospectus supplement and during the market value averaging period (described below), the aggregate market value of the shares of common stock issued upon settlement of each purchase contract will be less than the stated amount of \$100, assuming that the market price on the purchase contract settlement date is the same as the applicable market value of the common stock.

2. If the applicable market value of our common stock is greater than the reference price, the settlement rate will be a number of shares of our common stock equal to \$100 *divided by* that applicable market value.

Accordingly, if the market price for the common stock increases from the date of the prospectus supplement and during the market value averaging period, the aggregate market value of the shares of common stock issued upon settlement of each purchase contract will be equal to the stated amount of \$100, assuming that the market price of the common stock on the purchase contract settlement date is the same as the applicable market value of the common stock.

The reference price initially equaled the last reported sale price of our common stock on the New York Stock Exchange on May 11, 2017.

If a holder elects to settle their purchase contract early in the manner described under “—Early Settlement,” the number of shares of our common stock issuable upon settlement of such purchase contract will be equal to 85% of the settlement rate determined in the manner set forth above but over a 20 consecutive trading day period beginning on the trading day immediately following the day the holder exercises their early settlement right, which we refer to as the “early settlement averaging period.” If the holder elects to settle their purchase contract early upon a fundamental change, the number of shares of our common stock issuable upon settlement will be determined as described under “—Early Settlement Upon a Fundamental Change.”

The “applicable market value” of our common stock means the average of the daily VWAPs of our common stock during the market value averaging period.

The “market value averaging period” means the 20 consecutive trading day period beginning on, and including, the 22nd scheduled trading day immediately preceding the purchase contract settlement date.

The “daily VWAP” of our common stock means, for each relevant trading day, the per share volume weighted average price as displayed under the heading Bloomberg VWAP on Bloomberg page “SWK <EQUITY> AQR” (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading on the relevant trading day until the scheduled close of trading on the relevant trading day (or if such VWAP is unavailable, the market price of one share of our common stock on such trading day determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained for this purpose by us).

A “trading day” means (a) a day (i) on which the New York Stock Exchange, or, if our common stock is not then listed on the New York Stock Exchange, the principal exchange or quotation system on which our common stock is listed or admitted for trading, is scheduled to be open for business and (ii) on which there has not occurred or does not exist a market disruption event, or (b) if our common stock is not so listed or admitted for trading, a “trading day” means a business day.

A “market disruption event” means (i) a failure by the primary U.S. national or regional securities exchange or market on which our common stock is listed or admitted for trading to open for trading during its regular trading session or (ii) the occurrence or existence prior to 1:00 p.m., New York City time, on any scheduled trading day for our common stock for more than one half-hour period in the aggregate during regular trading hours of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant stock exchange or otherwise) in our common stock or in any options contracts or futures contracts relating to our common stock.

If a market disruption event occurs on any scheduled trading day during the market value averaging period or any early settlement averaging period, we will notify investors on the calendar day on which such event occurs.

If 20 trading days for our common stock have not occurred during the period from, and including, the first day of the market value averaging period to, and including, the third scheduled trading day immediately prior to the purchase contract settlement date, all remaining trading days in the market value averaging period will be deemed to occur on that third scheduled trading day immediately prior to the purchase contract settlement date, and the daily VWAP of our common stock for each of those remaining trading days will be the daily VWAP of our common stock on that third scheduled trading day or, if such day is not a trading day, the closing price as of such day.

We will not issue any fractional shares of our common stock upon settlement of a purchase contract. Instead of a fractional share, the holder will receive an amount of cash equal to the percentage of a whole share represented by such fractional share *multiplied by* the closing price of our common stock on the trading day immediately preceding the purchase contract settlement date (or the trading day immediately preceding the relevant date for delivery of shares of our common stock, in the case of early settlement). If, however, a holder surrenders for settlement more than one purchase contract on the same date, then the number of shares of our common stock issuable pursuant to such purchase contracts will be computed based upon the aggregate number of purchase contracts surrendered on such date or, if the Equity Units are held in global book-entry form, based on such other aggregate number of purchase contracts being surrendered by the holder on the same date as DTC may otherwise request.

The “closing price” per share of our common stock means, on any date of determination, the closing sale price (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions for the principal U.S. national or regional securities exchange on which our common stock is traded. If our common stock is not listed for trading on a U.S. national or regional securities exchange on the relevant date, the “closing price” will be the last quoted bid price for our common stock in the over-the-counter market on the relevant date as reported by OTC Markets Group Inc. or a similar organization. If our common stock is not so quoted, the “closing price” will be the average of the mid-point of the last bid and ask prices for our common stock on the relevant date from each of at least three nationally recognized independent investment banking firms selected by us for this purpose.

Unless:

- a holder has settled the related purchase contracts early by delivery of cash to the purchase contract agent in the manner described under “—Early Settlement” or “—Early Settlement Upon a Fundamental Change”; or
- an event described under “—Termination” has occurred,

then, on the purchase contract settlement date,

- in the case of Corporate Units where there has been a successful remarketing, the portion of the proceeds from the final remarketing or the maturity of the Treasury portfolio from an earlier optional remarketing, as applicable, equal to \$1,000 *multiplied by* the number of shares of the convertible preferred stock underlying the Corporate Units that were remarketed will automatically be applied to satisfy in full the holder’s obligations to purchase our common stock under the related purchase contracts and any excess proceeds will be delivered to the purchase contract agent for the benefit of the holders whose shares of convertible preferred stock were remarketed;
- in the case of Corporate Units where there has not been a successful remarketing, each holder will be deemed to have automatically delivered to us on the purchase contract settlement date the ownership interests in the shares of convertible preferred stock that are a part of such Corporate Units (unless such holder shall have elected to settle the related purchase contracts in cash as described under “—Final Remarketing”) to satisfy in full the holder’s obligations to purchase our common stock under the related purchase contracts;
- in the case of Treasury Units, the cash proceeds of the related Treasury securities, when paid at maturity, will automatically be applied to satisfy in full the holder’s obligation to purchase our common stock under the related purchase contracts and any excess proceeds will be delivered to the purchase contract agent for the benefit of the holders of the Treasury Units; and
- in the case of Cash Settled Units, the cash component of such units will automatically be applied to satisfy in full the holder’s obligation to purchase our common stock under the related purchase contracts.

Our common stock will then be issued and delivered to the holder or the holder’s designee, promptly following presentation and surrender of the certificate evidencing the Corporate Units, the Treasury Units or the Cash Settled Units, if in certificated form, and payment by the holder of any transfer or similar taxes payable in connection with the issuance of our common stock to any person other than the holder.

Prior to the settlement of a purchase contract, the shares of our common stock underlying each purchase contract will not be outstanding, and the holder of a purchase contract will not have any voting rights, rights to dividends or other distributions or other rights of a holder of our common stock by virtue of holding such purchase contract.

By purchasing a Corporate Unit, a Treasury Unit or a Cash Settled Unit, a holder was deemed to have, among other things:

- irrevocably appointed the purchase contract agent as its attorney-in-fact to enter into and perform the purchase contract and the related purchase contract and pledge agreement in the name of and on behalf of such holder; and
- agreed to be bound by the terms and provisions of the Corporate Units, Treasury Units and Cash Settled Units and perform its obligations under the related purchase contract and the purchase contract and pledge agreement.

In addition, each beneficial owner of an Equity Unit, by acceptance of the beneficial interest therein, was deemed to have agreed to treat itself as the owner of the related convertible preferred stock, applicable interest in the Treasury portfolio, Treasury securities or cash, as the case may be.

Remarketing

We will enter into a remarketing agreement with a nationally recognized investment banking firm, as remarketing agent. Pursuant to the remarketing agreement, remarketing of the convertible preferred stock underlying the Corporate Units and any separate shares of convertible preferred stock whose holders have elected to participate in the remarketing will be attempted as described below. We refer to each of an “optional remarketing” and the “final remarketing” (each as defined below) as a

“remarketing.” No remarketing will occur if a termination event has occurred or, in the case of an optional remarketing, certain other events have occurred as described below.

As described under “Description of the Convertible Preferred Stock—Remarketing,” in connection with a successful remarketing, (i) the dividend rate on the convertible preferred stock may be increased as described below, (ii) the conversion rate of the convertible preferred stock may be increased as described below, (iii) the earliest redemption date may be changed to a later date as described below and (iv) if the dividend rate is increased, dividends will be payable quarterly in arrears, when, as and if declared by our board of directors, commencing on the February 15, May 15, August 15 or November 15 immediately following the remarketing settlement date, as selected by us, *provided* that the first such dividend payment date will not be earlier than August 15, 2020.

During any blackout period a holder does not have the right to:

- settle a purchase contract early;
- create Treasury Units;
- create Cash Settled Units; or
- recreate Corporate Units from Treasury Units.

We will use commercially reasonable efforts to ensure that a registration statement with regard to the full amount of the convertible preferred stock to be remarketed will be effective in a form that may be used by the remarketing agent in connection with the remarketing process (unless such registration statement is not required under the applicable laws and regulations that are in effect at that time or unless we conduct any remarketing in accordance with an exemption under the securities laws).

Optional Remarketing

Unless a termination event has occurred, we may elect, at our option, to remarket the convertible preferred stock during a period (which we call the “optional remarketing window”) beginning on and including February 12, 2020 and ending on and including April 28, 2020. Any remarketing in the optional remarketing window will occur during a five-business day remarketing period (which we call an “optional remarketing period”) consisting of five sequential possible remarketing dates selected by us and will include shares of convertible preferred stock underlying Corporate Units and other shares of convertible preferred stock of holders that have elected to include those shares in the remarketing as described under “Description of the Convertible Preferred Stock—Remarketing of Shares That Are Not Included in Corporate Units.” We may attempt remarketings during multiple optional remarketing periods in the optional remarketing window so long as we give to the depositary 15 calendar days’ notice prior to the first day of any optional remarketing period as described below. We refer to a remarketing that occurs during the optional remarketing window as an “optional remarketing” and the date we price the convertible preferred stock offered in an optional remarketing as the “optional remarketing date.”

If we elect to conduct an optional remarketing, the remarketing agent will use its reasonable best efforts to obtain a price (i) for shares of convertible preferred stock that are components of Corporate Units, that results in proceeds of at least 100% of the Treasury portfolio purchase price described below and (ii) for shares of convertible preferred stock that are not part of Corporate Units, equal to the separate convertible preferred stock purchase price (as defined in “Description of the Convertible Preferred Stock—Remarketing of Shares That Are Not Included in Corporate Units”). To obtain that price, we may change the earliest redemption date to a later date as described under “Description of the Convertible Preferred Stock—Optional Redemption” or increase the dividend rate and/or increase the conversion rate on the convertible preferred stock, as described under “Description of the Convertible Preferred Stock—Increased Dividend Rate and Increased Conversion Rate.” We will not decrease the conversion rate or the dividend rate in connection with a successful remarketing (and, therefore, in no event will the dividend rate be less than zero).

We will request that the depositary notify its participants holding Corporate Units, Treasury Units, and separate shares of convertible preferred stock of our election to conduct an optional remarketing no later than 15 calendar days prior to the date we begin the optional remarketing.

Following a successful optional remarketing of the convertible preferred stock, the remarketing agent will purchase the Treasury portfolio at the Treasury portfolio purchase price (as defined below), and deduct such price from the proceeds of the optional remarketing. Any remaining proceeds will be promptly remitted after the optional remarketing settlement date by the remarketing agent for the benefit of the holders whose shares of convertible preferred stock were remarketed.

If we elect to conduct an optional remarketing and such remarketing is successful:

- settlement of the remarketed convertible preferred stock will occur on the third business day following the optional remarketing date, or such other date we and the remarketing agent agree to (we refer to such settlement date as the “optional remarketing settlement date”);
- if applicable, the dividend rate and/or conversion rate of all outstanding shares of convertible preferred stock (whether or not remarketed) will be increased on the optional remarketing settlement date;
- if applicable, the earliest redemption date will be changed to a later date, effective on the optional remarketing settlement date;
- any terms of the remarketed convertible preferred stock modified by us in accordance with the certificate of amendment creating the convertible preferred stock (the “certificate of amendment”) will become effective on the optional remarketing settlement date, if applicable;
- if the dividend rate is increased, dividends will be payable quarterly, when, as and if declared by our board of directors;
- a holder’s Corporate Units will consist of a purchase contract and the applicable ownership interest in the Treasury portfolio, as described above; and
- a holder may no longer create Treasury Units or Cash Settled Units or recreate Corporate Units from Treasury Units.

If we do not elect to conduct an optional remarketing in the optional remarketing window, or no optional remarketing succeeds for any reason, the shares of convertible preferred stock will continue to be components of the Corporate Units or will continue to be held separately and the remarketing agent will use its reasonable best efforts to remarket the convertible preferred stock during the final remarketing period as described below.

For the purposes of a successful optional remarketing, “Treasury portfolio purchase price” means the lowest aggregate ask-side price quoted by a primary U.S. government securities dealer to the quotation agent selected by us between 9:00 a.m. and 4:00 p.m., New York City time, on the optional remarketing date for the purchase of the Treasury portfolio for settlement on the optional remarketing settlement date.

Following a successful optional remarketing, the remarketing agent will purchase, at the Treasury portfolio purchase price, the Treasury portfolio. If U.S. Treasury securities (or principal or interest strips thereof) that are to be included in the Treasury portfolio in connection with a successful optional remarketing have a yield that is less than zero, the Treasury portfolio will consist of an amount in cash equal to the aggregate principal amount at maturity of the U.S. Treasury securities described in the description of the Treasury portfolio under “Description of the Equity Units.” If the provisions set forth in this paragraph apply, references in this Description of the 2017 Corporate Units to a “Treasury security” and “U.S. Treasury securities (or principal or interest strips thereof)” in connection with the Treasury portfolio will, thereafter, be deemed to be references to such amount in cash. Neither we, the purchase contract agent, the collateral agent or anyone else will invest that cash.

The applicable ownership interests in the Treasury portfolio will be substituted for the shares of convertible preferred stock that are components of the Corporate Units and will be pledged to us through the collateral agent to secure the Corporate Unit holders’ obligations under the purchase contracts. On the purchase contract settlement date, a portion of the proceeds from the Treasury portfolio equal to \$1,000 *multiplied by* the number of shares of convertible preferred stock that are components of the Corporate Units at the time of remarketing will automatically be applied to satisfy the Corporate Unit holders’ obligations to

purchase our common stock under the purchase contracts. For the avoidance of doubt, any failure to apply proceeds as described above solely as a result of a failure by the U.S. government to pay the principal amount of or any interest on any Treasury security in the Treasury portfolio shall not constitute an event of default under a purchase contract. If, as a result of any such failure, there are insufficient proceeds from the Treasury portfolio to satisfy the Corporate Unit holders' obligations to purchase common stock under the purchase contracts, we will delay settlement of the purchase contracts until such time as such proceeds are available.

If we elect to remarket the convertible preferred stock during an optional remarketing period and a successful remarketing has not occurred on or prior to the last day of the optional remarketing period, we will cause a notice of the failed remarketing of the convertible preferred stock to be published before 9:00 a.m., New York City time, on the business day immediately following the last date of the optional remarketing period. This notice will be validly published by making a timely release to any appropriate news agency, including, without limitation, Bloomberg Business News and the Dow Jones News Service. We will similarly cause a notice of a successful remarketing of the convertible preferred stock to be published before 9:00 a.m., New York City time, on the business day immediately following the date of such successful remarketing.

Final Remarketing

Unless (i) a termination event has occurred or (ii) the Treasury portfolio has replaced the convertible preferred stock as a component of the Corporate Units as a result of a successful optional remarketing, the remarketing agent will remarket the shares of convertible preferred stock that are components of the Corporate Units and any separate shares of convertible preferred stock whose holders have elected to participate in the remarketing as described under "Description of the Convertible Preferred Stock—Remarketing of Shares That Are Not Included in Corporate Units," during each day of the five business day period ending on May 12, 2020 (the third business day immediately preceding the purchase contract settlement date) until the remarketing is successful. We refer to such period as the "final remarketing period," the remarketing during this period as the "final remarketing" and the date we price the convertible preferred stock offered in the final marketing as the "final remarketing date."

The remarketing agent will use its reasonable best efforts to obtain, and the remarketing will be considered successful if the remarketing agent is able to obtain, a price that results in proceeds of at least \$1,000 *multiplied by* the number of shares of convertible preferred stock being remarketed. To obtain that price, we may change the earliest redemption date to a later date or increase the dividend rate and/or increase the conversion rate of the convertible preferred stock, as described under "Description of the Convertible Preferred Stock—Increased Dividend Rate and Increased Conversion Rate." We will request that the depository notify its participants holding Corporate Units, Treasury Units and separate shares of convertible preferred stock of the remarketing no later than April 21, 2020. In our notice of a final remarketing, we will set forth the dates of the final remarketing period, applicable procedures for holders of separate shares of convertible preferred stock to participate in the final remarketing, the applicable procedures for holders of Corporate Units to create Treasury Units or Cash Settled Units, the applicable procedures for holders of Corporate Units to settle their purchase contracts early and any other applicable procedures, including the procedures that must be followed by a holder of an ownership interest in a share of convertible preferred stock that is a part of a Corporate Unit in the case of a failed final remarketing if such holder wishes not to have its ownership interests in shares of convertible preferred stock automatically delivered to us as described in this Description of the 2017 Corporate Units in satisfaction of its obligation under the related purchase contracts.

We have the right to postpone the final remarketing in our absolute discretion on any day prior to the last business day of the final remarketing period.

If the final remarketing is successful:

- settlement of the remarketed convertible preferred stock will occur on the purchase contract settlement date;
- if applicable, the dividend rate and/or conversion rate of all outstanding shares of convertible preferred stock (whether or not remarketed) will be increased, effective on the purchase contract settlement date;

- if applicable, the earliest redemption date will be changed to a later date, effective on the purchase contract settlement date;
- any other modified terms of the convertible preferred stock will take effect on the purchase contract settlement date in accordance with the terms of the certificate of amendment;
- if the dividend rate is increased, dividends will be payable quarterly, when, as and if declared by our board of directors;
- a portion of the proceeds from the remarketing equal to \$1,000 *multiplied by* the number of shares of convertible preferred stock underlying Corporate Units that were remarketed will automatically be applied to satisfy in full the Corporate Unit holders' obligations to purchase our common stock under the related purchase contracts on the purchase contract settlement date;
- a portion of the proceeds from the remarketing equal to \$1,000 *multiplied by* the number of separate shares of convertible preferred stock whose holders have elected to participate in the remarketing will be remitted by the remarketing agent for the benefit of such holders on the purchase contract settlement date; and
- any remaining proceeds will be promptly remitted after the purchase contract settlement date by the remarketing agent for the benefit of the holders whose shares of convertible preferred stock were remarketed.

If (1) despite using its reasonable best efforts, the remarketing agent cannot remarket the related convertible preferred stock on or prior to the last day of the final remarketing period, at a price equal to or greater than \$1,000 *multiplied by* the aggregate number of shares of convertible preferred stock to be remarketed or (2) the final remarketing has not occurred on or prior to the last day of the final remarketing period because a condition precedent to the remarketing has not been fulfilled, in each case resulting in a failed remarketing, the ownership interests in the shares of convertible preferred stock held as a part of Corporate Units will be automatically delivered to us, on the purchase contract settlement date, in full satisfaction of the Corporate Unit holder's obligation to purchase our common stock under the related purchase contract, unless the holder has elected otherwise, as set forth under "Description of the Convertible Preferred Stock—Automatic Settlement Upon Failed Final Remarketing."

If a successful remarketing has not occurred on or prior to the last day of the final remarketing period, we will cause a notice of the failed remarketing of the convertible preferred stock to be published before 9:00 a.m., New York City time, on the business day immediately following the last date of the final remarketing period. This notice will be validly published by making a timely release to any appropriate news agency, including, without limitation, Bloomberg Business News and the Dow Jones News Service.

Early Settlement

Subject to the conditions described below, a holder of Corporate Units or Treasury Units may elect to settle the related purchase contracts at any time prior to the close of business on the scheduled trading day immediately preceding the first day of the market value averaging period, other than during a blackout period. In the case of Corporate Units and Treasury Units, such early settlement may only be made in integral multiples of 10 purchase contracts.

In order to settle purchase contracts early, a holder of Equity Units must deliver to the purchase contract agent (1) a completed "Election to Settle Early" form, along with the Corporate Unit or Treasury Unit certificate, if they are in certificated form and (2) a cash payment in immediately available funds in an amount equal to:

- \$100 times the number of purchase contracts being settled; *plus*
- if the "early settlement date" (as defined below) for any purchase contract occurs during the period from the close of business on any contract adjustment payment record date to the opening of business on the related payment date, an amount equal to the contract adjustment payments payable on the payment date with respect to the purchase contracts being settled, unless we have elected to defer the contract adjustment payments payable on such date.

So long as you hold Equity Units as a beneficial interest in a global security certificate deposited with the depository, procedures for early settlement will also be governed by standing arrangements between the depository and the purchase contract agent.

The early settlement right is also subject to the condition that, if we determine that it is required under U.S. federal securities laws, we have a registration statement under the Securities Act in effect and an available prospectus covering the shares of common stock and other securities, if any, deliverable upon settlement of a purchase contract. We have agreed that, if required under U.S. federal securities laws, we will use our commercially reasonable efforts to (1) have a registration statement in effect covering those shares of common stock and other securities, if any, to be delivered in respect of the purchase contracts being settled and (2) provide a prospectus in connection therewith, in each case in a form that may be used in connection with the early settlement right (it being understood that if there is a material business transaction or development that has not yet been publicly disclosed, we will not be required to provide such a prospectus, and the early settlement right will not be available, until we have publicly disclosed such transaction or development, *provided* that we will use our commercially reasonable efforts to make such disclosure as soon as it is commercially reasonable to do so).

Upon early settlement, except as described below in “—Early Settlement Upon a Fundamental Change,” we will issue, for each purchase contract being settled, 85% of the number of shares of our common stock that would be deliverable for each purchase contract as described in “—Purchase of Common Stock” above as if the “applicable market value” were the average of the daily VWAPs of our common stock during the early settlement averaging period.

We will cause the related shares of convertible preferred stock or applicable ownership interests in the Treasury portfolio or Treasury securities, as the case may be, underlying the Equity Units and securing such purchase contract to be released from the pledge under the purchase contract and pledge agreement, and delivered within three business days following the early settlement date, to the purchase contract agent on behalf of the holder, free and clear of our security interest. In addition, we will issue the number of shares of our common stock to be issued upon settlement of the purchase contract within three business days following the last day of the early settlement averaging period, to the purchase contract agent for delivery to the holder. Upon early settlement, the holder will be entitled to receive any accrued and unpaid contract adjustment payments (including any accrued and unpaid deferred contract adjustment payments and compounded contract adjustment payments thereon) to, but excluding, the quarterly payment date immediately preceding the early settlement date. The holder’s right to receive future contract adjustment payments will terminate (except for contract adjustment payments payable to the holders of record on the applicable record date), and no adjustment will be made to or for the holder on account of any amounts accrued in respect of contract adjustment payments since the most recent quarterly payment date.

If the purchase contract agent receives a completed “Election to Settle Early” form, along with the Corporate Unit or Treasury Unit certificate, if they are in certificated form, and payment of \$100 for each purchase contract being settled prior to 5:00 p.m., New York City time, on any business day and all conditions to early settlement have been satisfied, then that day will be considered the “early settlement date.” If the purchase contract agent receives the foregoing on or after 5:00 p.m., New York City time, on any business day or at any time on a day that is not a business day, then the next business day will be considered the “early settlement date.”

Early Settlement Upon a Fundamental Change

If a fundamental change (as defined below) occurs prior to the purchase contract settlement date, then, following the fundamental change, each holder of a purchase contract, subject to certain conditions described in this Description of the 2017 Corporate Units, will have the right to settle the purchase contract early on the fundamental change early settlement date (as defined below) at the settlement rate determined as if the applicable market value equaled the stock price (as defined below under “—Calculation of Make-Whole Shares”), *plus* an additional number of shares determined as set forth below (such additional number referred to as the “make-whole shares”). We refer to this right as the “fundamental change early settlement right.”

A “fundamental change” will be deemed to have occurred at the time after the Equity Units are originally issued if any of the following occurs:

(i) any transaction or event (whether by means of a share exchange or tender offer applicable to our common stock, a liquidation, consolidation, recapitalization, reclassification, combination or merger of us or a sale, lease or other transfer of all or substantially all of our consolidated assets) or a series of related transactions or events occurs pursuant to which 50% or more of our outstanding common stock is exchanged for, converted into or constitutes solely the right to receive cash, securities or other property, more than 10% of which consists of cash, securities or other property that is not, or will not be upon consummation of such transaction, listed on a United States national or regional securities exchange for a period of 30 or more consecutive trading days; or

(ii) our common stock ceases to be listed or quoted on a United States national or regional securities exchange for 30 or more consecutive trading days.

The fundamental change early settlement right is subject to the condition that at such time, if so required under U.S. federal securities laws, there is in effect a registration statement and an available prospectus covering shares of our common stock and other securities, if any, to be delivered pursuant to the purchase contracts being settled. We have agreed that, if required under U.S. federal securities laws, we will use our commercially reasonable efforts to (1) have a registration statement in effect covering our common stock and other securities, if any, to be delivered in respect of the purchase contracts being settled and (2) provide a prospectus in connection therewith, in each case in a form that may be used in connection with the early settlement upon a fundamental change (it being understood that if there is a material business transaction or development that has not yet been publicly disclosed, we will not be required to provide such a prospectus, and the fundamental change early settlement right will not be available, until we have publicly disclosed such transaction or development, *provided* that we will use our commercially reasonable efforts to make such disclosure as soon as it is commercially reasonable to do so). The fundamental change early settlement date will be postponed by the number of days during the period on which no such registration statement is effective, except that the fundamental change early settlement date will not be postponed beyond the purchase contract settlement date. If, but for the exception contained in the immediately preceding sentence, the fundamental change early settlement date would occur on or after the purchase contract settlement date, we will deliver to any holder of purchase contracts on the purchase contract settlement date the applicable number of make-whole shares in addition to a number of shares equal to the settlement rate, determined as if the applicable market value were equal to the stock price (as defined below under “—Calculation of Make-Whole Shares”) in such fundamental change.

To the extent practicable, we will provide each holder of Equity Units with a notice of the anticipated effective date of a fundamental change at least 20 business days prior to such anticipated effective date, but in any event not later than the earlier of the effective date and two business days following our becoming aware of the occurrence of such fundamental change. In addition, we will provide each holder of Equity Units with a notice of a fundamental change within five business days after the effective date of the fundamental change. The notice will specify:

1. a date on which the fundamental change early settlement will occur (the “fundamental change early settlement date,”) which shall be at least 10 business days after the effective date of such fundamental change but, subject to the foregoing, no later than the earlier of (x) 20 business days after the effective date of such fundamental change and (y) one business day prior to (i) the first day of the commencement of an optional remarketing period, or (ii) if we have not specified an optional remarketing period or the optional remarketing is not successful, the first day of the commencement of the final remarketing period or, if the final remarketing is not successful, the purchase contract settlement date;
2. the date by which holders must exercise the fundamental change early settlement right;
3. the applicable settlement rate and number of make-whole shares;
4. the amount and kind (per share of common stock) of the cash, securities and other consideration receivable by the holder upon settlement; and
5. the amount of accrued and unpaid contract adjustment payments (including any deferred contract adjustment payments and compounded contract adjustment payments thereon), if any, that will be paid upon settlement to holders exercising the fundamental change early settlement right. Notwithstanding the foregoing, if the final remarketing period begins

less than 10 business days following the occurrence of a fundamental change, the notice will specify the purchase contract settlement date as the fundamental change early settlement date.

To exercise the fundamental change early settlement right, a holder must, no later than the second business day prior to the fundamental change early settlement date:

- deliver to the purchase contract agent a completed “Election to Settle Early Following a Fundamental Change” form;
- deliver to the purchase contract agent the certificate evidencing the holder’s Corporate Units or Treasury Units, if in certificated form; and
- deliver to the purchase contract agent cash in immediately available funds equal to \$100 \times the number of purchase contracts being settled.

So long as Equity Units are held as a beneficial interest in a global security certificate deposited with the depository, procedures for fundamental change early settlement will also be governed by standing arrangements between the depository and the purchase contract agent.

If a holder exercises the fundamental change early settlement right, we will deliver to the holder on the fundamental change early settlement date for each purchase contract with respect to which they have elected fundamental change early settlement, a number of shares (or exchange property units, if applicable) equal to the settlement rate described above *plus* the additional make-whole shares, together with accrued and unpaid contract adjustment payments to the fundamental change early settlement date; *provided* that if a fundamental change early settlement date falls after a record date and on or prior to the corresponding contract adjustment payment date, we will pay the full amount of accrued and unpaid contract adjustment payments, if any, due on such contract adjustment payment date to the holder of record at the close of business on the corresponding record date.

The holder will also receive on the fundamental change early settlement date the shares of convertible preferred stock or the applicable ownership interest in the Treasury portfolio or Treasury securities underlying the Corporate Units or Treasury Units, as the case may be, with respect to which such holder is effecting a fundamental change early settlement, which, in each case, shall have been released from the pledge under the purchase contract and pledge agreement and delivered to the purchase contract agent, on behalf of the holder, free and clear of our security interest. In the case of Corporate Units, if such holder has elected to settle the purchase contracts with cash, such holder will also receive on the fundamental change early settlement date the aggregate number of shares of convertible preferred stock underlying the Corporate Units. If a holder does not elect to exercise the fundamental change early settlement right, its Corporate Units or Treasury Units will remain outstanding and subject to normal settlement on the purchase contract settlement date.

Holders of Corporate Units and Treasury Units may exercise the fundamental change early settlement right only in integral multiples of 10 purchase contracts.

Calculation of Make-Whole Shares. The number of make-whole shares per purchase contract applicable to a fundamental change early settlement will be determined by reference to the table below, based on the date on which the fundamental change occurs or becomes effective (the “effective date”) and the “stock price” in the fundamental change, which will be:

- in the case of a fundamental change described in clause (i) of the definition of fundamental change above where the holders of our common stock receive only cash in the fundamental change, the cash amount paid per share of our common stock; and
- in all other cases, the average of the closing prices of our common stock for the 10 consecutive trading days immediately prior to but not including the effective date.

For purposes of this “Description of the Purchase Contracts” section, the stock prices set forth in the first row of the table (i.e., the column headers) will be adjusted upon the occurrence of certain events requiring anti-dilution adjustments to the maximum settlement rate in a manner inversely proportional to the adjustments to the maximum settlement rate. Each of the make-whole

share amounts in the table will be subject to adjustment in the same manner and at the same time as the maximum settlement rate as set forth under “—Anti-dilution Adjustments.”

Effective Date	\$30.00	\$60.00	\$80.00	\$100.00	\$120.00	\$138.10	\$142.50	\$150.00	\$162.27	\$180.00	\$200.00	\$220.00	\$240.00	\$260.00	\$280.00	\$300.00	\$350.00
May 17, 2017	0.4829	0.2211	0.1459	0.0866	0.0363	0.0000	0.0150	0.0388	0.0739	0.0578	0.0457	0.0377	0.0319	0.0274	0.0236	0.0204	0.0136
May 15, 2018	0.3246	0.1498	0.1015	0.0601	0.0177	0.0000	0.0000	0.0218	0.0572	0.0423	0.0322	0.0262	0.0222	0.0191	0.0165	0.0142	0.0094
May 15, 2019	0.1643	0.0761	0.0535	0.0343	0.0051	0.0000	0.0000	0.0068	0.0402	0.0250	0.0172	0.0138	0.0117	0.0100	0.0086	0.0074	0.0049
May 15, 2020	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

The actual stock price and effective date may not be set forth on the table, in which case:

- if the actual stock price is between two stock prices on the table or the actual effective date is between two effective dates on the table, the amount of make-whole shares will be determined by a straight-line interpolation between the make-whole share amounts set forth for the two stock prices and the two effective dates on the table based on a 365-day year, as applicable;
- if the stock price exceeds \$350.00 per share, subject to adjustment in the same manner as the stock prices in the table above, then the make-whole share amount will be zero; and
- if the stock price is less than \$30.00 per share, subject to adjustment in the same manner as the stock prices in the table above (the “minimum stock price”), then the make-whole share amount will be determined as if the stock price equaled the minimum stock price, using straight-line interpolation, as described above, if the actual effective date is between two effective dates on the table.

Contract Adjustment Payments

Contract adjustment payments in respect of Corporate Units, Treasury Units and Cash Settled Units are payable in cash, shares of our common stock or a combination thereof, at a rate per year of 5.375% of the stated amount of \$100 per purchase contract. Contract adjustment payments payable for any period will be computed (1) for any full quarterly period on the basis of a 360-day year of twelve 30-day months and (2) for any period shorter than a full quarterly period, on the basis of a 30-day month and, for any period less than a month, on the basis of the actual number of days elapsed in a 30-day month. Contract adjustment payments accrue from the date of original issuance of the Corporate Units to (but excluding) the earliest occurrence of a termination event, the purchase contract settlement date, the fundamental change early settlement date and the most recent quarterly payment date on or before any early settlement of the related purchase contracts, and are payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, commencing on August 15, 2017 (we refer to each of these dates as a “contract adjustment payment date”).

Contract adjustment payments are payable to the holders of purchase contracts as they appear on the books and records of the purchase contract agent at the close of business on the relevant record dates, which are the first day of the month on which the relevant contract adjustment payment date falls (whether or not a business day) or if the Equity Units are held in global book-entry form, the record date will be the business day immediately preceding the applicable contract adjustment payment date. Contract adjustment payments are payable to such record holders notwithstanding the occurrence of any early settlement date or fundamental change early settlement date following a record date and on or prior to the open of business on the related payment date, except that holders will be required to pay us, in connection with any early settlement (other than in connection with a fundamental change), an equivalent payment as described under “—Early Settlement” above. These distributions are paid through the purchase contract agent, who distributes amounts received in respect of the contract adjustment payments for the benefit of the holders of the purchase contracts relating to the Corporate Units, Treasury Units and Cash Settled Units.

If any date on which contract adjustment payments are to be made is not a business day, then payment of the contract adjustment payments payable on that date will be made on the next succeeding day that is a business day and no interest or payment will be paid in respect of the delay, if any.

Our obligations with respect to contract adjustment payments are subordinated and junior in right of payment to our existing and future indebtedness. Upon certain events of our bankruptcy, insolvency or reorganization, holders of our Equity Units will have no claims against us or our estate for any accrued and unpaid (including any deferred) contract adjustment payments.

We may, at our option and upon prior written notice to the holders of the Equity Units and the purchase contract agent, defer the payment of contract adjustment payments on the related purchase contracts forming a part of the Equity Units until the purchase contract settlement date; *provided, however*, that in (x) an early settlement upon a fundamental change, we will pay deferred contract adjustment payments (including compounded contract adjustment payments thereon as described below) to, but excluding, the fundamental change early settlement date and (y) an early settlement other than upon a fundamental change, we will pay deferred contract adjustment payments (including compounded contract adjustment payments thereon as described below) to, but excluding, the quarterly contract adjustment payment date immediately preceding the early settlement date.

Deferred contract adjustment payments will accrue additional contract adjustment payments at the rate of 5.375% per year until paid, compounded quarterly, which is equal to the rate of total distributions on the Corporate Units (compounding on each succeeding payment date), to, but excluding, the date such deferred contract adjustment payments are made. We refer to these additional contract adjustment payments that accrue on deferred contract adjustment payments as “compounded contract adjustment payments.” We may pay any such deferred contract adjustment payments (including compounded contract adjustment payments thereon) on any scheduled contract adjustment payment date. If the purchase contracts are terminated (upon the occurrence of certain events of bankruptcy, insolvency or reorganization with respect to us), the right to receive contract adjustment payments and deferred contract adjustment payments (including compounded contract adjustment payments thereon) will also terminate.

If we exercise our option to defer the payment of contract adjustment payments, then, until the deferred contract adjustment payments (including compounded contract adjustment payments thereon) have been paid, we will not declare or pay any dividends or make any distributions on, or redeem, purchase or acquire, or make a liquidation payment with respect to any shares of our capital stock (including the convertible preferred stock).

The restrictions listed above do not apply to:

- purchases, redemptions or other acquisitions of our capital stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors, agents or consultants or a stock purchase or dividend reinvestment plan, or the satisfaction of our obligations pursuant to any contract or security outstanding on the date that the contract adjustment payment is deferred requiring us to purchase, redeem or acquire our capital stock;
- any exchange, redemption or conversion of any class or series of our capital stock, or the capital stock of one of our subsidiaries, for any other class or series of our capital stock;
- any purchase of, or payment of cash in lieu of, fractional interests in shares of our capital stock pursuant to the conversion or exchange provisions of such capital stock or the securities being converted or exchanged;
- any dividend or distribution in the form of stock, warrants, options or other rights where the dividend stock or stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks equally with or junior to such stock;
- redemptions, exchanges or repurchases of, or with respect to, any rights outstanding under a shareholder rights plan outstanding on the date that the contract adjustment payment is deferred or the declaration or payment thereunder of a dividend or distribution of or with respect to rights in the future;
- payments on any trust preferred securities, subordinated debentures, junior subordinated debentures or junior subordinated notes, or any guarantees of any of the foregoing, in each case, that rank equal in right of payment to the contract adjustment payments, so long as the amount of payments made on account of such securities or guarantees and the purchase contracts is paid on all such securities and guarantees and the purchase contracts then

outstanding on a pro rata basis in proportion to the full payment to which each series of such securities, guarantees or purchase contracts is then entitled if paid in full; and

- any payment of deferred interest or principal on, or repayment, redemption or repurchase of, parity or junior securities that, if not made, would cause us to breach the terms of the instrument governing such parity or junior securities.

Method of Payment of Contract Adjustment Payments

Subject to the limitations described below, we may pay any contract adjustment payment (or any portion of any contract adjustment payment) on the Equity Units (whether or not for a current quarterly period or any prior quarterly period), determined in our sole discretion:

- in cash;
- by delivery of shares of our common stock;
or
- through any combination of cash and shares of our common stock.

We will make each contract adjustment payment in cash, except to the extent we elect to make all or any portion of such payment in shares of our common stock. To the extent we do not elect to defer such payment, we will give the holders of the Equity Units notice of any such election and the portion of such payment that will be made in cash and the portion that will be made in common stock no later than eight scheduled trading days prior to the payment date for such contract adjustment payment.

If we elect to make any such contract adjustment payment, or any portion thereof, in shares of our common stock, such shares shall be valued for such purpose at the average of the daily VWAPs per share of our common stock over the five consecutive trading day period ending on the third trading day immediately preceding the applicable payment date (the “five-day average price”), *multiplied by 97%*.

No fractional shares of common stock will be delivered to the holders of the Equity Units in respect of contract adjustment payments. We will instead pay a cash adjustment to each holder that would otherwise be entitled to a fraction of a share of common stock based on (i) the five-day average price and (ii) the aggregate number of Equity Units held by such holder (or, if the Equity Units are held in global book-entry form, based on the applicable procedures of the depositary for determining such number of Equity Units).

To the extent a shelf registration statement is required in our reasonable judgment in connection with the issuance of or for resales of common stock issued as a contract adjustment payment, including contract adjustment payments paid in connection with a fundamental change early settlement, we will, to the extent such a registration statement is not currently filed and effective, use our reasonable best efforts to file and maintain the effectiveness of such a shelf registration statement until the earlier of such time as all such shares of common stock have been resold thereunder and such time as all such shares are freely tradable by non-affiliates of ours without registration. To the extent applicable, we will also use our reasonable best efforts to have the shares of common stock qualified or registered under applicable state securities laws, if required, and approved for listing on the New York Stock Exchange (or if our common stock is not listed on the New York Stock Exchange, on the principal other U.S. national or regional securities exchange on which our common stock is then listed).

Anti-dilution Adjustments

The maximum settlement rate is subject to the following adjustments:

(1) If we issue common stock as a dividend or distribution on our common stock to all or substantially all holders of our common stock, or if we effect a share split or share combination, the maximum settlement rate will be adjusted based on the following formula:

$$SR_1 = SR_0 \times (OS_1 / OS_0)$$

where,

- SR₀ = the maximum settlement rate in effect immediately prior to the close of business on the record date for such dividend or distribution or immediately prior to the open of business on the effective date for such share split or share combination, as the case may be;
- SR₁ = the maximum settlement rate in effect immediately after the close of business on such record date or such effective date, as the case may be;
- OS₀ = the number of shares of our common stock outstanding immediately prior to the close of business on such record date or such effective date, as the case may be, in each case, prior to giving effect to such event; and
- OS₁ = the number of shares of our common stock that would be outstanding immediately after, and solely as a result of, such event.

Any adjustment made pursuant to this paragraph (1) shall become effective as of the close of business on (x) the record date for such dividend or other distribution or (y) the effective date for such share split or share combination becomes effective, as applicable. If any dividend or distribution in this paragraph (1) is declared but not so paid or made, the new maximum settlement rate shall be readjusted, on the date that our board of directors determines not to pay or make such dividend or distribution, to the maximum settlement rate that would then be in effect if such dividend or distribution had not been declared.

(2) If we distribute to all holders of our common stock any rights, options or warrants entitling them for a period of not more than 45 calendar days after the date of distribution thereof to subscribe for or purchase our common stock, in any case at an exercise price per share of our common stock less than the closing price of our common stock on the business day immediately preceding the date of the time of announcement of such issuance, the maximum settlement rate will be increased based on the following formula:

$$SR_1 = SR_0 \times (OS_0 + X) / (OS_0 + Y)$$

where,

- SR₀ = the maximum settlement rate in effect immediately prior to the close of business on the record date for such distribution;
- SR₁ = the maximum settlement rate in effect immediately after the close of business on such record date;
- OS₀ = the number of shares of our common stock outstanding immediately prior to the close of business on the record date for such distribution;
- X = the total number of shares of our common stock issuable pursuant to such rights, options or warrants; and
- Y = the number of shares of our common stock equal to the quotient of (A) the aggregate price payable to exercise such rights, options or warrants divided by (B) the average of the closing prices of our common stock for the 10 consecutive trading days ending on, and including, the trading day immediately preceding date of announcement for the issuance of such rights, options or warrants.

If any right, option or warrant described in this paragraph (2) is not exercised or converted prior to the expiration of the exercisability or convertibility thereof (and as a result no additional shares of common stock are delivered or issued pursuant to such rights or warrants), the new maximum settlement rate shall be readjusted, as of the date of such expiration, to the maximum settlement rate that would then be in effect had the increase with respect to the issuance of such rights, options or warrants been made on the basis of delivery or issuance of only the number of shares of common stock actually delivered.

For purposes of this paragraph (2), in determining whether any rights, options or warrants entitle the holders to subscribe for or purchase shares of the common stock at a price per share of our common stock less than the closing price of our common stock on the business day immediately preceding the time of announcement of such issuance, and in determining the aggregate price payable to exercise such rights, options or warrants, there shall be taken into account any consideration received by us for such rights, options or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined in good faith by our board of directors. Any increase made under this paragraph (2) will be made

successively whenever any such rights, options or warrants are issued and shall become effective immediately after the close of business on the record date for such distribution.

(3) (a) If we distribute shares of capital stock, evidences of indebtedness or other assets or property of us to all holders of our common stock (excluding (i) any dividend, distribution, rights, warrants or options as to which an adjustment was effected pursuant to clause (1) or (2) above, (ii) any dividend or distribution paid exclusively in cash, and (iii) any spin-off to which the provisions in clause 3(b) below apply), the maximum settlement rate will be increased based on the following formula:

$$SR_1 = SR_0 \times SP_0 / (SP_0 - FMV)$$

where,

- SR₀ = the maximum settlement rate in effect immediately prior to the close of business on the record date for such distribution;
- SR₁ = the maximum settlement rate in effect immediately after the close of business on such record date;
- SP₀ = the closing price of our common stock on the trading day immediately preceding the ex-dividend date for such distribution; and
- FMV = the fair market value (as determined in good faith by our board of directors), on the record date for such dividend or distribution, of the shares of capital stock, evidences of indebtedness, assets or property so distributed, expressed as an amount per share of our common stock.

Notwithstanding the foregoing, if “FMV” (as defined above) exceeds “SP₀” (as defined above), in lieu of the foregoing increase, each holder of a purchase contract shall receive, for each purchase contract, at the same time and upon the same terms as holders of shares of our common stock, the amount of such distributed shares of capital stock, evidences of indebtedness or other assets or property that such holder would have received if such holder owned a number of shares of our common stock equal to the maximum settlement rate on the record date for such dividend or distribution.

(b) However, if we distribute to all holders of our common stock, capital stock of any class or series, or similar equity interest, of or relating to a subsidiary or other business unit, which we refer to as a “spin-off”, then the maximum settlement rate will instead be increased based on the following formula:

$$SR_1 = SR_0 \times (FMV_0 + MP_0) / MP_0$$

where,

- SR₀ = the maximum settlement rate in effect immediately prior to the end of the valuation period (as defined below);
- SR₁ = the maximum settlement rate in effect immediately after the end of the valuation period;
- FMV₀ = the average of the closing price of the capital stock or similar equity interests distributed to holders of our common stock applicable to one share of our common stock over each of the 10 consecutive trading days commencing on, and including, the third trading day immediately following the ex-dividend date for such dividend or distribution with respect to our common stock on the New York Stock Exchange or such other U.S. national or regional exchange or market that is at that time the principal exchange or market for our common stock (the “valuation period”); and
- MP₀ = the average of the closing price of our common stock over the valuation period.

The adjustment to the maximum settlement rate under this paragraph 3(b) will occur on the last day of the valuation period *provided* that if a holder elects to early settle the purchase contracts, or the purchase contract settlement date occurs, in either case, during the valuation period, references with respect to 10 trading days shall be deemed replaced with such lesser number of trading days as have elapsed between the ex-dividend date of such spin-off and the date on which such holder elected its early settlement right, or the business day immediately preceding the purchase contract settlement date, as the case may be, in determining the maximum settlement rate.

If any dividend or distribution described in this paragraph (3) is declared but not so paid or made, the new maximum settlement rate shall be readjusted, as of the date our board of directors determines not to pay or make such dividend or distribution, to the maximum settlement rate that would then be in effect if such dividend or distribution had not been declared.

(4) If any regular, quarterly cash dividend or distribution is made to all or substantially all holders of our common stock during any quarterly fiscal period exceeds \$0.58 per share (the “reference dividend”), the maximum settlement rate will be increased based on the following formula:

$$SR_1 = SR_0 \times [(SP_0 - T) / (SP_0 - C)]$$

where,

- SR₀ = the maximum settlement rate in effect immediately prior to the close of business on the record date for such distribution;
- SR₁ = the maximum settlement rate in effect immediately after the close of business on such record date;
- SP₀ = the closing price of our common stock on the record date for such distribution;
- C = the amount in cash per share we distribute to holders of our common stock; and
- T = the reference dividend; *provided* that if the dividend or distribution is not a regular quarterly cash dividend, the reference dividend will be deemed to be zero.

Notwithstanding the foregoing, if “C” (as defined above) exceeds “SP₀” (as defined above), in lieu of the foregoing increase, each holder of a purchase contract shall receive, for each purchase contract, at the same time and upon the same terms as holders of shares of our common stock, the amount of distributed cash that such holder would have received if such holder owned a number of shares of our common stock equal to the maximum settlement rate on the record date for such cash dividend or distribution.

The reference dividend will be subject to an inversely proportional adjustment whenever the maximum settlement rate is adjusted, other than pursuant to this paragraph (4). For the avoidance of doubt, the reference dividend will be zero in the case of a cash dividend that is not a regular quarterly dividend.

If any dividend or distribution described in this paragraph (4) is declared but not so paid or made, the new maximum settlement rate shall be readjusted, as of the date our board of directors determines not to pay or make such dividend or distribution, to the maximum settlement rate that would then be in effect if such dividend or distribution had not been declared.

(5) If we or any of our subsidiaries makes a payment in respect of a tender offer or exchange offer for our common stock to the extent that the cash and value of any other consideration included in the payment per share of our common stock validly tendered or exchanged exceeds the closing price of a share of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer, the maximum settlement rate will be increased based on the following formula:

$$SR_1 = SR_0 \times [(FMV + (SP_1 \times OS_1)) / (SP_1 \times OS_0)]$$

where,

- SR₀ = the maximum settlement rate in effect immediately prior to the close of business on the trading day on which such tender or exchange offer expires;
- SR₁ = the maximum settlement rate in effect immediately after the close of business on the trading day immediately following the date such tender or exchange offer expires;
- FMV = the fair market value (as determined in good faith by our board of directors, whose good faith determination will be conclusive), at the close of business on the trading day immediately following the date such tender or exchange offer expires, of the aggregate value of all cash and any other consideration paid or payable for shares validly tendered or exchanged and not withdrawn as of the expiration date;
- OS₁ = the number of shares of our common stock outstanding immediately prior to the last time tenders or exchanges may be made pursuant to such tender or exchange offer (prior to giving effect to the purchase or exchange of shares pursuant to such tender or exchange offer);
- OS₀ = the number of shares of our common stock outstanding immediately after the last time tenders or exchanges may be made pursuant to such tender or exchange offer (after giving effect to the purchase or exchange of shares pursuant to such tender or exchange offer); and
- SP₁ = the closing price of our common stock for the trading day next succeeding the date such tender or exchange offer expires.

The adjustment to the maximum settlement rate under the preceding paragraph (5) will occur at the close of business on the trading day on which such tender or exchange offer expires.

The term “ex-dividend date,” when used with respect to any issuance or distribution on our common stock or any other security, means the first date on which our common stock or such other security, as applicable, trades, regular way, on the principal U.S. securities exchange or quotation system on which our common stock or such other security, as applicable, is listed or quoted at that time, without the right to receive the issuance or distribution.

We currently do not have a shareholders rights plan with respect to our common stock. To the extent that we have a shareholders rights plan involving the issuance of share purchase rights or other similar rights to all or substantially all holders of our common stock in effect upon settlement of a purchase contract, a holder will receive, in addition to the common stock issuable upon settlement of any purchase contract, the related rights for the common stock under the shareholders rights plan, unless, prior to any settlement of a purchase contract, the rights have separated from the common stock, in which case the maximum settlement rate will be adjusted at the time of separation as if we made a distribution to all holders of our common stock as described in clause (3) above, subject to readjustment in the event of the expiration, termination or redemption of the rights under the shareholder rights plan.

For United States income tax purposes, a holder may be treated as receiving a constructive distribution from us with respect to the purchase contract if (1) the maximum settlement rate is adjusted (or fails to be adjusted) and, as a result of the adjustment (or failure to adjust), their proportionate interest in our assets or earnings and profits is increased, and (2) the adjustment (or failure to adjust) is not made pursuant to a bona fide, reasonable anti-dilution formula. For example, if the maximum settlement rate is adjusted as a result of a distribution that is taxable to the holders of our common stock, such as a cash dividend, the holder will be deemed to have received a “constructive distribution” of our stock. Thus, under certain circumstances, an adjustment to the maximum settlement rate might give rise to a taxable dividend to the holder even though they will not receive any cash in connection with such adjustment. In addition, Non-U.S. Holders may, in certain circumstances, be deemed to have received a distribution subject to United States federal withholding tax.

In addition, we may increase the maximum settlement rate if our board of directors deems it advisable to avoid or diminish any income tax to holders of our common stock resulting from any dividend or distribution of shares (or rights to acquire shares) or from any event treated as a dividend or distribution for income tax purposes or for any other reasons.

Adjustments to the maximum settlement rate will be calculated to the nearest ten thousandth of a share. No adjustment to the maximum settlement rate will be required unless the adjustment would require an increase or decrease of at least one percent in the maximum settlement rate. If any adjustment is not required to be made because it would not change the maximum settlement rate by at least one percent, then the adjustment will be carried forward and taken into account in any subsequent adjustment. All adjustments will be made not later than the purchase contract settlement date, any early settlement date and the

time at which we are required to determine the relevant settlement rate or amount of make-whole shares (if applicable) in connection with any settlement with respect to the purchase contracts.

No adjustment to the maximum settlement rate will be made if holders of Equity Units participate, as a result of holding the Equity Units and without having to settle the purchase contracts that form part of the Equity Units, in the transaction that would otherwise give rise to an adjustment as if they held a number of shares of our common stock equal to the maximum settlement rate, at the same time and upon the same terms as the holders of common stock participate in the transaction.

Except as described above, the maximum settlement rate will not be adjusted:

- upon the issuance of any shares of our common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities and the investment of additional optional amounts in shares of our common stock under any plan;
- upon the issuance of options, restricted stock or other awards in connection with any employment contract, executive compensation plan, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors, consultants or independent contractors or the exercise of such options or other awards;
- upon the issuance of any shares of our common stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the date the Equity Units were first issued;
- for a change in the par value or no par value of the common stock;
or
- for accumulated and unpaid contract adjustment payments.

We will, as promptly as practicable after the maximum settlement rate is adjusted, provide written notice of the adjustment to the holders of Equity Units.

If an adjustment is made to the maximum settlement rate, an adjustment also will be made to the reference price on an inversely proportional basis solely to determine which of the clauses of the definition of settlement rate will be applicable to determine the settlement rate with respect to the purchase contract settlement date, any early settlement date or any fundamental change early settlement date.

If any adjustment to the maximum settlement rate becomes effective, or any effective date, expiration time, ex-date or record date for any stock split or reverse stock split, tender or exchange offer, issuance, dividend or distribution (relating to a required maximum settlement rate adjustment) occurs, during the period beginning on, and including, (i) the open of business on a first trading day of the market value averaging period or (ii) in the case of the optional early settlement or fundamental change early settlement, the relevant early settlement date or the fundamental change early settlement date and, in each case, ending on, and including, the date on which we deliver shares of our common stock under the related purchase contract, we will make appropriate adjustments to the maximum settlement rate and/or the number of shares of our common stock deliverable upon settlement with respect to the purchase contract, in each case, consistent with the methodology used to determine the anti-dilution adjustments set forth above. If any adjustment to the maximum settlement rate becomes effective, or any effective date, expiration time, ex-date or record date for any stock split or reverse stock split, tender or exchange offer, issuance, dividend or distribution (relating to a required maximum settlement rate adjustment) occurs, during the period used to determine the “stock price” or any other averaging period hereunder, we will make appropriate adjustments to the applicable prices, consistent with the methodology used to determine the anti-dilution adjustments set forth above.

Reorganization Events

The following events are defined as “reorganization events”:

- any recapitalization, reclassification or change of our common stock (other than changes resulting from a subdivision or combination);

- any consolidation, merger or combination involving us;
- any sale, lease or other transfer to another person of the consolidated assets of ours and our subsidiaries substantially as an entirety; or
- any statutory exchange of our common stock;

in each case as a result of which our common stock would be converted into, or exchanged for, stock, other securities, other property or assets (including cash or any combination thereof) (“exchange property”).

Following the effective date of a reorganization event, the settlement rate shall be determined by reference to the value of an exchange property unit, and we will deliver, upon settlement of any purchase contract, a number of exchange property units equal to the number of shares of our common stock that we would otherwise be required to deliver. An “exchange property unit” is the kind and amount of exchange property receivable in such reorganization event (without any interest thereon, and without any right to dividends or distribution thereon which have a record date that is prior to the applicable settlement date) per share of our common stock by a holder of common stock that is not a person with which we are consolidated or into which we are merged or which merged into us or to which such sale or transfer was made, as the case may be (we refer to any such person as a “constituent person”), or an affiliate of a constituent person, to the extent such reorganization event provides for different treatment of common stock held by the constituent person and/or the affiliates of the constituent person, on the one hand, and non-affiliates of a constituent person, on the other hand. In the event holders of our common stock (other than any constituent person or affiliate thereof) have the opportunity to elect the form of consideration to be received in such transaction, the exchange property unit that holders of the Corporate Units or Treasury Units are entitled to receive will be deemed to be (x) the weighted average of the types and amounts of consideration received by the holders of our common stock that affirmatively make an election or (y) if no holders of our common stock affirmatively make such an election, the types and amounts of consideration actually received by the holders of our common stock.

In the event of such a reorganization event, the person formed by such consolidation or surviving such merger or, if other than us, the person which acquires our assets and those of our subsidiaries substantially as an entirety will execute and deliver to the purchase contract agent an agreement providing that the holder of each Equity Unit that remains outstanding after the reorganization event (if any) will have the rights described in the preceding paragraph and expressly assuming all of our obligations under the purchase contracts, the purchase contract and pledge agreement, the convertible preferred stock and the remarketing agreement. Such supplemental agreement will provide for adjustments to the amount of any securities constituting all or a portion of an exchange property unit and/or adjustments to the maximum settlement rate, which, for events subsequent to the effective date of such reorganization event, will be as nearly equivalent as may be practicable, as determined by us in our sole commercially reasonable discretion, to the adjustments provided for under “—Anti-dilution Adjustments” above (it being understood that any such adjustment may be zero and that no such adjustments shall be required with respect to any portion of the exchange property that consists of cash). The provisions described in the preceding two paragraphs shall similarly apply to successive reorganization events.

In connection with any reorganization event, we will also adjust the reference dividend based on the number of shares of common stock comprising an exchange property unit and (if applicable) the value of any non-stock consideration comprising an exchange property unit. If an exchange property unit is composed solely of non-stock consideration, the reference dividend will be zero.

Termination

The purchase contract and pledge agreement provides that the purchase contracts and the obligations and rights of us and of the holders of Corporate Units, Treasury Units and Cash Settled Units thereunder, including the holders’ obligation and right to purchase and receive shares of our common stock and the right to receive accrued and unpaid contract adjustment payments (including deferred contract adjustment payments), will immediately and automatically terminate upon the occurrence of certain events of bankruptcy, insolvency or reorganization with respect to us.

Upon any such termination and receipt of written notice from the purchase contract agent of the same, the collateral agent will release the convertible preferred stock, the applicable ownership interest in the Treasury portfolio, Treasury securities or cash, as the case may be, from the pledge arrangement and transfer such convertible preferred stock, the applicable ownership interest in the Treasury portfolio, Treasury securities or cash to the purchase contract agent for distribution to the holders of Corporate Units, Treasury Units and Cash Settled Units. Upon any termination, however, such release and distribution may be subject to a delay. In the event that we become the subject of a case under the U.S. Bankruptcy Code, such delay may occur as a result of the automatic stay under Section 362 of the U.S. Bankruptcy Code or other relief sought by the collateral agent, the purchase contract agent or other party asserting an interest in the pledged securities or contending that such termination is not effective and may continue until such automatic stay has been lifted or efforts to obtain such other relief has been resolved against such party.

Moreover, claims arising out of the convertible preferred stock will be subject to the equitable jurisdiction and powers of the bankruptcy court.

Pledged Securities and Pledge

The shares of convertible preferred stock that are a component of the Corporate Units or, following a successful optional remarketing, the applicable ownership interests in the Treasury portfolio, that are a component of the Corporate Units or, if substituted, the Treasury securities that are a component of the Treasury Units or cash that is a component of the Cash Settled Units, collectively, the “pledged securities,” were pledged to the collateral agent for our benefit pursuant to the purchase contract and pledge agreement to secure the holders’ obligation to purchase shares of our common stock under the related purchase contracts. The rights of the holders of the Corporate Units, Treasury Units and Cash Settled Units with respect to such pledged securities will be subject to our security interest therein. No holder of Corporate Units, Treasury Units or Cash Settled Units will be permitted to withdraw the pledged securities related to such Corporate Units, Treasury Units or Cash Settled Units from the pledge arrangement except:

- in the case of Corporate Units, to substitute a Treasury security or cash, as the case may be, for the related convertible preferred stock as provided for under “Description of the Equity Units—Creating Treasury Units by Substituting a Treasury Security for Convertible Preferred Stock” and “Description of the Equity Units—Creating Cash Settled Units”;
- in the case of Treasury Units, to substitute convertible preferred stock for the related Treasury security, as provided for under “Description of the Equity Units—Recreating Corporate Units from Treasury Units”; and
- upon any early settlement, cash settlement or termination of the related purchase contracts.

Subject to our security interest and the terms of the purchase contract and pledge agreement, each holder of Corporate Units, unless the Treasury portfolio has replaced the convertible preferred stock as a component of the Corporate Units, is entitled through the purchase contract agent and the collateral agent to all of the proportional rights and preferences of the related convertible preferred stock. Each holder of Treasury Units and each holder of Corporate Units, if the Treasury portfolio has replaced the convertible preferred stock as a component of the Corporate Units, will retain ownership of the related Treasury securities or the applicable ownership interests in the Treasury portfolio, as applicable, pledged in respect of the related purchase contracts. Each holder of Cash Settled Units will retain ownership of the related cash pledged in respect of the related purchase contracts. We will have no interest in the pledged securities other than our security interest.

Except as described in “Certain Provisions of the Purchase Contract and Pledge Agreement—General,” upon receipt of distributions on the pledged securities, the collateral agent will distribute such payments to the purchase contract agent, which in turn will distribute those payments, together with contract adjustment payments received from us, to the holders in whose names the Corporate Units, Treasury Units or Cash Settled Units are registered at the close of business on the record date preceding the date of such distribution.

Certain Provisions of the Purchase Contract and Pledge Agreement

General

Except as described under “—Book-Entry System for Corporate Units, Treasury Units and Cash Settled Units” below, payments on the Corporate Units, Treasury Units and Cash Settled Units are payable, the purchase contracts will be settled and transfers of the Corporate Units, Treasury Units and Cash Settled Units are registrable at the offices or agency of the purchase contract agent in the Borough of Manhattan, The City of New York. In addition, if the Corporate Units, Treasury Units or Cash Settled Units do not remain in book-entry only form, we have the option to make payments on the Corporate Units, Treasury Units and Cash Settled Units by check mailed to the address of the person entitled thereto as shown on the security register or by a wire transfer to the account designated by the holder by a prior written notice.

Shares of our common stock will be delivered on the purchase contract settlement date (or earlier upon early settlement), or, if the purchase contracts have terminated, the related pledged securities will be delivered (potentially after a delay as a result of the imposition of the automatic stay under the U.S. Bankruptcy Code, see “Description of the Purchase Contracts—Termination”) at the offices or agency of the purchase contract agent upon presentation and surrender of the applicable Corporate Unit, Treasury Unit or Cash Settled Unit certificate, if in certificated form.

If Corporate Units, Treasury Units or Cash Settled Units are in certificated form and a holder fails to present and surrender the certificate evidencing the Corporate Units, Treasury Units or Cash Settled Units to the purchase contract agent on or prior to the purchase contract settlement date, the shares of our common stock issuable upon settlement of the related purchase contract will be registered in the name of the purchase contract agent. The shares of our common stock, together with any distributions, will be held by the purchase contract agent as agent for the benefit of the holder until the certificate is presented and surrendered or the holder provides satisfactory evidence that the certificate has been destroyed, lost or stolen, together with any indemnity or security that may be required by the purchase contract agent and us.

If the purchase contracts terminate prior to the purchase contract settlement date, the related pledged securities are transferred to the purchase contract agent for distribution to the holders, and a holder fails to present and surrender the certificate evidencing the holder’s Corporate Units, Treasury Units or Cash Settled Units, if in certificated form, to the purchase contract agent, the related pledged securities delivered to the purchase contract agent and payments on the pledged securities will be held by the purchase contract agent as agent for the benefit of the holder until the applicable certificate is presented, if in certificated form, or the holder provides the evidence and indemnity or security described above.

No service charge will be made for any registration of transfer or exchange of the Corporate Units, Treasury Units or Cash Settled Units, except for any tax or other governmental charge that may be imposed in connection therewith.

The purchase contract agent has no obligation to invest or to pay interest on any amounts held by the purchase contract agent pending payment to any holder.

Modification

The purchase contract and pledge agreement contains provisions permitting us, the purchase contract agent and the collateral agent, to modify the purchase contract and pledge agreement without the consent of the holders for any of the following purposes:

- to evidence the succession of another person to our obligations;

- to add to the covenants for the benefit of holders or to surrender any of our rights or powers under those agreements;
- to evidence and provide for the acceptance of appointment of a successor purchase contract agent or a successor collateral agent or securities intermediary;
- to conform the provisions of the purchase contract and pledge agreement to the description contained in this Description of the 2017 Corporate Units;
- to cure any ambiguity, defect or inconsistency;
or
- to make such other provisions in regard to matters or questions arising under the purchase contract and pledge agreement that do not adversely affect the interests of any holders of Equity Units in any material respect.

The purchase contract and pledge agreement contains provisions preventing us, the purchase contract agent and the collateral agent, subject to certain limited exceptions, from modifying the terms of the purchase contracts and the purchase contract and pledge agreement without the consent of the holders of not less than a majority of the outstanding purchase contracts. However, no modification may, without the consent of the holder of each outstanding purchase contract affected thereby:

- subject to our right to defer contract adjustment payments, change any payment date;
- change the place or currency or method of payment or reduce any contract adjustment payments;
- impair the right to institute suit for the enforcement of a purchase contract or any contract adjustment payment or deferred contract adjustment payment (including compounded contract adjustment payments thereon);
- except as described under “Description of the Purchase Contracts—Early Settlement” or “—Anti-dilution Adjustments,” reduce the number of shares of our common stock purchasable under a purchase contract, increase the purchase price of the shares of our common stock issuable on settlement of any purchase contract, change the purchase contract settlement date or the right to early settlement;
- adversely affect the holder’s rights under a purchase contract in any material respect, *provided* that any amendment made solely to conform the provisions of the purchase contract and pledge agreement to the description contained in this Description of the 2017 Corporate Units will not be deemed to adversely affect the interests of the holders;
- change the amount or type of collateral required to be pledged to secure a holder’s obligations under the purchase contract and pledge agreement, impair the right of the holder of any purchase contract to receive distributions on such collateral, or otherwise adversely affect the holder’s rights in or to such collateral;
- reduce any contract adjustment payments or any deferred contract adjustment payments (including compounded contract adjustment payments);
or

- reduce the above-stated percentage of outstanding purchase contracts whose holders' consent is required for the modification or amendment of the provisions of the purchase contracts and the purchase contract and pledge agreement;

provided that if any amendment or proposal would adversely affect only the Corporate Units, only the Treasury Units or only the Cash Settled Units, then only the affected voting group of holders will be entitled to vote on such amendment or proposal, and such amendment or proposal will not be effective except with the consent of the holders of not less than a majority of such voting group or, if referred to in the immediately preceding eight bullets above, all of the holders of such voting group.

We are entitled to set any day as a record date for the purpose of determining the holders of outstanding Equity Units entitled to give or take any demand, direction, consent or other action under the Equity Units, in the manner and subject to the limitations provided in the purchase contract and pledge agreement. In certain circumstances, the purchase contract agent also will be entitled to set a record date for action by holders. If such a record date is set for any action to be taken by holders of particular Equity Units, such action may be taken only by persons who are holders of such Equity Units at the close of business on the record date.

No Consent to Assumption; Agreement by Purchasers

Each holder of a Corporate Unit, a Treasury Unit or a Cash Settled Unit will be deemed under the terms of the purchase contract and pledge agreement, by the purchase of such Corporate Unit, Treasury Unit or Cash Settled Unit, to have expressly withheld any consent to the assumption (i.e., affirmance) of the related purchase contracts by us, our receiver, liquidator or trustee in the event that we become the subject of a case under the U.S. Bankruptcy Code or other similar state or federal law providing for reorganization or liquidation.

Merger, Sale or Lease

We covenant in the purchase contract and pledge agreement that we will not merge or consolidate with any entity or sell, convey, transfer, assign or otherwise dispose of all or substantially all of our assets unless:

- either we are the continuing corporation or the successor entity is an entity duly organized under the laws of the United States, any state thereof or the District of Columbia and treated as a corporation for U.S. federal income tax purposes and this other entity expressly assumes all of our obligations under the purchase contracts, the purchase contract and pledge agreement, the convertible preferred stock and the remarketing agreement by one or more supplemental agreements;
- we are not, or such successor entity is not, immediately after such merger, consolidation, sale, conveyance, transfer, assignment or other disposition, in default of payment obligations under the purchase contracts, the purchase contract and pledge agreement, the convertible preferred stock or the remarketing agreement or in material default in the performance of any other obligations thereunder; and
- an officer's certificate and opinion of counsel is delivered to the purchase contract agent.

In case of any such consolidation, merger, sale, conveyance (other than by way of lease), transfer, assignment or other disposition, and upon any such assumption by the successor corporation or limited liability company, such successor corporation or limited liability company shall succeed to and be substituted for us, with the same effect as if it had been named in the purchase contract and pledge agreement as us and we shall be relieved of any further

obligation under the purchase contract and pledge agreement and under the Corporate Units, Treasury Units and Cash Settled Units.

Title

We, the purchase contract agent and the collateral agent may treat the registered owner of any Corporate Units, Treasury Units or Cash Settled Units as the absolute owner of the Corporate Units, Treasury Units or Cash Settled Units for the purpose of making payment (subject to the record date provisions described above), settling the related purchase contracts and for all other purposes.

Replacement of Equity Unit Certificates

In the event that physical certificates have been issued, any mutilated Corporate Unit, Treasury Unit or Cash Settled Unit certificate will be replaced by us at the expense of the holder upon surrender of the certificate to the purchase contract agent. Corporate Unit, Treasury Unit or Cash Settled Unit certificates that become destroyed, lost or stolen will be replaced by us at the expense of the holder upon delivery to us and the purchase contract agent of evidence of their destruction, loss or theft satisfactory to us and the purchase contract agent. In the case of a destroyed, lost or stolen Corporate Unit, Treasury Unit or Cash Settled Unit certificate, an indemnity or security satisfactory to the purchase contract agent and us may be required at the expense of the holder before a replacement certificate will be issued.

Notwithstanding the foregoing, we will not be obligated to issue any Corporate Unit, Treasury Unit or Cash Settled Unit certificates on or after the business day immediately preceding the earliest of any early settlement date, any fundamental change early settlement date, the purchase contract settlement date or the date on which the purchase contracts have terminated. The purchase contract and pledge agreement will provide that, in lieu of the delivery of a replacement Corporate Unit, Treasury Unit or Cash Settled Unit certificate following any of these dates, the purchase contract agent, upon delivery of the evidence and indemnity or security described above, will deliver the shares of our common stock issuable pursuant to the purchase contracts included in the Corporate Units, Treasury Units or Cash Settled Units evidenced by the certificate, or, if the purchase contracts have terminated prior to the purchase contract settlement date, transfer the pledged securities included in the Corporate Units, Treasury Units or Cash Settled Units evidenced by the certificate.

Governing Law

The purchase contracts and the purchase contract and pledge agreement are governed by, and construed in accordance with, the laws of the State of New York.

Information Concerning the Purchase Contract Agent

The Bank of New York Mellon Trust Company, N.A. is the purchase contract agent. The purchase contract agent will act as the agent for the holders of Corporate Units, Treasury Units and Cash Settled Units. The purchase contract agent will not be obligated to take any discretionary action in connection with a default under the terms of the Corporate Units, the Treasury Units, the Cash Settled Units or the purchase contract and pledge agreement.

The purchase contract and pledge agreement contains provisions limiting the liability of and providing indemnification to the purchase contract agent. The purchase contract and pledge agreement also contain provisions under which the purchase contract agent may resign or be replaced. Such resignation or replacement will be effective upon the appointment of a successor.

Information Concerning the Collateral Agent

HSBC Bank USA, National Association is the collateral agent. The collateral agent will act solely as our agent and will not assume any obligation or relationship of agency or trust for or with any of the holders of the Corporate Units, the Treasury Units and the Cash Settled Units except for the obligations owed by a pledgee of property to the owner thereof under the purchase contract and pledge agreement and applicable law.

HSBC Bank USA, National Association and its affiliates maintain banking relationships with us and HSBC Bank USA, National Association is the trustee for our outstanding 2.45% Subordinated Notes, 5.75% Junior Subordinated Debentures and 5.75% Fixed-to-Floating Rate Debentures.

The purchase contract and pledge agreement contains provisions limiting the liability of and providing indemnification to the collateral agent. The purchase contract and pledge agreement also contain provisions under which the collateral agent may resign or be replaced. Such resignation or replacement will be effective upon the appointment of a successor.

Miscellaneous

The purchase contract and pledge agreement provide that we will pay all fees and expenses (including fees and expenses of counsel) related to the retention of the collateral agent and the purchase contract agent. Holders who elect to substitute the related pledged securities, thereby creating Treasury Units or Cash Settled Units or recreating Corporate Units, however, will be responsible for any fees or expenses (including fees and expenses of counsel) payable in connection with such substitution, as well as for any commissions, fees or other expenses incurred in acquiring the pledged securities to be substituted. We will not be responsible for any such fees or expenses.

Book-Entry System for Corporate Units, Treasury Units and Cash Settled Units

The Depository Trust Company, or DTC, which we refer to along with its successors in this capacity as the depository, acts as securities depository for the Corporate Units, Treasury Units and Cash Settled Units. The Corporate Units were and the Treasury Units and Cash Settled Units will be issued only as fully registered securities registered in the name of Cede & Co., the depository's nominee. One or more fully registered global security certificates, representing the total aggregate number of Corporate Units, Treasury Units and Cash Settled Units, was issued and deposited with the depository or its custodian, bearing a legend regarding the restrictions on exchanges and registration of transfer referred to below.

The laws of some jurisdictions may require that some purchasers of securities take physical delivery of securities in certificated form. These laws may impair the ability to transfer beneficial interests in the Corporate Units, Treasury Units and Cash Settled Units so long as the Corporate Units, Treasury Units and Cash Settled Units are represented by global security certificates.

DTC advises that it is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 1A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The depository holds securities that its participants deposit with the depository. The depository also facilitates the settlement among participants of securities transactions, including transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. The depository is a

wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the depository’s system is also available to others, including securities brokers and dealers, banks, trust companies and clearing corporations that clear transactions through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules applicable to the depository and its participants are on file with the SEC.

We will issue the Corporate Units, the Treasury Units and Cash Settled Units in definitive certificated form if the depository notifies us that it is unwilling or unable to continue as depository or the depository ceases to be a clearing agency registered under the Exchange Act and a successor depository is not appointed by us within 90 calendar days. In addition, beneficial interests in a global security certificate may be exchanged for definitive certificated Corporate Units, Treasury Units or Cash Settled Units upon request by or on behalf of the depository in accordance with customary procedures following the request of a beneficial owner seeking to exercise or enforce its rights under such Corporate Units, Treasury Units or Cash Settled Units. If we determine at any time that the Corporate Units, Treasury Units or Cash Settled Units shall no longer be represented by global security certificates, we will inform the depository of such determination and the depository will, in turn, notify participants of their right to withdraw their beneficial interest from the global security certificates, and if such participants elect to withdraw their beneficial interests, we will issue certificates in definitive form in exchange for such beneficial interests in the global security certificates. Any global Corporate Unit, Treasury Unit or Cash Settled Unit, or portion thereof that is exchangeable pursuant to this paragraph will be exchangeable for Corporate Unit, Treasury Unit or Cash Settled Unit certificates, as the case may be, registered in the names directed by the depository. We expect that these instructions will be based upon directions received by the depository from its participants with respect to ownership of beneficial interests in the global security certificates.

As long as the depository or its nominee is the registered owner of the global security certificates, the depository or its nominee, as the case may be, will be considered the sole owner and holder of the global security certificates and all Corporate Units, Treasury Units and Cash Settled Units represented by these certificates for all purposes under the Corporate Units, Treasury Units, Cash Settled Units and the purchase contract and pledge agreement. Except in the limited circumstances referred to above, owners of beneficial interests in global security certificates:

- will not be entitled to have the Corporate Units, the Treasury Units or the Cash Settled Units represented by these global security certificates registered in their names, and
- will not be considered to be owners or holders of the global security certificates or any Corporate Units, Treasury Units or Cash Settled Units represented by these certificates for any purpose under the Corporate Units, Treasury Units, Cash Settled Units or the purchase contract and pledge agreement.

All payments on the Corporate Units, Treasury Units and Cash Settled Units represented by the global security certificates and all transfers and deliveries of related convertible preferred stock, Treasury securities, cash and common stock are made to the depository or its nominee, as the case may be, as the holder of the securities.

Ownership of beneficial interests in the global security certificates is limited to participants or persons that may hold beneficial interests through institutions that have accounts with the depository or its nominee. Ownership of beneficial interests in global security certificates was shown only on, and the transfer of those ownership interests was effected only through, records maintained by the depository or its nominee, with respect to participants’ interests, or any participant, with respect to interests of persons held by the participant on their behalf. Procedures for settlement of purchase contracts on the purchase contract settlement date, or upon early settlement, will be governed by arrangements among the depository, participants and persons that may hold beneficial interests through participants designed to permit settlement without the physical movement of certificates. Payments, transfers,

deliveries, exchanges and other matters relating to beneficial interests in global security certificates may be subject to various policies and procedures adopted by the depositary from time to time. None of us, the purchase contract agent or any agent of us or the purchase contract agent will have any responsibility or liability for any aspect of the depositary's or any participant's records relating to, or for payments made on account of, beneficial interests in global security certificates, or for maintaining, supervising or reviewing any of the depositary's records or any participant's records relating to these beneficial ownership interests.

Although the depositary has agreed to the foregoing procedures in order to facilitate transfers of interest in the global security certificates among participants, the depositary is under no obligation to perform or continue to perform these procedures, and these procedures may be discontinued at any time. We will not have any responsibility for the performance by the depositary or its direct participants or indirect participants under the rules and procedures governing the depositary.

The information in this section concerning the depositary and its book-entry system has been obtained from sources that we believe to be reliable, but we have not attempted to verify the accuracy of this information.

Description of the Convertible Preferred Stock

General

Under our Restated Certificate of Incorporation, as amended, our board of directors designated 747,500 shares of our authorized but unissued preferred stock as, and approved a certificate of amendment creating, a series of our preferred stock, designated as the 0% Series C Cumulative Perpetual Convertible Preferred Stock, which we refer to as the “convertible preferred stock.” We shall not (i) change any terms of the convertible preferred stock except as set forth in the certificate of amendment and (ii) issue any additional shares of the convertible preferred stock other than in accordance with the certificate of amendment.

We issued an aggregate of 747,500 shares of the convertible preferred stock.

Each Corporate Unit includes a 1/10, or 10%, undivided beneficial ownership interest in one share of convertible preferred stock with an initial \$1,000 liquidation preference that corresponds to the stated amount of \$100 per Corporate Unit.

We do not intend to list the convertible preferred stock that are not a part of Corporate Units on any securities exchange.

Ranking

The convertible preferred stock, with respect to dividend rights or rights upon our liquidation, winding-up or dissolution, ranks:

- senior to all classes or series of our common stock, and if issued, our authorized Series A Junior Participating Preferred Stock, and to any other class or series of our capital stock expressly designated as ranking junior to the convertible preferred stock;
- on parity with any other class or series of our capital stock expressly designated as ranking on parity with the convertible preferred stock;
- junior to any other class or series of our capital stock expressly designated as ranking senior to the convertible preferred stock;
and
- junior to our existing and future indebtedness and other liabilities (including trade payables).

The term “capital stock” does not include convertible or exchangeable debt securities, which, prior to conversion or exchange, will rank senior in right of payment to the convertible preferred stock.

In the case of our liquidation, dissolution or winding up, holders of the convertible preferred stock will not have the right to receive any payment or distribution unless all of our liabilities are first paid in full and the priority of any senior stock is satisfied.

The convertible preferred stock is structurally subordinated to all debt, preferred stock and other liabilities of our subsidiaries, which means that creditors and preferred stockholders of our subsidiaries will be paid from the assets of such subsidiaries before holders of the convertible preferred stock would have any claims to those assets.

No Dividends

The convertible preferred stock does not bear any dividends and the liquidation preference of the convertible preferred stock does not accrete.

Dividends Following a Successful Remarketing

In connection with a successful remarketing of the convertible preferred stock, the dividend rate on the convertible preferred stock may be increased as described under “—Increased Dividend Rate and Increased Conversion Rate” below. From and after the settlement date for such a remarketing in connection with which the dividend rate on the convertible preferred stock is increased (a “dividend increase remarketing”), cumulative dividends on the convertible preferred stock will be payable, when, as and if authorized by our board of directors and declared by us out of funds legally available for the payment of dividends, on the \$1,000 liquidation preference per share of the convertible preferred stock, payable in cash, shares of our common stock, or a combination of cash and shares of our common stock, at our election.

If the dividend on the convertible preferred stock is so increased, dividends will accumulate from the remarketing settlement date or if dividends shall have been paid on the convertible preferred stock thereafter, from the most recent date of payment, and will be payable to investors quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, each a “dividend payment date,” commencing on the February 15, May 15, August 15 or November 15 immediately following the remarketing settlement date, as selected by us, *provided* that the first such dividend payment date will not be earlier than August 15, 2020, to the person whose name appears in our stock records at the close of business on the applicable record date, which will be the first day of the month on which the relevant dividend payment date falls (whether or not a business day) or, if the separate shares of the convertible preferred stock are held in global book-entry form, the record date will be the business day immediately preceding the applicable dividend payment date. We refer to each period beginning on and including a dividend payment date (or, if no dividends have been paid on the convertible preferred stock, the remarketing settlement date) to but excluding the next dividend payment date as a “dividend period.”

We will calculate dividends on the convertible preferred stock on the basis of a 360-day year of twelve 30-day months. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward. Dividends on the convertible preferred stock will cease to accumulate upon conversion, as described below.

If a dividend payment date falls on a date that is not a business day, such dividend payment date will be postponed to the next succeeding business day, provided that, if such business day falls in the next succeeding calendar month, the dividend payment date will be brought forward to the immediately preceding business day.

Dividends on the convertible preferred stock after a dividend increase remarketing will accumulate whether or not:

- we have earnings;
- there are funds legally available for the payment of those dividends;
or
- those dividends are authorized or declared.

So long as any shares of convertible preferred stock remain outstanding, except as described in the second following paragraph, unless full cumulative dividends on the convertible preferred stock for all past dividend periods (including compounded dividends thereon) shall have been or contemporaneously are declared and paid or declared and a sum or number of shares of common stock sufficient for the payment thereof is set apart for payment, we will not:

- declare and pay or declare and set aside for payment of dividends, and we will not declare and make any distribution of cash or other property, directly or indirectly, on or with respect to any shares of our common stock or shares of any other class or series of our capital stock ranking, as to dividends, on parity with or junior to the convertible preferred stock, for any period;
- redeem, purchase or otherwise acquire for any consideration, or make any other distribution of cash or other property, directly or indirectly, on or with respect to, or pay or make available any monies for a sinking fund for the redemption of, any common stock or shares of any other class or series of our capital stock ranking, as to dividends or upon liquidation, on parity with or junior to the convertible preferred stock; or
- make any contract adjustment payments under the purchase contracts or any payment under any similar agreement providing for the issuance by us of capital stock on a forward basis.

The foregoing sentence, however, will not prohibit:

- purchases, redemptions or other acquisitions of shares of capital stock ranking junior to the convertible preferred stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of current or former employees, officers, directors or consultants;
- purchases of shares of our common stock pursuant to a contractually binding requirement to buy stock existing prior to the commencement of the first dividend period for which dividends are unpaid, including under a contractually binding stock repurchase plan;
- the purchase of, or the payment of cash in lieu of, fractional interests in shares of capital stock ranking junior to the convertible preferred stock issued by us (i) in connection with a bona fide acquisition of a business or (ii) pursuant to the conversion or exchange provisions of such capital stock or securities convertible into or exchangeable for such capital stock;
- any declaration of a dividend on our capital stock in connection with the implementation of a shareholders rights plan designed to protect us against unsolicited offers to acquire our capital stock, or the issuance of our capital stock under any such plan in the future, or the redemption or repurchase of any such rights pursuant thereto;
- dividends or distributions payable solely in capital stock ranking junior to the convertible preferred stock, or warrants, options or rights to acquire such capital stock, other than any indebtedness or our capital stock ranking, as to dividends or upon liquidation, on parity with or senior to the convertible preferred stock, in each case, convertible into our capital stock ranking junior to the convertible preferred stock; or
- the conversion into or exchange for other shares of any class or series of capital stock ranking junior to the convertible preferred stock.

We will not permit any of our subsidiaries to purchase or otherwise acquire for consideration any shares of our stock unless we could, under the above paragraph, purchase or otherwise acquire such shares at such time and in such manner. We refer to the provisions described in this paragraph and the above paragraph as the “dividend blocker provisions.”

When we do not pay dividends in full (or do not set apart a sum sufficient to pay them in full) on the convertible preferred stock and the shares of any other class or series of capital stock ranking, as to dividends, on parity with the

convertible preferred stock, we will declare any dividends upon the convertible preferred stock and each such other class or series of capital stock ranking, as to dividends, on parity with the convertible preferred stock pro rata, so that the amount of dividends declared per share of the convertible preferred stock and such other class or series of capital stock will in all cases bear to each other the same ratio that accumulated and unpaid dividends per share on the convertible preferred stock and such other class or series of capital stock (which will not include any accumulation in respect of unpaid dividends on such other class or series of capital stock for prior dividend periods if such other class or series of capital stock does not have a cumulative dividend) bear to each other.

Any accumulated and unpaid dividends will accumulate additional dividends at the then-current dividend rate until paid, compounded quarterly, to, but excluding, the payment date. We refer to these additional dividends that accumulate on accumulated and unpaid dividends as “compounded dividends” and the payments in respect thereof as “compounded dividend payments.”

Holders of shares of the convertible preferred stock are not entitled to any dividends in excess of the full cumulative dividends (including compounded dividends) on the convertible preferred stock as described above. Any dividend payment made on the convertible preferred stock will first be credited against the earliest accumulated but unpaid dividends due with respect to those shares which remain payable.

No dividend will be paid unless and until our board of directors, or an authorized committee of our board of directors, declares a dividend payable with respect to the convertible preferred stock. Our ability to declare and pay dividends and make other distributions with respect to our capital stock, including the convertible preferred stock, may be limited by the terms of any indentures, loan agreements or other financing arrangements that we enter into in the future. In addition, our ability to declare and pay dividends may be limited by applicable Connecticut law.

Method of Payment of Dividends

Subject to the limitations described below, we may pay any dividend (or any portion of any dividend) on the convertible preferred stock (whether or not for a current dividend period or any prior dividend period), determined in the sole discretion of our board of directors, or an authorized committee thereof:

- in cash;
- by delivery of shares of our common stock;
or
- through any combination of cash and shares of our common stock.

We will make each payment of a dividend on the convertible preferred stock in cash, except to the extent we elect to make all or any portion of such payment in shares of our common stock. We will give the holders of the convertible preferred stock notice of any such election and the portion of such payment that will be made in cash and the portion that will be made in common stock no later than eight scheduled trading days prior to the dividend payment date for such dividend.

If we elect to make any such payment of a dividend, or any portion thereof, in shares of our common stock, such shares shall be valued for such purpose at the applicable five-day average price, *multiplied by 97%*.

No fractional shares of common stock will be delivered to the holders of the convertible preferred stock in respect of dividends. We will instead pay a cash adjustment to each holder that would otherwise be entitled to a fraction of a share of common stock based on (i) the five-day average price and (ii) the aggregate number of shares of convertible preferred stock held by such holder (or, if the convertible preferred stock is held in global book-entry form, based on the applicable procedures of the depositary for determining such number of shares).

To the extent a shelf registration statement is required in our reasonable judgment in connection with the issuance of or for resales of common stock issued as payment of a dividend, we will, to the extent such a registration statement is not currently filed and effective, use our reasonable best efforts to file and maintain the effectiveness of such a shelf registration statement until the earlier of such time as all such shares of common stock have been resold thereunder and such time as all such shares are freely tradable by non-affiliates of ours without registration. To the extent applicable, we will also use our reasonable best efforts to have the shares of common stock qualified or registered under applicable state securities laws, if required, and approved for listing on the New York Stock Exchange (or if our common stock is not listed on the New York Stock Exchange, on the principal other U.S. national or regional securities exchange on which our common stock is then listed).

Any dividends paid in shares of our common stock will be subject to the listing standards of the New York Stock Exchange, if applicable.

Liquidation Preference

Upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs, before any distribution or payment shall be made to holders of shares of our common stock or any other class or series of capital stock ranking, as to rights upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs, junior to the convertible preferred stock, holders of shares of the convertible preferred stock are entitled to be paid out of our assets legally available for distribution to our stockholders, after payment of or provision for our debts and other liabilities, a liquidation preference of \$1,000 per share of the convertible preferred stock, *plus* an amount equal to any accumulated and unpaid dividends (whether or not authorized or declared) (which will only accrue after a dividend increase remarketing) up to but excluding the date of payment, but subject to the prior payment in full of all our liabilities and the payment of our senior stock. If, upon our voluntary or involuntary liquidation, dissolution or winding up, our available assets are insufficient to pay the full amount of the liquidating distributions on all outstanding shares of the convertible preferred stock and the corresponding amounts payable on all shares of each other class or series of capital stock ranking, as to liquidation rights, on parity with the convertible preferred stock in the distribution of assets, then holders of shares of the convertible preferred stock and each such other class or series of capital stock ranking, as to voluntary or involuntary liquidation rights, on parity with the convertible preferred stock will share ratably in any distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

Holders of shares of the convertible preferred stock will be entitled to written notice of any event triggering the right to receive a distribution in connection with any voluntary or involuntary liquidation, dissolution or winding up of our affairs. After payment of the full amount of the liquidating distributions to which they are entitled, holders of shares of the convertible preferred stock will have no right or claim to any of our remaining assets. Our consolidation or merger with or into any other corporation, trust or other entity, or the voluntary sale, lease, transfer or conveyance of all or substantially all of our property or business, will not be deemed to constitute a liquidation, dissolution or winding up of our affairs.

No Maturity

The convertible preferred stock has no maturity date, but we are permitted to redeem the convertible preferred stock as described under “—Optional Redemption.” Accordingly, the convertible preferred stock will remain outstanding indefinitely unless a holder of shares of the convertible preferred stock decides, subject to satisfaction of the conditions described herein, to convert it, or we elect to redeem it. See “—Conversion Rights,” and “—Optional Redemption” below.

Optional Redemption

We do not have the right to redeem any shares of the convertible preferred stock before June 22, 2020. On or after June 22, 2020, we will have the option to redeem some or all the shares of the convertible preferred stock at a redemption price equal to 100% of the liquidation preference per share, *plus* any accumulated and unpaid dividends, if any (whether or not declared) (which will only accrue after a dividend increase remarketing) to, but excluding, the redemption date. The redemption price will be paid solely in cash. In connection with a successful remarketing of the convertible preferred stock, the earliest redemption date for the convertible preferred stock may be changed to a later date.

In the event of a redemption, we will request that the depositary notify its participants holding convertible preferred stock or, if the convertible preferred stock is in certificated form, send a written notice by first class mail to each holder of record of the convertible preferred stock at such holders registered address, not fewer than 25 scheduled trading days nor more than 90 calendar days prior to the redemption date, stating, among other things, the redemption price and the settlement method of the convertible preferred stock if the holder elects to convert. In addition, we will (i) issue a press release containing such information and (ii) publish such information on our website. In no event will we give any notice of redemption prior to the earlier of a remarketing settlement date and the purchase contract settlement date.

If we give notice of redemption, then, by 12:00 p.m., New York City time, on the redemption date, to the extent funds are legally available, we shall, with respect to:

- shares of the convertible preferred stock held by DTC or its nominees, deposit or cause to be deposited, irrevocably with DTC cash sufficient to pay the redemption price and will give DTC irrevocable instructions and authority to pay the redemption price to holders of such shares of the convertible preferred stock; and
- shares of the convertible preferred stock held in certificated form, deposit or cause to be deposited, irrevocably with the paying agent cash sufficient to pay the redemption price and will give the paying agent irrevocable instructions and authority to pay the redemption price to holders of such shares of the convertible preferred stock upon surrender to the paying agent of their certificates evidencing their shares of the convertible preferred stock.

If on the redemption date DTC or the paying agent holds cash sufficient to pay the redemption price for the shares of the convertible preferred stock delivered for redemption in accordance with the terms of the certificate of amendment, dividends, if any, will cease to accumulate on those shares of the convertible preferred stock called for redemption and all rights of holders of such shares will terminate except for the right to receive the redemption price. Payment of the redemption price for the shares of the convertible preferred stock is conditioned upon book-entry transfer of or physical delivery of certificates representing the convertible preferred stock, together with necessary endorsements, to the paying agent, or to the paying agent's account at DTC, at any time after delivery of the redemption notice. Payment of the redemption price for the convertible preferred stock will be made (i) if book-entry transfer of or physical delivery of the convertible preferred stock has been made by or on the redemption date, on the redemption date, or (ii) if book-entry transfer of or physical delivery of the convertible preferred stock has not been made by or on such date, at the time of book-entry transfer of or physical delivery of the convertible preferred stock.

If the redemption date falls after a dividend payment record date that occurs after a dividend increase remarketing and before the related dividend payment date, holders of the shares of convertible preferred stock at the close of business on that dividend payment record date will be entitled to receive the dividend payable on those shares on the

corresponding dividend payment date. The redemption price payable on such redemption date will include only the liquidation preference, but will not include any amount in respect of dividends declared and payable on such corresponding dividend payment date.

In the case of any partial redemption, we will select the shares of convertible preferred stock to be redeemed on a pro rata basis, by lot or any other method that we, in our discretion, deem fair and appropriate.

We do not have the right to authorize, issue a press release or give notice of redemption unless (a) we have funds legally available for the payment of the aggregate redemption price and (b) prior to giving the notice, (i) all accumulated and unpaid dividends on the convertible preferred stock (whether or not declared) for dividend periods ended prior to the date of such notice of redemption shall have been or contemporaneously are declared and paid out of legally available funds and (ii) if the redemption date occurs following a record date that occurs after a dividend increase remarketing and prior to the related dividend payment date, a cash dividend for the related dividend period has been declared and sufficient funds legally available therefor have been set aside for payment of such dividend.

Limited Voting Rights

Holders of shares of the convertible preferred stock generally do not have any voting rights, except as set forth below and as required by law. In matters where holders of the convertible preferred stock are entitled to vote, each share of the convertible preferred stock shall be entitled to one vote.

Preferred Stock Directors

If at any time after a dividend increase remarketing, dividends on the convertible preferred stock have not been declared and paid in full for six or more dividend periods from and after such successful remarketing, whether or not consecutive (which we refer to as a “preferred dividend default”), holders of shares of the convertible preferred stock (voting together as a class with the holders of all other classes or series of preferred stock upon which like voting rights have been conferred and are exercisable (and with voting rights allocated pro rata based on the liquidation preference of the convertible preferred stock and each such other class or series of preferred stock)) will be entitled to vote for the election of two additional directors to serve on our board of directors (which we refer to as “preferred stock directors”), until all accumulated unpaid dividends with respect to the convertible preferred stock and any other class or series of preferred stock upon which like voting rights have been conferred and are exercisable have been paid or declared and a sum sufficient for payment is set aside for such payment. In such a case, the number of directors serving on our board of directors will be increased by two. The preferred stock directors will be elected by a plurality of the votes cast in the election to serve until the next annual meeting and each preferred stock director will serve until his successor is duly elected and qualifies or until the director’s right to hold the office terminates, whichever occurs earlier. The election will take place at:

- a special meeting called by holders of at least 10% of the outstanding shares of the convertible preferred stock together with any other class or series of preferred stock upon which like voting rights have been conferred and are exercisable, if this request is received more than 90 calendar days before the date fixed for our next annual or special meeting of stockholders or, if we receive the request for a special meeting within 90 calendar days before the date fixed for our next annual or special meeting of stockholders, at our annual or special meeting of stockholders; and
- each subsequent annual meeting (or special meeting held in its place) until all accumulated dividends on the convertible preferred stock and on any other class or series of preferred upon which like voting rights have been conferred and are exercisable have been paid in full for all past dividend periods and

the dividend for the then current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment.

If and when all accumulated dividends on the convertible preferred stock and all other classes or series of preferred stock upon which like voting rights have been conferred and are exercisable shall have been paid in full or a sum sufficient for such payment in full is set aside for payment, holders of shares of the convertible preferred stock shall be divested of the voting rights set forth above (subject to re-vesting in the event of any subsequent preferred dividend defaults) and the term of office of such preferred stock directors so elected will terminate and the entire board of directors will be reduced accordingly. Each preferred stock director shall be entitled to one vote on any matter.

When a Supermajority Vote is Required

So long as any shares of the convertible preferred stock remain outstanding, we will not, without the consent or the affirmative vote of the holders of at least two-thirds of the outstanding shares of the convertible preferred stock together with each other class or series of preferred stock ranking on parity with the convertible preferred stock with respect to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up and upon which like voting rights have been conferred (voting as a single class):

- authorize, create or issue, or increase the number of authorized or issued shares of, any class or series of stock ranking senior to the convertible preferred stock with respect to payment of dividends, or the distribution of assets upon the liquidation, dissolution or winding up of our affairs, or reclassify any of our authorized capital stock into any such shares, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares;
- amend, alter or repeal the provisions of our certificate of incorporation so as to materially and adversely affect any right, preference, privilege or voting power of the convertible preferred stock; or
- consummate a binding share exchange or reclassification involving the shares of convertible preferred stock or a merger or consolidation of us with another entity, unless either (i) the shares of convertible preferred stock remain outstanding and have rights, preferences, privileges and voting powers, taken as a whole, that are no less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the convertible preferred stock immediately prior to such consummation, taken as a whole, or (ii) in the case of any such merger or consolidation with respect to which we are not the surviving or resulting entity, the shares of convertible preferred stock are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, such surviving or resulting entity or ultimate parent is organized under the laws of the United States, any state thereof or the District of Columbia and treated as a corporation for U.S. federal income tax purposes, and such preference securities have rights, preferences, privileges and voting powers, taken as a whole, that are no less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the convertible preferred stock immediately prior to such consummation, taken as a whole;

provided that the creation and issuance, or an increase in the authorized or issued amount, whether pursuant to pre-emptive or similar rights or otherwise, of any series of preferred stock (including the convertible preferred stock), ranking equally with and/or junior to the convertible preferred stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and the distribution of assets upon our liquidation, dissolution and winding-up, shall not be deemed to adversely affect the rights, preferences, privileges or voting powers of the convertible preferred stock, and shall not require the affirmative vote or consent of the holders of the convertible preferred stock.

If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation specified above would adversely affect one or more but not all series of parity stock (including the convertible preferred stock for this purpose), then only the one or more series of parity stock adversely affected and entitled to vote, rather than all series of parity stock, shall vote as a class.

Without the consent of the holders of the convertible preferred stock, so long as such action does not adversely affect the special rights, preferences, privileges or voting powers of the convertible preferred stock, and limitations and restrictions thereof, we may amend, alter, supplement, or repeal any terms of the convertible preferred stock for the following purposes:

- to cure any ambiguity or mistake, or to correct or supplement any provision contained in the certificate of amendment establishing the terms of the convertible preferred stock that may be defective or inconsistent with any other provision contained in such certificate of amendment;
- to make any provision with respect to matters or questions relating to the convertible preferred stock that is not inconsistent with the provisions of the certificate of amendment establishing the terms of the convertible preferred stock; or
- to waive any of our rights with respect thereto;

provided that any such amendment, alteration, supplement or repeal of any terms of the convertible preferred stock effected in order to (1) conform the terms thereof to the description of the terms of the convertible preferred stock set forth under “Description of the Convertible Preferred Stock” in this Description of the 2017 Corporate Units or (2) implement the changes under “—Increased Dividend Rate and Increased Conversion Rate” shall be deemed not to adversely affect the special rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the convertible preferred stock.

Holders of shares of the convertible preferred stock are not entitled to vote with respect to any increase in the total number of authorized shares of our common stock or preferred stock, any increase in the number of authorized shares of the convertible preferred stock or the creation or issuance of any other class or series of capital stock, or any increase in the number of authorized shares of any other class or series of capital stock, in each case ranking on parity with or junior to the convertible preferred stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up, except as set forth above.

Holders of shares of the convertible preferred stock do not have any voting rights with respect to, and the consent of the holders of shares of the convertible preferred stock is not required for, the taking of any corporate action, including any merger or consolidation involving us or a sale of all or substantially all of our assets, regardless of the effect that such merger, consolidation or sale may have upon the powers, preferences, voting power or other rights or privileges of the convertible preferred stock, except as set forth above.

In addition, the voting provisions above will not apply if, at or prior to the time when the act with respect to which the vote would otherwise be required would occur, we have redeemed upon proper procedures all outstanding shares of the convertible preferred stock.

Conversion Rights

General

Holders of Corporate Units do not have the right to convert their ownership interests in the convertible preferred stock that are a part of such Corporate Units. Only shares of convertible preferred stock that are not a part of

Corporate Units may be so converted. Holders of such separate shares of convertible preferred stock that are not a part of Corporate Units may convert their shares into common stock (or cash or a combination of cash and common stock, at our election) at their option prior to May 15, 2020 only upon the occurrence of a fundamental change. In order for a holder of Corporate Units to separate their convertible preferred stock from the purchase contracts in order to convert the convertible preferred stock following a fundamental change, the holder must either (1) create Treasury Units or (2) settle the related purchase contracts early with separate cash, as described under “Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change” above. If a fundamental change occurs, holders of separate shares of convertible preferred stock can convert such shares at any time from or after the effective date of such transaction until 35 trading days after such effective date.

On and after May 15, 2020, holders of shares of the convertible preferred stock may, at their option, at any time and from time to time, convert some or all of their outstanding shares of the convertible preferred stock.

The conversion rate will initially be 6.1627 shares of our common stock per share of convertible preferred stock, which is equivalent to an initial conversion price of approximately \$162.27 per share of our common stock. Upon conversion of the convertible preferred stock, we will settle our obligations in the manner set forth under “—Settlement Upon Conversion.”

Upon settlement of a conversion of the convertible preferred stock and except as set forth in the immediately succeeding paragraph, a holder will not receive payment of accumulated and unpaid dividends, if any, as described under “—Dividends Following a Successful Remarketing” and we will not make any payments in respect of or adjust the conversion rate to account for accumulated and unpaid dividends to the conversion date except as provided under “—Adjusted Conversion Rate Upon a Fundamental Change.”

If a holder of shares of convertible preferred stock exercises its conversion rights, on and after the conversion date, those shares will cease to cumulate dividends (if any) as of the end of the day immediately preceding the date of conversion. A holder of shares of convertible preferred stock on the record date for the payment of a dividend will receive that dividend notwithstanding a conversion of the convertible preferred stock following such record date to the dividend payment date. However, convertible preferred stock surrendered for conversion after the close of business on any record date for the payment of dividends declared and before the opening of business on the dividend payment date relating to that record date must be accompanied by a payment in cash of an amount equal to the dividend payable in respect of those shares for the dividend period in which the shares are converted; *provided* that no such payment need be made:

- if we have specified a redemption date that is after a dividend payment record date and on or prior to the corresponding dividend payment date; or
- if we have specified a fundamental change conversion deadline (as defined below) that is after a dividend payment record date and on or prior to the corresponding dividend payment date.

In case any shares of convertible preferred stock are to be redeemed, the right to convert those shares of the convertible preferred stock will terminate at 5:00 p.m., New York City time, on the business day immediately preceding the redemption date unless we default in the payment of the redemption price of those shares.

Adjusted Conversion Rate Upon a Fundamental Change

If a fundamental change (as defined in “Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change” above) occurs, a holder may elect to convert separate shares of convertible preferred stock in connection with the fundamental change (the right of conversion, “fundamental change conversion right”). If the

stock price (as defined in “Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change—Calculation of Make-Whole Shares” above) is less than \$162.27 (which we refer to as the “conversion price,” and which initially equals the conversion price of the convertible preferred stock), any such conversion in connection with the fundamental change will be at an adjusted conversion rate that will be equal to the \$1,000 liquidation preference *plus* all accumulated and unpaid dividends, if any, to, but excluding the fundamental change settlement date described below (unless the conversion date for a share of convertible preferred stock occurs after the record date for the payment of declared dividends and prior to the related dividend payment date, in which case the conversion rate calculation for such share will not include accumulated and unpaid dividends that will be paid to holders of record on such record date) *divided by* the average of the closing prices of our common stock for the five consecutive trading days ending on the third business day prior to the fundamental change settlement date (or, in the case of a fundamental change described in clause (i) of the definition of fundamental change where the holders of our common stock receive only cash in the fundamental change, the cash amount paid per share of our common stock) (the “fundamental change settlement price”). Notwithstanding the foregoing, in no event will the conversion rate exceed 14.4823 shares of common stock per share of convertible preferred stock (subject to adjustment as set forth under “—Conversion Rate Adjustments” and increase as set forth under “—Increased Dividend Rate and Increased Conversion Rate”), which is equal to the \$1,000 liquidation preference *divided by* 50% of \$138.10 (the closing price of our common stock on the pricing date of this offering, which closing price we refer to as the “initial price”).

The initial price will be adjusted as of any date on which the conversion rate of the convertible preferred stock is adjusted. The adjusted initial price will equal the initial price applicable immediately prior to such adjustment *multiplied by* a fraction, the numerator of which is the conversion rate immediately prior to the adjustment giving rise to the stock price adjustment and the denominator of which is the conversion rate as so adjusted. The conversion price as of any time is equal to \$1,000 divided by the conversion rate as of such time.

A conversion of the convertible preferred stock will be deemed for these purposes to be “in connection with” such a fundamental change (regardless of the stock price) if the conversion date occurs from, and including, the effective date of such fundamental change to, and including, the date we specified in the fundamental change company notice as the last date on which a holder of the convertible preferred stock may exercise the fundamental change conversion right for that fundamental change, which we refer to as the “fundamental change conversion deadline.” The fundamental change conversion deadline will be a date no less than 20 business days nor more than 35 business days after the effective date of such fundamental change, provided that if any purchase contracts are outstanding at the time we give the fundamental change company notice, such date shall not be less than 10 business days following the fundamental change early settlement date we specify for the purchase contracts as described under “Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change.”

To the extent practicable, we will provide each holder of convertible preferred stock with a notice of the anticipated effective date of a fundamental change at least 20 business days prior to such anticipated effective date, but in any event not later than two business days following our becoming aware of the occurrence of such fundamental change. In addition, we will send a notice to holders of a fundamental change within five business days after the effective date of the fundamental change (the “fundamental change company notice”). Such fundamental change company notice will state:

- the events constituting the fundamental change;
- the effective date of the fundamental change;
- the name and address of the paying agent and the conversion agent;

- the conversion rate and any adjustment to the conversion rate that will result from the fundamental change, or if the stock price is less than the conversion price, the formula for determination of the conversion rate;
- the procedures that the holder of the convertible preferred stock must follow to exercise the fundamental change conversion right;
- the fundamental change conversion deadline;
- the settlement method for all conversions in exercise of the fundamental change conversion right, including, in the case of combination settlement, the amount of cash per share of convertible preferred stock we will pay in settlement of any such conversions; and
- if the stock price is less than the conversion price, the date on which all conversions in exercise of the fundamental change conversion right will be settled (the “fundamental change settlement date”), which will be the third business day immediately following the fundamental change conversion deadline.

To exercise the fundamental change conversion right, a holder of a separate share of convertible preferred stock must deliver, on or before the close of business on the fundamental change conversion deadline, the convertible preferred stock to be converted, duly endorsed for transfer, together with a written conversion notice completed, to our conversion agent. The conversion notice will state:

- the relevant fundamental change conversion date;
and
- the number of shares of the convertible preferred stock to be converted pursuant to the fundamental change conversion right.

If the convertible preferred stock is held in global form, the conversion notice must comply with applicable DTC procedures.

If the stock price is greater than or equal to the conversion price, the convertible preferred stock as to which the fundamental change conversion right has been properly exercised will be converted into cash, shares of our common stock or a combination thereof at our election in accordance with “— Settlement Upon Conversion” below. If the stock price is less than the conversion price, then notwithstanding anything herein to the contrary, we can elect to settle conversions in connection with a valid exercise of the fundamental change conversion right through cash settlement, combination settlement or physical settlement, as follows:

- any such conversions will settle on the fundamental change settlement date;
- if we have validly elected physical settlement, we will deliver, in respect of each share of the convertible preferred stock, a number of shares of common stock (and cash in lieu of any fractional shares) equal to the conversion rate described above;
- if we have validly elected cash settlement, we will deliver an amount of cash per share of convertible preferred stock equal to the conversion rate described above *multiplied by* the fundamental change settlement price; and
- if we have validly elected combination settlement, we will deliver, in addition to the amount of cash per share of convertible preferred stock specified in the fundamental change company notice, a number of shares of common stock (and cash in lieu of any fractional shares) equal to a fraction, the numerator

of which is (i) the conversion rate described above *multiplied* by the fundamental change settlement price minus (ii) the amount of cash per share specified in the fundamental change company notice, and the denominator of which is the fundamental change settlement price.

If the holders of our common stock receive only cash in a reorganization event, then notwithstanding the foregoing, for all conversions in connection with a fundamental change that occur after the effective date of such transaction where the relevant stock price is less than the conversion price, the consideration due upon conversion of each such share of convertible preferred stock shall be solely cash in an amount equal to the conversion rate as modified by this “—Adjusted Conversion Rate Upon a Fundamental Change,” *multiplied* by the fundamental change settlement price for such transaction.

We will, to the extent applicable, comply with listing standards of the New York Stock Exchange in connection with the issuance of our common stock upon any exercise of the fundamental change conversion right.

Conversion Procedures

Holders of shares of the convertible preferred stock represented by a beneficial interest in a global security may convert their shares by complying with the depositary’s procedures and, if required, by paying any dividends as described in this Description of the 2017 Corporate Units. Holders of shares of the convertible preferred stock in certificated form may convert some or all of their shares by surrendering to us at our principal office or at the office of our conversion agent, as may be designated by our board of directors or a committee of our board of directors, the certificate or certificates, if any, for the shares of the convertible preferred stock to be converted, accompanied by a written notice stating that the holder of shares of the convertible preferred stock elects to convert all or a specified whole number of those shares in accordance with the provisions described in this Description of the 2017 Corporate Units and specifying the name or names in which the holder of shares of the convertible preferred stock wishes the certificate or certificates, if any, for the shares of our common stock to be issued. If the notice specifies a name or names other than the name of the holder of shares of the convertible preferred stock, the notice will be accompanied by payment of all transfer taxes payable upon the issuance of shares of our common stock in that name or names. Other than such transfer taxes, we will pay any documentary, stamp or similar issue or transfer taxes that may be payable in respect of any issuance or delivery of shares of our common stock upon conversion of shares of the convertible preferred stock. The date on which the foregoing procedures have been complied with will be deemed the “conversion date” with respect to a share of the convertible preferred stock.

As promptly as practicable after the conversion date with respect to any shares of the convertible preferred stock, we will reflect in our stock records the cancellation of the convertible preferred stock that is being converted and the issuance of such number of validly issued, fully paid and non-assessable shares of our common stock to which the holders of such shares of the convertible preferred stock are entitled as a result of the conversion, if any, as of such conversion date (in the case of any physical settlement) or the final day of the observation period (in the case of a combination settlement). In addition, if the common stock to be issued upon conversion is certificated, promptly after the issuance of the common stock certificate (or, if the convertible preferred stock is certificated, promptly after, and in any case, no later than (x) three business days after the surrender of the certificates representing the shares that are converted (in the case of physical settlement) and (y) three business days after the later of the surrender of the certificates representing the shares that are converted and the final day of the observation period (in the case of combination settlement)) we will deliver or cause to be delivered (i) certificates representing the number of validly issued, fully paid and non-assessable shares of our common stock to which the holders of such shares of the convertible preferred stock, or the transferee of the holder of such shares of the convertible preferred stock, will be entitled and (ii) if the convertible preferred stock is then certificated and if less than the full number of shares of the convertible preferred stock represented by the surrendered certificate or certificates, if any, or specified in the

notice, are being converted, a new certificate or certificates, of like tenor, for the number of shares represented by the surrendered certificate or certificates, less the number of shares being converted. This conversion will be deemed to have been made at the close of business on the conversion date so that the rights of the holder of shares of the convertible preferred stock as to the shares being converted will cease, except for the right to receive the shares of our common stock.

Holders of shares of the convertible preferred stock are not eligible to exercise any rights of a holder of shares of our common stock until they have converted their shares of the convertible preferred stock into shares of our common stock, if any. If more than one share of the convertible preferred stock is surrendered for conversion by the same stockholder at the same time, the number of whole shares of our common stock issuable upon conversion of those shares of the convertible preferred stock will be computed on the basis of the total number of shares of the convertible preferred stock so surrendered.

We will at all times reserve and keep available, free from preemptive rights, out of our authorized but unissued shares of capital stock, for issuance upon the conversion of shares of the convertible preferred stock, a number of authorized but unissued shares of our common stock that will from time to time be sufficient to permit the conversion of all outstanding shares of the convertible preferred stock (assuming, for such purposes, that physical settlement is applicable to all conversions).

Before the delivery of any securities upon conversion of shares of the convertible preferred stock, we will comply with all applicable federal and state laws and regulations. All shares of our common stock delivered upon conversion of shares of the convertible preferred stock, if any, will, upon delivery, be duly and validly issued, fully paid and non-assessable, free of all liens and charges and not subject to any preemptive rights.

Settlement Upon Conversion

To satisfy our obligations upon a conversion, we may elect to pay or deliver, as the case may be, solely shares of our common stock, together with cash in lieu of fractional shares (“physical settlement”), solely cash (“cash settlement”) or a combination of cash and our common stock (“combination settlement”). We refer to each of these elections as a “settlement method.”

We will use the same settlement method for all conversions with the same conversion date, but we will not have any obligation to use the same settlement method with respect to conversions occurring on different conversion dates, except that we will use the same settlement method for (x) all conversions following our delivery of a notice of redemption to holders of the convertible preferred stock to and including the related redemption date, regardless of the conversion date and (y) all conversions in connection with a fundamental change. If we elect a settlement method, we will inform holders so converting through the conversion agent of such settlement method we have selected no later than the second business day immediately following the related conversion date; *provided* that (x) in the case of any conversions of convertible preferred stock called for redemption, we will elect our settlement method in the redemption notice and (y) in the case of a conversion in connection with a fundamental change, we will elect our settlement method in the fundamental change company notice. If we elect combination settlement, but we do not timely notify converting holders of the specified dollar amount per \$1,000 liquidation preference of convertible preferred stock, such specified dollar amount will be deemed to be \$1,000. If we do not timely provide notice electing a settlement method in respect of any conversion of the convertible preferred stock, we will be deemed to have elected combination settlement and the specified dollar amount per \$1,000 liquidation preference of convertible preferred stock will be equal to \$1,000.

Settlement amounts will be computed as follows:

- if we elect physical settlement, we will deliver to the converting holder a number of shares of our common stock equal to the number of shares of convertible preferred stock to be converted *multiplied by* the applicable conversion rate;
- if we elect cash settlement, we will deliver to the converting holder, in respect of each \$1,000 liquidation preference of the convertible preferred stock being converted, cash in an amount equal to the sum of the daily conversion values for each of the 20 consecutive trading days during the related observation period; and
- if we elect combination settlement, we will deliver to the converting holder in respect of each \$1,000 liquidation preference of the convertible preferred stock being converted a “settlement amount” equal to the sum of the daily settlement amounts for each of the 20 consecutive trading days during the related observation period.

The “daily settlement amount,” for each of the 20 consecutive trading days during the observation period, will consist of:

- cash equal to the lesser of (i) a dollar amount per share of the convertible preferred stock to be received upon conversion as specified by us in the notice regarding our chosen settlement method (the “specified dollar amount”), if any, *divided by* 20 (such quotient being referred to as the “daily measurement value”) and (ii) the daily conversion value for such trading day; and
- to the extent the daily conversion value for such trading day exceeds the daily measurement value, a number of shares equal to (i) the difference between such daily conversion value and the daily measurement value, *divided by* (ii) the daily VWAP for such trading day.

“Daily conversion value” means, for each of the 20 consecutive trading days during the observation period, one-twentieth of the product of (i) the applicable conversion rate and (ii) the daily VWAP of our common stock on such trading day.

“Observation period” means, with respect to any share of convertible preferred stock being converted, the 20 consecutive trading day period beginning on and including the third trading day after the conversion date for such share of convertible preferred stock, *provided* that if the relevant conversion date occurs on or after the date of our issuance of a notice of redemption with respect to the convertible preferred stock as described under “—Redemption” and prior to the relevant redemption date, the observation period shall be the 20 consecutive trading days beginning on, and including, the 22nd scheduled trading day immediately preceding such redemption date.

If we elect physical settlement in respect of a conversion, we will deliver the settlement amount to converting holders on the third trading day following the conversion date, but such holders will be deemed to be the owners of the shares of our common stock included in the settlement amount as of the close of business on the conversion date. If we elect cash settlement or combination settlement, we will pay or deliver, as the case may be, the settlement amount to converting holders on the third trading day following the final trading day of the relevant observation period and such holders will be deemed to be the owners of any of the shares of our common stock included in the settlement amount on the last trading day of the relevant observation period.

We will not issue fractional shares upon conversion of the convertible preferred stock. Instead, we will pay cash in lieu of fractional shares based on the daily VWAP of our common stock on the relevant conversion date (in the case of physical settlement) or based on the daily VWAP of our common stock on the last trading day of the relevant observation period (in the case of combination settlement).

Recapitalizations, Reclassifications and Changes of Our Common Stock

In the case of any reorganization event, at and after the effective time of such reorganization event, the conversion rate shall be determined by reference to the value of an exchange property unit, and we will deliver, upon settlement of any conversion of convertible preferred stock, a number of exchange property units equal to the number of shares of our common stock that we would otherwise be required to deliver. However, at and after the effective time of the reorganization event, (i) we will continue to have the right to determine the form of consideration to be paid or delivered, as the case may be, upon conversion, as set forth under “—Conversion Rights—Settlement Upon Conversion” and (ii)(x) any amount payable in cash upon conversion as set forth under “—Conversion Rights—Settlement Upon Conversion” will continue to be payable in cash, (y) any shares of our common stock that we would have been required to deliver upon conversion as set forth under “—Conversion Rights—Settlement Upon Conversion” will instead be deliverable in the amount and type of exchange property that a holder of that number of shares of our common stock would have received in such transaction and (z) the daily VWAP and fundamental change settlement price will be calculated based on the value of an exchange property unit that a holder of one share of our common stock would have received in such transaction. In the event holders of our common stock (other than any constituent person or affiliate thereof) have the opportunity to elect the form of consideration to be received in such transaction, the exchange property unit that holders of the convertible preferred stock are entitled to receive will be deemed to be (x) the weighted average of the types and amounts of consideration received by the holders of our common stock that affirmatively make an election or (y) if no holders of our common stock affirmatively make such an election, the types and amounts of consideration actually received by the holders of our common stock. We will notify holders of the weighted average as soon as practicable after such determination is made. If the holders receive only cash in such transaction, then notwithstanding anything herein to the contrary for all conversions that occur after the effective date of such transaction (other than conversions in connection with a fundamental change where the relevant stock price is less than the conversion price) (i) the consideration due upon conversion of each share of convertible preferred stock shall be solely cash in an amount equal to the conversion rate in effect on the conversion date, *multiplied by* the price paid per share of common stock in such transaction and (ii) we will satisfy our conversion obligation by paying cash to converting holders on the third scheduled trading day immediately following the conversion date. In addition, we will amend the certificate of amendment (1) to provide for anti-dilution and other adjustments that are as nearly equivalent as possible to the adjustments described under “—Conversion Rate Adjustments” below, (2) in the case of any transaction that results in the common equity of any entity other than us (or, for the avoidance of doubt, our successor in such transaction) being included as exchange property, (a) by replacing references to “us” or “our” (and similar references) in the definitions of “fundamental change” with references to that other entity and (b) by causing the dividend blocker provisions to apply to that other entity, with its equity securities being deemed stock ranking junior to the convertible preferred stock for this purpose and (3) to include such additional provisions to protect the interests of the holders of convertible preferred stock as our board of directors reasonably considers necessary by reason of the foregoing. We will not become party to any such transaction unless its terms are consistent with the foregoing.

In connection with any adjustment to the conversion rate described below, we will also adjust the initial dividend threshold (as defined under “—Conversion Rate Adjustments”) based on the number of shares of common stock comprising the exchange property and (if applicable) the value of any non-stock consideration comprising the exchange property. If the exchange property is composed solely of non-stock consideration, the initial dividend threshold will be zero.

The provisions described in the preceding two paragraphs shall similarly apply to successive reorganization events. To the extent the preceding two paragraphs apply to an event or occurrence, the provisions of “—Conversion Rate Adjustments” shall not apply to such event or occurrence.

Conversion Rate Adjustments

The applicable conversion rate shall be adjusted from time to time for any of the following events that occur following the original issue date of the convertible preferred stock:

1. If we issue common stock as a dividend or distribution on our common stock to all or substantially all holders of our common stock, or if we effect a share split or share combination, the conversion rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where:

CR_0 = the conversion rate in effect immediately prior to the ex-dividend date for such dividend or distribution, or the effective date of such share split or share combination;

CR_1 = the new conversion rate in effect immediately on and after the ex-dividend date for such dividend or distribution, or the effective date of such share split or share combination;

OS_0 = the number of shares of our common stock outstanding immediately prior to the ex-dividend date, or the effective date of such share split or share combination; and

OS_1 = the number of shares of our common stock outstanding immediately after giving effect to such dividend or distribution, or the effective date of such share split or share combination.

Any adjustment made pursuant to this clause (1) shall become effective as of the open of business on (x) the ex-dividend date for such dividend or other distribution or (y) the date on which such split or combination becomes effective, as applicable. If any dividend or distribution described in this clause (1) is declared but not so paid or made, the new conversion rate shall be readjusted to the conversion rate that would then be in effect if such dividend or distribution had not been declared.

2. If we distribute to all holders of our common stock any rights, warrants or options entitling them for a period of not more than 45 calendar days after the date of distribution thereof to subscribe for or purchase our common stock, in any case at an exercise price per share of our common stock less than the closing price of our common stock on the business day immediately preceding the time of announcement of such issuance, the conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where:

CR_0 = the conversion rate in effect immediately prior to the ex-dividend date for such distribution;

CR_1 = the new conversion rate in effect immediately on and after the ex-dividend date for such distribution;

OS_0 = the number of shares of our common stock outstanding immediately prior to the ex-dividend date for such distribution;

X = the aggregate number of shares of our common stock issuable pursuant to such rights, warrants or options; and

Y = the number of shares of our common stock equal to the quotient of (A) the aggregate price payable to exercise all such rights, warrants or options and (B) the average of the closing prices of our common stock for the 10 consecutive trading days ending on the trading day immediately preceding the date of announcement for the issuance of such rights, warrants or options.

For purposes of this clause (2), in determining whether any rights, warrants or options entitle the holders to subscribe for or purchase our common stock at less than the closing price of our common stock on the business day immediately preceding the time of announcement of such issuance, and in determining the aggregate exercise or conversion price payable for such common stock, there shall be taken into account any consideration received by us for such rights, warrants or options and any amount payable on exercise or conversion thereof, with the value of such consideration, if other than cash, to be determined by us. Any increase made under this clause (2) will be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the open of business on the ex-dividend date for such issuance. If any right, warrant or option described in this clause (2) is not exercised or converted prior to the expiration of the exercisability or convertibility thereof, the new conversion rate shall be readjusted to the conversion rate that would then be in effect if such right, warrant or option had not been so issued.

3. If we distribute shares of capital stock, evidences of indebtedness or other assets or property of us to all holders of our common stock, excluding:

- (a) dividends, distributions, rights, warrants or options as to which an adjustment was effected in clause (1) or (2) above;
- (b) dividends or distributions paid exclusively in cash; and
- (c) spin-offs described below in this clause (3),

then the conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where:

CR_0 = the conversion rate in effect immediately prior to the ex-dividend date for such distribution;

CR_1 = the new conversion rate in effect immediately on and after the ex-dividend date for such distribution;

SP_0 = the closing price of our common stock on the trading day immediately preceding the ex-dividend date for such distribution; and

FMV = the fair market value (as determined in good faith by us) of the shares of capital stock, evidences of indebtedness, assets or property distributed with respect to each outstanding share of our common stock on the earlier of the record date and the ex-dividend date for such distribution.

An adjustment to the conversion rate made pursuant to the immediately preceding paragraph shall become effective as of the open of business on the ex-dividend date for such distribution.

Notwithstanding the foregoing, if “FMV” (as defined above) is equal to or greater than “SP0” (as defined above), in lieu of the foregoing increase, each holder of convertible preferred stock shall receive, in respect of each share of convertible preferred stock, at the same time and upon the same terms as holders of our common stock and without having to convert its shares of convertible preferred stock, the amount and kind of our capital stock, evidences of indebtedness or other assets or property of ours that such holder would have received if such holder owned a number of shares of common stock equal to the conversion rate in effect on the ex-dividend date for the distribution.

If we distribute to all holders of our common stock, capital stock of any class or series, or similar equity interest, of or relating to a subsidiary or other business unit (which we refer to as a “spin-off”), the conversion rate in effect immediately following the 10th trading day immediately following, and including, the effective date of the spin-off will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where:

CR_0 = the conversion rate in effect on the 10th trading day immediately following, and including the effective date of the spin-off;

CR_1 = the new conversion rate immediately after the 10th trading day immediately following (and including) the effective date of the spin-off;

FMV_0 = the average of the closing prices of the capital stock or similar equity interest distributed to holders of our common stock applicable to one share of our common stock over the first 10 consecutive trading days after (and including) the effective date of the spin-off (the “valuation period”); and

MP_0 = the average of the closing prices of our common stock over the valuation period.

The increase to the conversion rate under the preceding paragraph will occur at the close of business on the last trading day of the valuation period *provided* that (x) in respect of any conversion of convertible preferred stock for which physical settlement is applicable, if the relevant conversion date occurs during the valuation period, the reference to “10” in the preceding paragraph shall be deemed replaced with such lesser number of trading days as have elapsed between the ex-dividend date for such spin-off and such conversion date in determining the conversion rate and (y) in respect of any conversion of convertible preferred stock for which cash settlement or combination settlement is applicable, for any trading day that falls within the relevant observation period for such conversion and within the valuation period, the reference to “10” in the preceding paragraph shall be deemed replaced with such lesser number of trading days as have elapsed between the ex-dividend date for such spin-off and such trading day in determining the conversion rate as of such trading day. In addition, if the ex-dividend date for such spin-off is after

the 10th trading day immediately preceding, and including, the end of any observation period in respect of a conversion of convertible preferred stock, references to “10” or “10th” in the preceding paragraph and this paragraph shall be deemed to be replaced, solely in respect of that conversion, with such lesser number of trading days as have elapsed from, and including, the ex-dividend date for such spin-off to, and including, the last trading day of such observation period.

If any such dividend or distribution described in this clause (3) is declared but not paid or made, the new conversion rate shall be readjusted to be the conversion rate that would then be in effect if such dividend or distribution had not been declared.

4. If any cash dividend or distribution is made to all or substantially all holders of our common stock, other than a regular, quarterly cash dividend that does not exceed \$0.58 per share (the “initial dividend threshold”), the conversion rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0 - IDT}{SP_0 - C}$$

where,

CR_0 = the conversion rate in effect immediately prior to the ex-dividend date for such dividend or distribution;

CR_1 = the conversion rate in effect immediately after the ex-dividend date for such dividend or distribution;

SP_0 = the closing price of our common stock on the trading day immediately preceding the ex-dividend date for such distribution;

C = the amount in cash per share we distribute to holders of our common stock; and

IDT = the initial dividend threshold; *provided* that if the dividend or distribution is not a regular quarterly cash dividend, the initial dividend threshold will be deemed to be zero.

Any increase to the conversion rate made pursuant to this clause (4) shall become effective as of the open of business on the ex-dividend date for such dividend or distribution. If any such dividend or distribution is not so paid or made, the new conversion rate shall be readjusted to the conversion rate that would be in effect if such dividend or distribution had not been declared.

Notwithstanding the foregoing, if “ C ” (as defined above) is equal to or greater than “ SP_0 ” (as defined above), in lieu of the foregoing increase, each holder of convertible preferred stock shall receive, for each share of convertible preferred stock, at the same time and upon the same terms as holders of shares of our common stock and without having to convert its shares of convertible preferred stock, the amount of cash that such holder would have received if such holder owned a number of shares of our common stock equal to the conversion rate on the ex-dividend date for such cash dividend or distribution.

The initial dividend threshold is subject to adjustment in a manner inversely proportional to adjustments to the conversion rate, provided that no adjustment will be made to the initial dividend threshold for any adjustment made to the conversion rate under this clause (4).

5. If we or any of our subsidiaries make a payment in respect of a tender offer or exchange offer for our common stock to the extent that the cash and value of any other consideration included in the payment per share of our common stock exceeds the closing price of a share of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer, the conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{AC + (SP_1 \times OS_1)}{OS_0 \times SP_1}$$

where:

CR_0 = the conversion rate in effect on the trading day on which such tender or exchange offer expires;

CR_1 = the conversion rate in effect on the trading day immediately following the date such tender or exchange offer expires;

AC = the aggregate value of all cash and any other consideration (as determined in good faith by us) paid or payable for our common stock purchased in such tender or exchange offer;

OS_0 = the number of shares of our common stock outstanding immediately prior to the date such tender or exchange offer expires (prior to giving effect to the purchase or exchange of shares pursuant to such tender or exchange offer);

OS_1 = the number of shares of our common stock outstanding immediately after the date such tender or exchange offer expires (after giving effect to the purchase or exchange of shares pursuant to such tender or exchange offer); and

SP_1 = the closing price of our common stock for the trading day next succeeding the date such tender or exchange offer expires.

If the application of the foregoing formula would result in a decrease in the conversion rate, no adjustment to the conversion rate will be made.

Any adjustment to the conversion rate made pursuant to this clause (5) shall become effective on the second day immediately following the date such tender offer or exchange offer expires. If we or one of our subsidiaries is obligated to purchase our common stock pursuant to any such tender or exchange offer but is permanently prevented by applicable law from effecting any such purchase or all such purchases are rescinded, the new conversion rate shall be readjusted to be the conversion rate that would be in effect if such tender or exchange offer had not been made.

If we have in effect a rights plan while any convertible preferred stock remains outstanding, holders of convertible preferred stock will receive, upon a conversion of convertible preferred stock, in addition to shares of our common stock, if any, rights under our shareholder rights agreement unless, prior to conversion, the rights have expired, terminated or been redeemed or unless the rights have separated from our common stock. If the rights provided for in the rights plan adopted by us have separated from our common stock in accordance with the provisions of the applicable shareholder rights agreement so that holders of convertible preferred stock would not be entitled to receive any rights in respect of our common stock, if any, delivered upon conversion of convertible preferred stock,

the conversion rate will be adjusted at the time of separation as if we had distributed to all holders of our common stock capital stock, evidences of indebtedness or other assets or property pursuant to clause (3) above, subject to readjustment upon the subsequent expiration, termination or redemption of the rights.

Notwithstanding the foregoing, if a conversion rate adjustment becomes effective on any ex-dividend date as described above, and a holder that has converted its shares of the convertible preferred stock on or after such ex-dividend date and on or prior to the related record date would be treated as the record holder of our common stock as of the related conversion date based on an adjusted conversion rate for such ex-dividend date, then, notwithstanding the foregoing conversion rate adjustment provisions, the conversion rate adjustment relating to such ex-dividend date will not be made for such converting holder. Instead, such holder will be treated as if such holder were the record owner of our common stock on an unadjusted basis and participate in the related dividend, distribution or other event giving rise to such adjustment.

In addition to the adjustments pursuant to paragraphs (1) through (5) above, we may increase the conversion rate in order to avoid or diminish any income tax to holders of our common stock resulting from any dividend or distribution of capital stock (or rights to acquire our common stock) or from any event treated as such for income tax purposes. We may also, from time to time, to the extent permitted by applicable law, increase the conversion rate by any amount for any period of at least 20 business days if we have determined that such increase would be in our best interests. If we make such determination, it will be conclusive and we will mail to holders of the convertible preferred stock a notice of the increased conversion rate and the period during which it will be in effect at least 15 calendar days prior to the date the increased conversion rate takes effect in accordance with applicable law.

No adjustment to the conversion rate will be made if holders of the convertible preferred stock, as a result of holding the convertible preferred stock and without conversion thereof, are entitled to participate at the same time as our common stock holders participate in any of the transactions described above as if such holders of the convertible preferred stock held a number shares of our common stock equal to the conversion rate, *multiplied by* the number of shares of convertible preferred stock held by such holder, without having to convert their convertible preferred stock.

As used in this section and in “Description of the Purchase Contracts—Anti-dilution Adjustments” above, “record date” means, with respect to any dividend, distribution or other transaction or event in which the holders of our common stock (or other applicable security) have the right to receive any cash, securities or other property or in which our common stock (or such other security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of holders of our common stock (or such other security) entitled to receive such cash, securities or other property (whether such date is fixed by our board of directors or a duly authorized committee thereof, statute, contract or otherwise).

The conversion rate will not be adjusted except as specifically set forth in this “Conversion Rate Adjustments” and in “—Conversion Rights—Adjusted Conversion Rate Upon a Fundamental Change.” Without limiting the foregoing, the conversion rate will not be adjusted for:

- the issuance of our common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on securities of ours and the investment of additional optional amounts in shares of our common stock under any plan;
- the issuance of our common stock or options or rights to purchase those shares pursuant to any present or future employee, director, trustee or consultant benefit plan, employee agreement or arrangement or program of ours;

- the issuance of our common stock pursuant to any option, warrant, right, or exercisable, exchangeable or convertible security outstanding as of the date the convertible preferred stock was first issued;
- a change in the par value of our common stock;
- accumulated and unpaid dividends, if any; and
- the issuance of limited partnership units by us and the issuance of our common stock or the payment of cash upon redemption thereof.

All required calculations will be made to the nearest cent or 1/10,000th of a share, as the case may be. We will not be required to make an adjustment to the conversion rate unless the adjustment would require a change of at least 1% in the conversion rate. However, we will carry forward any adjustments that are less than 1% of the conversion rate and make such carried-forward adjustments (x) when all such carried-forward adjustments aggregate to a change of at least 1% in the conversion rate and (y) regardless of whether the aggregate adjustment is less than 1% (i) on the effective date for any fundamental change, (ii) on the conversion date in respect of any shares of convertible preferred stock for which physical settlement applies and (iii) on each trading day of any observation period in respect of any conversion of convertible preferred stock for which cash settlement or combination settlement applies.

In the event of a taxable distribution to holders of shares of our common stock that results in an adjustment to the conversion rate, holders of Corporate Units and convertible preferred stock may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal income tax as a dividend. In addition, non-U.S. holders of Corporate Units and convertible preferred stock may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal withholding tax requirements.

Adjustments of Prices

Whenever any provision of the certificate of amendment requires us to calculate the closing prices, the daily VWAPs, the daily conversion values or the daily settlement amounts over a span of multiple days (including any observation period, the five-day average price and the “stock price” and “fundamental change settlement price” (if applicable) for purposes of this “Description of the Convertible Preferred Stock” section), we will make appropriate adjustments to each to account for any adjustment to the conversion rate that becomes effective, or any event requiring an adjustment to the conversion rate where the ex-dividend date of the event occurs, at any time during the period when the closing prices, the daily VWAPs, the daily conversion values or the daily settlement amounts are to be calculated.

Transfer Agent, Registrar, Paying Agent, Conversion Agent

The registrar and transfer agent for the convertible preferred stock is Computershare Investor Services, LLC. The paying agent and conversion agent for the convertible preferred stock is The Bank of New York Mellon.

Remarketing

The convertible preferred stock will be remarketed as described under “Description of the Purchase Contracts—Remarketing.”

In connection with a successful remarketing:

- the dividend rate and/or conversion rate of all outstanding shares of convertible preferred stock (whether or not remarketed) may be increased as described below and the earliest redemption date may be changed to a later date; and
- if the dividend rate is increased, dividends will be payable quarterly, when, as and if declared by our board of directors, as described herein.

In order to remarket the convertible preferred stock, our board of directors may, in consultation with the remarketing agent, increase the dividend rate and/or increase the conversion rate of the convertible preferred stock and change the earliest redemption date to a later date in order to produce the required price in the remarketing.

Remarketing of Shares That Are Not Included in Corporate Units

At any time prior to a remarketing, other than during a blackout period, holders of convertible preferred stock that do not underlie Corporate Units may elect to have their shares of convertible preferred stock remarketed in such remarketing in the same manner as shares of convertible preferred stock that underlie Corporate Units by delivering their shares along with a notice of this election to the custodial agent. The custodial agent will hold the shares of convertible preferred stock in an account separate from the collateral account in which the pledged securities will be held. Holders of shares of convertible preferred stock electing to have their shares remarketed will also have the right to withdraw their election at any time prior to 5:00 p.m., New York City time, on the second business day immediately preceding an optional remarketing period or the final remarketing period, as applicable. In the event of a successful remarketing during the optional remarketing period, each holder of separate shares of convertible preferred stock that elects to have its shares remarketed will receive, for each share sold, the remarketing price per share of convertible preferred stock on the optional remarketing settlement date. The “remarketing price per share of convertible preferred stock” means, for each share of convertible preferred stock, an amount in cash equal to the quotient of the Treasury portfolio purchase price *divided by* the number of shares of convertible preferred stock included in such remarketing that are held as components of Corporate Units. For purposes of determining the proceeds that the remarketing agent will seek to obtain for the convertible preferred stock in an optional remarketing, the “separate convertible preferred stock purchase price” means the amount in cash equal to the product of (A) the remarketing price per share of convertible preferred stock and (B) the number of shares of convertible preferred stock included in such remarketing that are not part of Corporate Units. In the event of a successful remarketing during the final remarketing period, each holder of separate shares of convertible preferred stock that elects to have its shares remarketed will receive an amount, for each such share, equal to \$1,000 in cash on the purchase contract settlement date.

Increased Dividend Rate and Increased Conversion Rate

In the case of a successful remarketing, the dividend rate on the convertible preferred stock may be increased (in which case holders of the convertible preferred stock would be entitled to receive cumulative dividends on their shares when, as and if declared by our board of directors out of funds legally available for the payment of dividends) and/or the conversion rate of the convertible preferred stock may be increased. The increased dividend rate and/or increased conversion rate will become effective on the settlement date of the remarketing (the “remarketing settlement date”), which will be, in the case of a successful optional remarketing, the third business day following the optional remarketing date (or such other date as we and the remarketing agent agree upon) and, in the case of the final remarketing period, the purchase contract settlement date. If the dividend rate and/or the conversion rate is increased pursuant to a successful optional remarketing, the increased rate(s) will be the dividend rate and/or conversion rate determined by our board of directors, after consultation with the remarketing agent, as the rate(s) the convertible preferred stock should bear in order for the net remarketing proceeds of such convertible preferred stock

to have an aggregate market value on the optional remarketing date of at least 100% of the aggregate of the Treasury portfolio purchase price plus the separate convertible preferred stock purchase price, if any. If the dividend rate and/or the conversion rate is increased pursuant to a successful final remarketing, the increased rate(s) will be the dividend rate and/or conversion rate determined by our board of directors, after consultation with the remarketing agent, as the rate(s) the convertible preferred stock should bear in order for the net remarketing proceeds to equal at least \$1,000 multiplied by the number of shares of convertible preferred stock being remarketed. We will not decrease the conversion rate or the dividend rate in connection with a successful remarketing (and, therefore, in no event will the dividend rate be less than zero).

If the convertible preferred stock is not successfully remarketed, neither the dividend rate nor the conversion rate will be increased (and, for the avoidance of doubt, the convertible preferred stock will continue to not bear any dividends).

The remarketing agent is not obligated to purchase any shares of convertible preferred stock that would otherwise remain unsold in the remarketing. None of us, the remarketing agent or any agent of us or the remarketing agent will be obligated in any case to provide funds to make payment upon tender of convertible preferred stock for remarketing.

Automatic Settlement Upon Failed Final Remarketing

If the convertible preferred stock has not been successfully remarketed on or prior to the last day of the final remarketing period, all ownership interests in shares of convertible preferred stock held as part of Corporate Units will be delivered to us on the purchase contract settlement date in full satisfaction of the Corporate Unit holders' obligations to purchase our common stock under the related purchase contracts on the purchase contract settlement date, unless the holder separately cash settles purchase contracts as described below.

The ownership interest in convertible preferred stock underlying a Corporate Unit will be automatically delivered to us thereby satisfying such holder's obligations to us under the related purchase contracts in full, unless, prior to 5:00 p.m., New York City time, on the second business day immediately prior to the purchase contract settlement date, the holder provides written notice of an intention to settle the related purchase contracts with separate cash and on or prior to the business day immediately preceding the purchase contract settlement date delivers to the securities intermediary \$1,000 in cash per 10 purchase contracts. Holders of Corporate Units may settle their purchase contracts with separate cash only in integral multiples of 10 Corporate Units.

Payment

So long as any separate shares of convertible preferred stock are registered in the name of DTC, as depository for the convertible preferred stock as described herein under "Book-Entry Issuance—The Depository Trust Company," or DTC's nominee, payments on the convertible preferred stock will be made as described therein.

Form

So long as any separate shares of convertible preferred stock are registered in the name of DTC, as depository for the convertible preferred stock as described herein under "Book-Entry Issuance—The Depository Trust Company," or DTC's nominee, transfers and exchanges of beneficial interests in the separate shares of convertible preferred stock will be made as described therein.

Certain Trading Characteristics

After a dividend increase remarketing, the convertible preferred stock is expected to trade at a price that takes into account the value, if any, of accumulated but unpaid dividends (except for declared dividends accrued after a record date and prior to a dividend payment date, which dividends will be payable to the holders as of the record date, as described above); thus, purchasers will not pay, and sellers will not receive, accumulated and unpaid dividends with respect to the convertible preferred stock that is not included in the trading price thereof.

Title

We and any agent of ours will treat the person or entity in whose name securities are registered as the absolute owner of those securities for the purpose of making payments and for all other purposes irrespective of notice to the contrary.

Book-Entry Issuance—The Depository Trust Company

The shares of convertible preferred stock that form a part of the Corporate Units were issued in fully registered form and are evidenced by one or more global securities held in certificated form in the name of the purchase contract agent. The shares of convertible preferred stock that do not form a part of the Corporate Units are evidenced by one or more global securities registered in the name of DTC's nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. Such global securities will be deposited with the transfer agent as custodian for DTC. See "Certain Provisions of the Purchase Contract and Pledge Agreement—Book-Entry System for Corporate Units, Treasury Units and Cash Settled Units" for a description of DTC.

Purchases of the convertible preferred stock under the DTC system must be made by or through direct participants, which will receive a credit for the convertible preferred stock on DTC's records. The ownership interest of each actual purchaser of each share of convertible preferred stock ("beneficial owner") is in turn to be recorded on the direct and indirect participants' records. Beneficial owners will not receive written confirmation from DTC of their purchases, but beneficial owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the direct or indirect participant through which they purchased the convertible preferred stock. Transfers of ownership interests on the convertible preferred stock are to be accomplished by entries made on the books of direct and indirect participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in convertible preferred stock, except in the event that use of the book-entry system for the convertible preferred stock is discontinued.

To facilitate subsequent transfers, all convertible preferred stock deposited by direct participants with DTC are registered in the name of DTC's nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the convertible preferred stock with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the convertible preferred stock; DTC's records reflect only the identity of the direct participants to whose accounts the shares of convertible preferred stock are credited, which may or may not be the beneficial owners. The direct and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners, are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Notices will be sent to DTC.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the convertible preferred stock unless authorized by a direct participant in accordance with DTC's procedures. Under its usual

procedures, DTC mails an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns the voting or consenting rights of Cede & Co. to those direct participants to whose accounts the shares of convertible preferred stock are credited on the record date. We believe that these arrangements will enable the beneficial owners to exercise rights equivalent in substance to the rights that can be directly exercised by a registered holder of the convertible preferred stock.

Payments of dividends on the convertible preferred stock, if any, will be made to Cede & Co. (or such other nominee of DTC). DTC's practice is to credit direct participants' accounts upon DTC's receipt of funds and corresponding detail information from us or the transfer agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices and will be the responsibility of each participant and not of DTC or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of dividends to Cede & Co. (or other such nominee of DTC) is our responsibility. Disbursement of such payments to direct participants will be the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of direct and indirect participants.

A beneficial owner will not be entitled to receive physical delivery of the convertible preferred stock. Accordingly, each beneficial owner must rely on the procedures of DTC to exercise any rights under the convertible preferred stock.

DTC may discontinue providing its services as securities depository with respect to the convertible preferred stock at any time by giving us or the transfer agent reasonable notice. In the event no successor securities depository is obtained, certificates for the convertible preferred stock will be printed and delivered.

The information in this section concerning DTC's book-entry system has been obtained from sources that we believe to be reliable, but neither we nor the underwriters take any responsibility for the accuracy of this information.

DESCRIPTION OF THE 2019 CORPORATE UNITS

The following is a description of the material terms of our 7,500,000 equity units (the “Equity Units”) issued as 7,500,000 corporate units (the “Corporate Units”) on November 13, 2019, including the related purchase contracts (“purchase contracts”) and the 0% Series D Cumulative Perpetual Convertible Preferred Stock (the “convertible preferred stock”). It does not purport to be complete and is subject to and qualified in its entirety by our Certificate of Amendment to the Restated Certificate of Incorporation, dated November 13, 2019 (the “certificate of amendment”), and the Purchase Contract and Pledge Agreement, dated November 13, 2019 (the “purchase contract and pledge agreement”), among us, The Bank of New York Mellon Trust Company, National Association, as purchase contract agent (the “purchase contract agent”), and HSBC Bank USA, National Association (the “collateral agent”), as collateral agent, custodial agent and securities intermediary. Copies of the certificate of amendment and the purchase contract and pledge agreement have been filed with the Securities and Exchange Commission as Exhibits 3.1(g) and [●], respectively, to our Annual Report on Form 10-K. In this description, “we,” “us,” “our” or “the Company” refer only to Stanley Black & Decker, Inc. and any successor obligor, and not to any of its subsidiaries.

Description of the Equity Units

General

The Equity Units may be Corporate Units, Treasury Units or Cash Settled Units. The Equity Units initially consist of 7,500,000 Corporate Units, each with a stated amount of \$100. Each Corporate Unit offered by us consist of:

(1) a purchase contract under which:

- the holder agreed to purchase from us on November 15, 2022, which we refer to as the “purchase contract settlement date,” and we agreed to sell to the holder, unless the purchase contract terminates prior to that date as described under “Description of the Purchase Contracts—Termination” or is settled early as described under “Description of the Purchase Contracts—Early Settlement” or “—Early Settlement Upon a Fundamental Change” below, for \$100, a number of shares of our common stock equal to the applicable settlement rate described under “Description of the Purchase Contracts—Purchase of Common Stock,” “—Early Settlement” or “—Early Settlement Upon a Fundamental Change,” as the case may be, plus, in the case of an early settlement upon a fundamental change, an additional make-whole amount of shares as described under “—Early Settlement Upon a Fundamental Change—Calculation of Make-Whole Shares;” and
- we agreed to pay to the holder quarterly contract adjustment payments at the rate of 5.25% of the stated amount of \$100 per year, subject to our right to defer such contract adjustment payments, payable in cash, shares of our common stock or a combination thereof, at our election, unless we have previously irrevocably elected a contract adjustment payment method to apply; and

(2) either:

- a 1/10, or 10%, undivided beneficial ownership in one share of 0% Series D Cumulative Perpetual Convertible Preferred Stock, without par value, with a liquidation preference of \$1,000 per share (the “convertible preferred stock”), issued by us; or

- following a successful optional remarketing, the applicable ownership interest in a portfolio of U.S. Treasury securities, which we refer to as the “Treasury portfolio.”

“Applicable ownership interest” means, with respect to a Corporate Unit and the U.S. Treasury securities in the Treasury portfolio, a 1/10, or 10%, undivided beneficial ownership interest in \$1,000 face amount of U.S. Treasury securities (or principal or interest strips thereof) included in the Treasury portfolio that matures on or prior to the purchase contract settlement date.

The fair market value of the Corporate Units we issued were recorded in our financial statements based on an allocation between the purchase contracts and the convertible preferred stock in proportion to their respective fair market values at the time of issuance. Under the purchase contract and pledge agreement, holders were deemed to have agreed to allocate the entire purchase price to their convertible preferred stock.

As long as a unit is in the form of a Corporate Unit, any ownership interest in a share of convertible preferred stock or any applicable ownership interest in the Treasury portfolio forming a part of the Corporate Unit will be pledged to us through the collateral agent to secure a holders’ obligation to purchase our common stock under the related purchase contract.

Creating Treasury Units by Substituting a Treasury Security for Convertible Preferred Stock

Each holder of 10 Corporate Units may create, at any time other than (i) if we elect an optional remarketing, during the period from 5:00 p.m., New York City time, on the second business day immediately preceding the first day of any optional remarketing period until the settlement date of such remarketing or the date we announce that no successful optional remarketing has occurred during the optional remarketing period, (ii) following any successful remarketing and (iii) after 5:00 p.m., New York City time, on the second business day immediately preceding the first day of the final remarketing period (we refer to each such period as a “blackout period”), 10 Treasury Units by substituting for the share of convertible preferred stock that is a component of 10 Corporate Units a zero-coupon U.S. Treasury security with a principal amount of \$1,000 that matures on or prior to November 15, 2022 (e.g., CUSIP No. 912803BA0), which we refer to as a “Treasury security.” This substitution would create 10 Treasury Units, and the related share of convertible preferred stock would be released to the holder and would be separately tradable from the Treasury Units. Because the convertible preferred stock is issued with a liquidation preference of \$1,000 per share, holders of Corporate Units may make this substitution only in integral multiples of 10 Corporate Units.

Each Treasury Unit will consist of:

- (1) a purchase contract under which:
 - the holder will agree to purchase from us on the purchase contract settlement date, unless the purchase contract terminates prior to that date as described under “Description of the Purchase Contracts—Termination” or is settled early as described under “Description of the Purchase Contracts—Early Settlement” or “—Early Settlement Upon a Fundamental Change” below, for \$100, a number of shares of our common stock equal to the applicable settlement rate, plus, in the case of an early settlement upon a fundamental change, an additional make-whole amount of shares; and
 - we will pay to the holder quarterly contract adjustment payments at the rate of 5.25% of the stated amount of \$100 per year, subject to our right to defer such contract adjustment payments, payable in cash, shares of our common stock or a combination thereof, at our election, unless we have previously irrevocably elected a contract adjustment payment method to apply; and

(2) a 1/10 undivided beneficial ownership interest in a Treasury security.

The term “business day” means any day other than a Saturday or a Sunday or any other day on which banking institutions and trust companies in New York City, New York are authorized or required by law or executive order to remain closed.

To create 10 Treasury Units, a holder is required to:

- deposit with the collateral agent a Treasury security, which must be purchased in the open market at the expense of the Corporate Unit holder, unless otherwise owned by the holder; and
- transfer to the purchase contract agent 10 Corporate Units, accompanied by a notice stating that the holder of the Corporate Units has deposited the Treasury security with the collateral agent, and requesting that the purchase contract agent instruct the collateral agent in writing to release the related share of convertible preferred stock.

Promptly following receipt of written instructions from the purchase contract agent and receipt of the Treasury security, the collateral agent will release the related share of convertible preferred stock from the pledge and deliver it to the purchase contract agent on behalf of the holder, free and clear of our security interest. The purchase contract agent then will:

- cancel the 10 Corporate Units;
- transfer the related share of convertible preferred stock to the holder;
and
- deliver 10 Treasury Units to the holder.

The Treasury Unit holder’s beneficial ownership interest in the Treasury security will be pledged to us through the collateral agent to secure the holder’s obligation to purchase our common stock under the related purchase contracts. The share of convertible preferred stock thereafter will trade and be transferable separately from the Treasury Units.

Holders who create Treasury Units or recreate Corporate Units, as discussed below, will be responsible for any fees or expenses (including reasonable fees and expenses of counsel) payable to the collateral agent in connection with substitutions of collateral. See “Certain Provisions of the Purchase Contracts and the Purchase Contract and Pledge Agreement—Miscellaneous.”

Recreating Corporate Units from Treasury Units

Each holder of 10 Treasury Units will have the right, at any time other than during a blackout period, to substitute for the related Treasury security held by the collateral agent one share of convertible preferred stock for each such 10 Treasury Units. This substitution would recreate Corporate Units and the applicable Treasury security would be released to the holder. Because the convertible preferred stock is issued with a liquidation preference of \$1,000 per share, holders of Treasury Units may make the substitution only in integral multiples of 10 Treasury Units.

To recreate 10 Corporate Units, a holder is required to:

- deposit with the collateral agent one share of convertible preferred stock, which must be purchased in the open market at the expense of the Treasury Unit holder, unless otherwise owned by the holder; and
- transfer to the purchase contract agent 10 Treasury Units, accompanied by a notice stating that the holder of the Treasury Units has deposited one share of convertible preferred stock with the collateral

agent, and requesting that the purchase contract agent instruct the collateral agent in writing to release the related Treasury security.

Promptly following receipt of written instructions from the purchase contract agent and receipt of the share of convertible preferred stock, the collateral agent will release the related Treasury security from the pledge and promptly instruct the securities intermediary to transfer such Treasury security to the purchase contract agent on behalf of the holder, free and clear of our security interest. The purchase contract agent then will:

- cancel the 10 Treasury Units;
- transfer the related Treasury security to the holder;
and
- deliver 10 Corporate Units to the holder.

The share of convertible preferred stock will be substituted for the Treasury security and will be pledged to us through the collateral agent to secure the holder's obligation to purchase shares of our common stock under the related purchase contracts. The Treasury security thereafter will trade and be transferable separately from the Corporate Units.

Creating Cash Settled Units from Corporate Units

Each holder of 10 Corporate Units may create, only during the period after the date we give notice of the final remarketing period and prior to 5:00 p.m., New York City time, on the second business day immediately preceding the first day of the final remarketing period, Cash Settled Units by substituting for a share of convertible preferred stock that is a component of the Corporate Units \$1,000 in cash. This substitution would create 10 Cash Settled Units, and the related share of convertible preferred stock would be released to the holder and would be separately tradable from the Cash Settled Units. Because the convertible preferred stock is issued with a liquidation preference of \$1,000 per share, holders of Corporate Units may make this substitution only in integral multiples of 10 Corporate Units. Holders of Cash Settled Units do not have the right to recreate Corporate Units or create Treasury Units.

Each Cash Settled Unit will consist of:

- (1) a purchase contract under which:
 - the holder will agree to purchase from us on the purchase contract settlement date, unless the purchase contract terminates prior to that date as described under "Description of the Purchase Contracts—Termination" or is settled early as described under "—Early Settlement Upon a Fundamental Change" below, for \$100, a number of shares of our common stock equal to the applicable settlement rate, plus, in the case of an early settlement upon a fundamental change, an additional make-whole amount of shares; and
 - we will pay to the holder the final quarterly contract adjustment payment due on the purchase contract settlement date (including any accrued and unpaid deferred contract adjustment payments and compounded contract adjustment payments thereon), payable in cash, shares of our common stock or a combination thereof, at our election, unless we have previously irrevocably elected a contract adjustment payment method to apply; and
- (2) \$100 in cash.

To create 10 Cash Settled Units, a holder is required to:

- deposit with the collateral agent \$1,000 in cash;
and
- transfer to the purchase contract agent 10 Corporate Units, accompanied by a notice stating that the holder of the Corporate Units has deposited \$1,000 in cash with the collateral agent, and requesting that the purchase contract agent instruct the collateral agent in writing to release the related share of convertible preferred stock.

Promptly following receipt of written instructions from the purchase contract agent and receipt of cash, the collateral agent will release the related share of convertible preferred stock from the pledge and deliver it to the purchase contract agent on behalf of the holder, free and clear of our security interest. The purchase contract agent then will:

- cancel the 10 Corporate Units;
- transfer the related share of convertible preferred stock to the holder;
and
- deliver 10 Cash Settled Units to the holder.

The cash will be substituted for the share of convertible preferred stock and will be pledged to us through the collateral agent to secure the holder's obligation to purchase shares of our common stock under the related purchase contract. Cash held as a component of the Cash Settled Unit will be held in a non-interest bearing account as set forth in the purchase contract and pledge agreement. The share of convertible preferred stock thereafter will trade separately from the Cash Settled Units.

Holders who create Cash Settled Units, as discussed below, will be responsible for any fees or expenses payable to the collateral agent (including reasonable fees and expenses of counsel) in connection with substitutions of collateral. See "Certain Provisions of the Purchase Contracts and the Purchase Contract and Pledge Agreement—Miscellaneous."

Current Payments

Holders of Corporate Units and Treasury Units receive quarterly contract adjustment payments payable by us at the rate of 5.25% per year on the stated amount of \$100 per Equity Unit until the earliest of the purchase contract settlement date, the fundamental change early settlement date (in the case of a fundamental change where the holder has elected to settle its purchase contracts early in connection with such fundamental change as described in "Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change") and the most recent quarterly payment date on or before an early settlement as described in "Description of the Purchase Contracts—Early Settlement." Holders of Cash Settled Units will receive the final quarterly contract adjustment payment payable by us on the final contract adjustment payment date. Holders of Corporate Units do not receive any dividends on the convertible preferred stock attributable to such Corporate Units (but will receive distributions on the applicable ownership interest in the Treasury portfolio, if any, if the convertible preferred stock has been replaced by the Treasury portfolio) and the liquidation preference of the convertible preferred stock does not accrete. Any contract adjustment payments may be paid in cash, shares of our common stock or a combination thereof, at our election, as described herein, unless we have previously irrevocably elected a contract adjustment payment method to apply. There will be no distributions in respect of the Treasury securities that are a component of the Treasury Units or the cash that is a component of the Cash Settled Units. If the dividend rate on the convertible preferred stock has been increased in connection with a successful remarketing, the holders of the Treasury Units will receive quarterly dividend payments (when, as and if declared by our board of directors) on the shares of convertible

preferred stock that were released to them when they created the Treasury Units as long as they continue to hold such shares.

We are required to make all contract adjustment payments quarterly in arrears on February 15, May 15, August 15 and November 15 of each year (except where such date is not a business day, in which case contract adjustment payments will be payable as of the next subsequent business day, without adjustment), commencing on February 15, 2020.

We have the right to defer payment of quarterly contract adjustment payments as described under “Description of the Purchase Contracts—Contract Adjustment Payments.” Even if the dividend rate is increased in connection with a successful remarketing, and dividends therefore begin to accumulate on the convertible preferred stock, we are not obligated to declare or pay any such dividends on the convertible preferred stock, as described under “Description of the Convertible Preferred Stock—Dividends Following a Successful Remarketing.”

Listing

We have listed the Corporate Units on the New York Stock Exchange under the symbol “SWT.” Unless and until substitution has been made as described above, none of the convertible preferred stock component of a Corporate Unit, the Treasury security component of a Treasury Unit nor the cash component of a Cash Settled Unit will trade separately from Corporate Units, Treasury Units or Cash Settled Units. The convertible preferred stock component trades as a unit with the purchase contract component of the Corporate Units, the Treasury security component will trade as a unit with the purchase contract component of the Treasury Units and the cash component will trade as a unit with the purchase contract component of the Cash Settled Units. In addition, if Treasury Units, Cash Settled Units or shares of convertible preferred stock are separately traded to a sufficient extent that the applicable exchange listing requirements are met, we may, but have no obligation to, cause the Treasury Units, Cash Settled Units or convertible preferred stock to be listed on the exchange on which the Corporate Units are then listed, including, if applicable, the New York Stock Exchange.

Voting and Certain Other Rights

Holders of purchase contracts forming part of the Corporate Units, Treasury Units, or Cash Settled Units, in their capacities as such holders, have no voting or other rights in respect of our common stock. Holders of shares of convertible preferred stock, whether or not part of a Corporate Unit, have only the limited voting rights described in “Description of the Convertible Preferred Stock—Limited Voting Rights.”

Description of the Purchase Contracts

Purchase of Common Stock

Each purchase contract that is a part of a Corporate Unit, a Treasury Unit or a Cash Settled Unit obligates its holder to purchase, and us to sell, on the purchase contract settlement date (unless the purchase contract terminates prior to that date as described under “—Termination” or is settled early at the holder’s option as described under “—Early Settlement” or “—Early Settlement Upon a Fundamental Change”), for \$100 in cash, a number of shares of our common stock equal to the settlement rate (together with cash, if applicable, in lieu of any fractional shares of common stock in the manner described below). The number of shares of our common stock issuable upon settlement of each purchase contract on the purchase contract settlement date (which we call the “settlement rate”) will be rounded to the nearest ten-thousandth of a share and determined as follows, subject to adjustment as described under “—Anti-dilution Adjustments” below:

- (1) If the applicable market value of our common stock is less than or equal to \$159.45, which we refer to as the “reference price,” the settlement rate will be 0.6272 shares of our common stock (which we refer to as the “maximum settlement rate”).

Accordingly, if the market price for our common stock decreases from the date of the prospectus supplement and during the market value averaging period (described below), the aggregate market value of the shares of common stock issued upon settlement of each purchase contract will be less than the stated amount of \$100, assuming that the market price on the purchase contract settlement date is the same as the applicable market value of the common stock.

- (2) If the applicable market value of our common stock is greater than the reference price, the settlement rate will be a number of shares of our common stock equal to \$100 *divided by* that applicable market value.

Accordingly, if the market price for the common stock increases from the date of the prospectus supplement and during the market value averaging period, the aggregate market value of the shares of common stock issued upon settlement of each purchase contract will be equal to the stated amount of \$100, assuming that the market price of the common stock on the purchase contract settlement date is the same as the applicable market value of the common stock.

The reference price initially equaled the last reported sale price of our common stock on the New York Stock Exchange on November 7, 2019.

If a holder elects to settle their purchase contract early in the manner described under “—Early Settlement,” the number of shares of our common stock issuable upon settlement of such purchase contract will be equal to 85% of the settlement rate determined in the manner set forth above but over a 20 consecutive trading day period beginning on the trading day immediately following the day the holder exercises their early settlement right, which we refer to as the “early settlement averaging period.” If the holder elects to settle their purchase contract early upon a fundamental change, the number of shares of our common stock issuable upon settlement will be determined as described under “—Early Settlement Upon a Fundamental Change.”

The “applicable market value” of our common stock means the average of the daily VWAPs of our common stock during the market value averaging period.

The “market value averaging period” means the 20 consecutive trading day period beginning on, and including, the 21st scheduled trading day immediately preceding the purchase contract settlement date.

The “daily VWAP” of our common stock means, for each relevant trading day, the per share volume weighted average price as displayed under the heading Bloomberg VWAP on Bloomberg page “SWK <EQUITY> AQR” (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading on the relevant trading day until the scheduled close of trading on the relevant trading day (or if such VWAP is unavailable, the market price of one share of our common stock on such trading day determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained for this purpose by us).

A “trading day” means (a) a day (i) on which the New York Stock Exchange, or, if our common stock is not then listed on the New York Stock Exchange, the principal exchange or quotation system on which our common stock is listed or admitted for trading, is scheduled to be open for business and (ii) on which there has not occurred or does not exist a market disruption event, or (b) if our common stock is not so listed or admitted for trading, a “trading day” means a business day.

A “market disruption event” means (i) a failure by the primary U.S. national or regional securities exchange or market on which our common stock is listed or admitted for trading to open for trading during its regular trading session or (ii) the occurrence or existence prior to 1:00 p.m., New York City time, on any scheduled trading day for our common stock for more than one half-hour period in the aggregate during regular trading hours of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant stock exchange or otherwise) in our common stock or in any options contracts or futures contracts relating to our common stock.

If a market disruption event occurs on any scheduled trading day during the market value averaging period or any early settlement averaging period, we will notify investors on the calendar day on which such event occurs.

If 20 trading days for our common stock have not occurred during the period from, and including, the first day of the market value averaging period to, and including, the second scheduled trading day immediately prior to the purchase contract settlement date, all remaining trading days in the market value averaging period will be deemed to occur on that second scheduled trading day immediately prior to the purchase contract settlement date, and the daily VWAP of our common stock for each of those remaining trading days will be the daily VWAP of our common stock on that second scheduled trading day or, if such day is not a trading day, the closing price as of such day.

We will not issue any fractional shares of our common stock upon settlement of a purchase contract. Instead of a fractional share, the holder will receive an amount of cash equal to the percentage of a whole share represented by such fractional share *multiplied by* the closing price of our common stock on the trading day immediately preceding the purchase contract settlement date (or the trading day immediately preceding the relevant date for delivery of shares of our common stock, in the case of early settlement). If, however, a holder surrenders for settlement more than one purchase contract on the same date, then the number of shares of our common stock issuable pursuant to such purchase contracts will be computed based upon the aggregate number of purchase contracts surrendered on such date or, if the Equity Units are held in global book-entry form, based on such other aggregate number of purchase contracts being surrendered by the holder on the same date as DTC may otherwise request.

The “closing price” per share of our common stock means, on any date of determination, the closing sale price (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions for the principal U.S. national or regional securities exchange on which our common stock is traded. If our common stock is not

listed for trading on a U.S. national or regional securities exchange on the relevant date, the “closing price” will be the last quoted bid price for our common stock in the over-the-counter market on the relevant date as reported by OTC Markets Group Inc. or a similar organization. If our common stock is not so quoted, the “closing price” will be the average of the mid-point of the last bid and ask prices for our common stock on the relevant date from each of at least three nationally recognized independent investment banking firms selected by us for this purpose.

Unless:

- a holder has settled the related purchase contracts early by delivery of cash to the purchase contract agent in the manner described under “—Early Settlement” or “—Early Settlement Upon a Fundamental Change”; or
- an event described under “—Termination” has occurred,

then, on the purchase contract settlement date,

- in the case of Corporate Units where there has been a successful remarketing, the portion of the proceeds from the final remarketing or the maturity of the Treasury portfolio from an earlier optional remarketing, as applicable, equal to \$1,000 *multiplied by* the number of shares of the convertible preferred stock underlying the Corporate Units that were remarketed will automatically be applied to satisfy in full the holder’s obligations to purchase our common stock under the related purchase contracts and any excess proceeds will be delivered to the purchase contract agent for the benefit of the holders whose shares of convertible preferred stock were remarketed;
- in the case of Corporate Units where there has not been a successful remarketing, each holder will be deemed to have automatically delivered to us on the purchase contract settlement date the ownership interests in the shares of convertible preferred stock that are a part of such Corporate Units (unless such holder shall have elected to settle the related purchase contracts in cash as described under “—Final Remarketing”) to satisfy in full the holder’s obligations to purchase our common stock under the related purchase contracts;
- in the case of Treasury Units, the cash proceeds of the related Treasury securities, when paid at maturity, will automatically be applied to satisfy in full the holder’s obligation to purchase our common stock under the related purchase contracts and any excess proceeds will be delivered to the purchase contract agent for the benefit of the holders of the Treasury Units; and
- in the case of Cash Settled Units, the cash component of such units will automatically be applied to satisfy in full the holder’s obligation to purchase our common stock under the related purchase contracts.

Our common stock will then be issued and delivered to the holder or the holder’s designee, promptly following presentation and surrender of the certificate evidencing the Corporate Units, the Treasury Units or the Cash Settled Units, if in certificated form, and payment by the holder of any transfer or similar taxes payable in connection with the issuance of our common stock to any person other than the holder.

Prior to the settlement of a purchase contract, the shares of our common stock underlying each purchase contract will not be outstanding, and the holder of a purchase contract will not have any voting rights, rights to dividends or other distributions or other rights of a holder of our common stock by virtue of holding such purchase contract.

By purchasing a Corporate Unit, a Treasury Unit or a Cash Settled Unit, a holder was deemed to have, among other things:

- irrevocably appointed the purchase contract agent as its attorney-in-fact to enter into and perform the purchase contract and the related purchase contract and pledge agreement in the name of and on behalf of such holder; and
- agreed to be bound by the terms and provisions of the Corporate Units, Treasury Units and Cash Settled Units and perform its obligations under the related purchase contract and the purchase contract and pledge agreement.

In addition, each beneficial owner of an Equity Unit, by acceptance of the beneficial interest therein, was deemed to have agreed to treat itself as the owner of the related convertible preferred stock, applicable interest in the Treasury portfolio, Treasury securities or cash, as the case may be.

Remarketing

We will enter into a remarketing agreement with a nationally recognized investment banking firm, as remarketing agent. Pursuant to the remarketing agreement, remarketing of the convertible preferred stock underlying the Corporate Units and any separate shares of convertible preferred stock whose holders have elected to participate in the remarketing will be attempted as described below. We refer to each of an “optional remarketing” and the “final remarketing” (each as defined below) as a “remarketing.” No remarketing will occur if a termination event has occurred or, in the case of an optional remarketing, certain other events have occurred as described below.

As described under “Description of the Convertible Preferred Stock—Remarketing,” in connection with a successful remarketing, (i) the dividend rate on the convertible preferred stock may be increased as described below, (ii) the conversion rate of the convertible preferred stock may be increased as described below, (iii) the earliest redemption date may be changed to a later date as described below, (iv) we may elect for the fundamental change conversion right to apply and (v) if the dividend rate is increased, dividends will be payable quarterly in arrears, when, as and if declared by our board of directors, commencing on the February 15, May 15, August 15 or November 15 immediately following the remarketing settlement date, as selected by us, *provided* that the first such dividend payment date will not be earlier than February 15, 2023.

During any blackout period a holder does not have the right to:

- settle a purchase contract early;
- create Treasury Units;
- create Cash Settled Units; or
- recreate Corporate Units from Treasury Units.

We will use commercially reasonable efforts to ensure that a registration statement with regard to the full amount of the convertible preferred stock to be remarketed will be effective in a form that may be used by the remarketing agent in connection with the remarketing process (unless such registration statement is not required under the applicable laws and regulations that are in effect at that time or unless we conduct any remarketing in accordance with an exemption under the securities laws).

Optional Remarketing

Unless a termination event has occurred, we may elect, at our option, to, on one or more occasions as specified herein, remarket the convertible preferred stock during a period (which we call the “optional remarketing window”) beginning on and including August 10, 2022 and ending on and including October 27, 2022. Any remarketing in the optional remarketing window will occur during a five-business day remarketing period (which we call an “optional remarketing period”) consisting of five sequential possible remarketing dates selected by us and will include shares of convertible preferred stock underlying Corporate Units and other shares of convertible preferred stock of holders that have elected to include those shares in the remarketing as described under “Description of the Convertible Preferred Stock—Remarketing of Shares That Are Not Included in Corporate Units.” We may attempt remarketings during multiple optional remarketing periods in the optional remarketing window so long as we give to the depository 15 calendar days’ notice prior to the first day of any optional remarketing period as described below. We refer to a remarketing that occurs during the optional remarketing window as an “optional remarketing” and the date we price the convertible preferred stock offered in an optional remarketing as the “optional remarketing date.”

If we elect to conduct an optional remarketing, the remarketing agent will use its reasonable best efforts to obtain a price (i) for shares of convertible preferred stock that are components of Corporate Units, that results in proceeds of at least 100% of the Treasury portfolio purchase price described below and (ii) for shares of convertible preferred stock that are not part of Corporate Units, at least equal to the separate convertible preferred stock purchase price (as defined in “Description of the Convertible Preferred Stock—Remarketing of Shares That Are Not Included in Corporate Units”), which will be the same price, on a per share basis, as the shares of convertible preferred stock included as components of Corporate Units. To obtain that price, we may change the earliest redemption date to a later date as described under “Description of the Convertible Preferred Stock—Optional Redemption,” increase the dividend rate, increase the conversion rate on the convertible preferred stock and/or elect for the fundamental change conversion right to apply, as described under “Description of the Convertible Preferred Stock—Increased Dividend Rate and Increased Conversion Rate.” We will not decrease the conversion rate or the dividend rate in connection with a successful remarketing (and, therefore, in no event will the dividend rate be less than zero).

We will request that the depository notify its participants holding Corporate Units, Treasury Units, and separate shares of convertible preferred stock of our election to conduct an optional remarketing no later than 15 calendar days prior to the date we begin the optional remarketing.

Following a successful optional remarketing of the convertible preferred stock, the remarketing agent will purchase the Treasury portfolio at the Treasury portfolio purchase price (as defined below), and deduct such price from the proceeds of the optional remarketing. Any remaining proceeds will be promptly remitted after the optional remarketing settlement date by the remarketing agent for the benefit of the holders whose shares of convertible preferred stock were remarketed.

We have the right to elect not to attempt or to postpone any optional remarketing in our absolute discretion on any day of the relevant optional remarketing period.

If we elect to conduct an optional remarketing and such remarketing is successful:

- settlement of the remarketed convertible preferred stock will occur on the second business day following the optional remarketing date, or such other date we and the remarketing agent agree to (we refer to such settlement date as the “optional remarketing settlement date”);
- if applicable, the dividend rate and/or conversion rate of all outstanding shares of convertible preferred stock (whether or not remarketed) will be increased on the optional remarketing settlement date;

- if applicable, the earliest redemption date will be changed to a later date, effective on the optional remarketing settlement date;
- any terms of the remarketed convertible preferred stock modified by us (including whether the fundamental change conversion right applies) in accordance with the certificate of amendment creating the convertible preferred stock (the “certificate of amendment”) will become effective on the optional remarketing settlement date, if applicable;
- if the dividend rate is increased, dividends will be payable quarterly, when, as and if declared by our board of directors;
- a holder’s Corporate Units will consist of a purchase contract and the applicable ownership interest in the Treasury portfolio, as described above; and
- a holder may no longer create Treasury Units or Cash Settled Units or recreate Corporate Units from Treasury Units.

If we do not elect to conduct an optional remarketing in the optional remarketing window, or no optional remarketing succeeds for any reason, the shares of convertible preferred stock will continue to be components of the Corporate Units or will continue to be held separately and the remarketing agent will use its reasonable best efforts to remarket the convertible preferred stock during the final remarketing period as described below.

For the purposes of a successful optional remarketing, “Treasury portfolio purchase price” means the lowest aggregate ask-side price quoted by a primary U.S. government securities dealer to the quotation agent selected by us between 9:00 a.m. and 4:00 p.m., New York City time, on the optional remarketing date for the purchase of the Treasury portfolio for settlement on the optional remarketing settlement date.

Following a successful optional remarketing, the remarketing agent will purchase, at the Treasury portfolio purchase price, the Treasury portfolio. If U.S. Treasury securities (or principal or interest strips thereof) that are to be included in the Treasury portfolio in connection with a successful optional remarketing have a yield that is less than zero, the Treasury portfolio will consist of an amount in cash equal to the aggregate principal amount at maturity of the U.S. Treasury securities described in the description of the Treasury portfolio under “Description of the Equity Units.” If the provisions set forth in this paragraph apply, references in this Description of the 2019 Corporate Units to a “Treasury security” and “U.S. Treasury securities (or principal or interest strips thereof)” in connection with the Treasury portfolio will, thereafter, be deemed to be references to such amount in cash. Neither we, the purchase contract agent, the collateral agent or anyone else will invest that cash.

The applicable ownership interests in the Treasury portfolio will be substituted for the shares of convertible preferred stock that are components of the Corporate Units and will be pledged to us through the collateral agent to secure the Corporate Unit holders’ obligations under the purchase contracts. On the purchase contract settlement date, a portion of the proceeds from the Treasury portfolio equal to \$1,000 *multiplied by* the number of shares of convertible preferred stock that are components of the Corporate Units at the time of remarketing will automatically be applied to satisfy the Corporate Unit holders’ obligations to purchase our common stock under the purchase contracts. For the avoidance of doubt, any failure to apply proceeds as described above solely as a result of a failure by the U.S. government to pay the principal amount of or any interest on any Treasury security in the Treasury portfolio shall not constitute an event of default under a purchase contract. If, as a result of any such failure, there are insufficient proceeds from the Treasury portfolio to satisfy the Corporate Unit holders’ obligations to purchase common stock under the purchase contracts, we will delay settlement of the purchase contracts until such time as such proceeds are available.

If we elect to remarket the convertible preferred stock during an optional remarketing period and a successful remarketing has not occurred on or prior to the last day of the optional remarketing period, we will cause a notice of the failed remarketing of the convertible preferred stock to be published before 9:00 a.m., New York City time, on the business day immediately following the last date of the optional remarketing period. This notice will be validly published by making a timely release to any appropriate news agency, including, without limitation, Bloomberg Business News and the Dow Jones News Service. We will similarly cause a notice of a successful remarketing of the convertible preferred stock to be published before 9:00 a.m., New York City time, on the business day immediately following the date of such successful remarketing.

Final Remarketing

Unless (i) a termination event has occurred or (ii) the Treasury portfolio has replaced the convertible preferred stock as a component of the Corporate Units as a result of a successful optional remarketing, the remarketing agent will remarket the shares of convertible preferred stock that are components of the Corporate Units and any separate shares of convertible preferred stock whose holders have elected to participate in the remarketing as described under “Description of the Convertible Preferred Stock—Remarketing of Shares That Are Not Included in Corporate Units,” during each day of the five business day period ending on November 11, 2022 (the second business day immediately preceding the purchase contract settlement date) until the remarketing is successful. We refer to such period as the “final remarketing period,” the remarketing during this period as the “final remarketing” and the date we price the convertible preferred stock offered in the final marketing as the “final remarketing date.”

The remarketing agent will use its reasonable best efforts to obtain, and the remarketing will be considered successful if the remarketing agent is able to obtain, a price that results in proceeds of at least \$1,000 *multiplied by* the number of shares of convertible preferred stock being remarketed. To obtain that price, we may change the earliest redemption date to a later date, increase the dividend rate, increase the conversion rate of the convertible preferred stock and/or elect whether the fundamental change conversion right applies, as described under “Description of the Convertible Preferred Stock—Increased Dividend Rate and Increased Conversion Rate.” We will request that the depository notify its participants holding Corporate Units, Treasury Units and separate shares of convertible preferred stock of the remarketing no later than October 20, 2022. In our notice of a final remarketing, we will set forth the dates of the final remarketing period, applicable procedures for holders of separate shares of convertible preferred stock to participate in the final remarketing, the applicable procedures for holders of Corporate Units to create Treasury Units or Cash Settled Units, if applicable, the applicable procedures for holders of Corporate Units to settle their purchase contracts early and any other applicable procedures, including the procedures that must be followed by a holder of an ownership interest in a share of convertible preferred stock that is a part of a Corporate Unit in the case of a failed final remarketing if such holder wishes not to have its ownership interests in shares of convertible preferred stock automatically delivered to us as described in this Description of the 2019 Corporate Units in satisfaction of its obligation under the related purchase contracts.

We have the right to postpone the final remarketing in our absolute discretion on any day prior to the last business day of the final remarketing period.

If the final remarketing is successful:

- settlement of the remarketed convertible preferred stock will occur on the purchase contract settlement date;
- if applicable, the dividend rate and/or conversion rate of all outstanding shares of convertible preferred stock (whether or not remarketed) will be increased, effective on the purchase contract settlement date;

- if applicable, the earliest redemption date will be changed to a later date, effective on the purchase contract settlement date;
- any other modified terms of the convertible preferred stock (including whether the fundamental change conversion right applies) will take effect on the purchase contract settlement date in accordance with the terms of the certificate of amendment;
- if the dividend rate is increased, dividends will be payable quarterly, when, as and if declared by our board of directors;
- a portion of the proceeds from the remarketing equal to \$1,000 *multiplied by* the number of shares of convertible preferred stock underlying Corporate Units that were remarketed will automatically be applied to satisfy in full the Corporate Unit holders' obligations to purchase our common stock under the related purchase contracts on the purchase contract settlement date and any remaining proceed will be promptly remitted to the holder after the purchase contract settlement date; and
- proceeds from the remarketing attributable to holders who have elected to participate in the remarketing will be remitted by the remarketing agent for the benefit of such holders on the purchase contract settlement date.

If (1) despite using its reasonable best efforts, the remarketing agent cannot remarket the related convertible preferred stock on or prior to the last day of the final remarketing period, at a price equal to or greater than \$1,000 *multiplied by* the aggregate number of shares of convertible preferred stock to be remarketed or (2) the final remarketing has not occurred on or prior to the last day of the final remarketing period because a condition precedent to the remarketing has not been fulfilled, in each case resulting in a failed remarketing, the ownership interests in the shares of convertible preferred stock held as a part of Corporate Units will be automatically delivered to us, on the purchase contract settlement date, in full satisfaction of the Corporate Unit holder's obligation to purchase our common stock under the related purchase contract, unless the holder has elected otherwise, as set forth under "Description of the Convertible Preferred Stock—Automatic Settlement Upon Failed Final Remarketing."

If a successful remarketing has not occurred on or prior to the last day of the final remarketing period, we will cause a notice of the failed remarketing of the convertible preferred stock to be published before 9:00 a.m., New York City time, on the business day immediately following the last date of the final remarketing period. This notice will be validly published by making a timely release to any appropriate news agency, including, without limitation, Bloomberg Business News or the Dow Jones News Service.

Early Settlement

Subject to the conditions described below, a holder of Corporate Units or Treasury Units may elect to settle the related purchase contracts at any time prior to the close of business on the scheduled trading day immediately preceding the first day of the market value averaging period, other than during a blackout period. In the case of Corporate Units and Treasury Units, such early settlement may only be made in integral multiples of 10 purchase contracts.

In order to settle purchase contracts early, a holder of Equity Units must deliver to the purchase contract agent (1) a completed "Election to Settle Early" form, along with the Corporate Unit or Treasury Unit certificate, if they are in certificated form and (2) a cash payment in immediately available funds in an amount equal to:

- \$100 times the number of purchase contracts being settled; *plus*

- if the “early settlement date” (as defined below) for any purchase contract occurs during the period from the close of business on any contract adjustment payment record date to the opening of business on the related payment date, an amount equal to the contract adjustment payments payable on the payment date with respect to the purchase contracts being settled, unless we have elected to defer the contract adjustment payments payable on such date.

So long as you hold Equity Units as a beneficial interest in a global security certificate deposited with the depository, procedures for early settlement will also be governed by standing arrangements between the depository and the purchase contract agent.

The early settlement right is also subject to the condition that, if we determine that it is required under U.S. federal securities laws, we have a registration statement under the Securities Act in effect and an available prospectus covering the shares of common stock and other securities, if any, deliverable upon settlement of a purchase contract. We have agreed that, if required under U.S. federal securities laws, we will use our commercially reasonable efforts to (1) have a registration statement in effect covering those shares of common stock and other securities, if any, to be delivered in respect of the purchase contracts being settled and (2) provide a prospectus in connection therewith, in each case in a form that may be used in connection with the early settlement right (it being understood that if there is a material business transaction or development that has not yet been publicly disclosed, we will not be required to file such registration statement or provide such a prospectus, and the early settlement right will not be available, until we have publicly disclosed such transaction or development, *provided* that we will use our commercially reasonable efforts to make such disclosure as soon as it is commercially reasonable to do so).

Upon early settlement, except as described below in “—Early Settlement Upon a Fundamental Change,” we will issue, for each purchase contract being settled, 85% of the number of shares of our common stock that would be deliverable for each purchase contract as described in “—Purchase of Common Stock” above as if the “applicable market value” were the average of the daily VWAPs of our common stock during the early settlement averaging period.

We will cause the related shares of convertible preferred stock or applicable ownership interests in the Treasury portfolio or Treasury securities, as the case may be, underlying the Equity Units and securing such purchase contract to be released from the pledge under the purchase contract and pledge agreement, and delivered within two business days following the early settlement date, to the purchase contract agent on behalf of the holder, free and clear of our security interest. In addition, we will issue the number of shares of our common stock to be issued upon settlement of the purchase contract within two business days following the last day of the early settlement averaging period, to the purchase contract agent for delivery to the holder. Upon early settlement, the holder will be entitled to receive any accrued and unpaid contract adjustment payments (including any accrued and unpaid deferred contract adjustment payments and compounded contract adjustment payments thereon) to, but excluding, the quarterly payment date immediately preceding the early settlement date. The holder’s right to receive future contract adjustment payments will terminate (except for contract adjustment payments payable to the holders of record on the applicable record date), and no adjustment will be made to or for the holder on account of any amounts accrued in respect of contract adjustment payments since the most recent quarterly payment date.

If the purchase contract agent receives a completed “Election to Settle Early” form, along with the Corporate Unit or Treasury Unit certificate, if they are in certificated form, and payment of \$100 for each purchase contract being settled prior to 5:00 p.m., New York City time, on any business day and all conditions to early settlement have been satisfied, then that day will be considered the “early settlement date.” If the purchase contract agent receives the foregoing on or after 5:00 p.m., New York City time, on any business day or at any time on a day that is not a business day, then the next business day will be considered the “early settlement date.”

Early Settlement Upon a Fundamental Change

If a fundamental change (as defined below) occurs prior to the purchase contract settlement date, then, following the fundamental change, each holder of a purchase contract, subject to certain conditions described in this Description of the 2019 Corporate Units, will have the right to settle the purchase contract early on the fundamental change early settlement date (as defined below) at the settlement rate determined as if the applicable market value equaled the stock price (as defined below under “—Calculation of Make-Whole Shares”), plus an additional number of shares determined as set forth below (such additional number referred to as the “make-whole shares”). We refer to this right as the “fundamental change early settlement right.”

A “fundamental change” will be deemed to have occurred at the time after the Equity Units are originally issued if any of the following occurs:

- (i) any transaction or event (whether by means of a share exchange or tender offer applicable to our common stock, a liquidation, consolidation, recapitalization, reclassification, combination or merger of us or a sale, lease or other transfer of all or substantially all of our consolidated assets) or a series of related transactions or events occurs pursuant to which 50% or more of our outstanding common stock is exchanged for, converted into or constitutes solely the right to receive cash, securities or other property, more than 10% of which consists of cash, securities or other property that is not, or will not be upon consummation of such transaction, listed on a United States national or regional securities exchange for a period of 30 or more consecutive trading days; or
- (ii) our common stock ceases to be listed or quoted on a United States national or regional securities exchange for 30 or more consecutive trading days.

The fundamental change early settlement right is subject to the condition that at such time, if so required under U.S. federal securities laws, there is in effect a registration statement and an available prospectus covering shares of our common stock and other securities, if any, to be delivered pursuant to the purchase contracts being settled. We have agreed that, if required under U.S. federal securities laws, we will use our commercially reasonable efforts to (1) have a registration statement in effect covering our common stock and other securities, if any, to be delivered in respect of the purchase contracts being settled and (2) provide a prospectus in connection therewith, in each case in a form that may be used in connection with the early settlement upon a fundamental change (it being understood that if there is a material business transaction or development that has not yet been publicly disclosed, we will not be required to file such registration statement or provide such a prospectus, and the fundamental change early settlement right will not be available, until we have publicly disclosed such transaction or development, *provided* that we will use our commercially reasonable efforts to make such disclosure as soon as it is commercially reasonable to do so). The fundamental change early settlement date will be postponed by the number of days during the period on which no such registration statement is effective, except that the fundamental change early settlement date will not be postponed beyond the purchase contract settlement date. If, but for the exception contained in the immediately preceding sentence, the fundamental change early settlement date would occur on or after the purchase contract settlement date, we will deliver to any holder of purchase contracts on the purchase contract settlement date the applicable number of make-whole shares in addition to a number of shares equal to the settlement rate, determined as if the applicable market value were equal to the stock price (as defined below under “—Calculation of Make-Whole Shares”) in such fundamental change.

To the extent practicable, we will provide each holder of Equity Units with a notice of the anticipated effective date of a fundamental change at least 20 business days prior to such anticipated effective date, but in any event not later than the earlier of the effective date and two business days following our becoming aware of the occurrence of such fundamental change. In addition, we will provide each holder of Equity Units with a notice of a fundamental change within five business days after the effective date of the fundamental change. The notice will specify:

- (1) a date on which the fundamental change early settlement will occur (the “fundamental change early settlement date”), which shall be at least 10 business days after the effective date of such fundamental change but, subject to the foregoing, no later than the earlier of (x) 20 business days after the effective date of such fundamental change and (y) one business day prior to (i) the first day of the commencement of an optional remarketing period, or (ii) if we have not specified an optional remarketing period or the optional remarketing is not successful, the first day of the commencement of the final remarketing period or, if the final remarketing is not successful, the purchase contract settlement date;
- (2) the date by which holders must exercise the fundamental change early settlement right;
- (3) the applicable settlement rate and number of make-whole shares;
- (4) the amount and kind (per share of common stock) of the cash, securities and other consideration receivable by the holder upon settlement;
and
- (5) the amount of accrued and unpaid contract adjustment payments (including any deferred contract adjustment payments and compounded contract adjustment payments thereon), if any, that will be paid upon settlement to holders exercising the fundamental change early settlement right. Notwithstanding the foregoing, if the final remarketing period begins less than 10 business days following the occurrence of a fundamental change, the notice will specify the purchase contract settlement date as the fundamental change early settlement date.

To exercise the fundamental change early settlement right, a holder must, no later than the second business day prior to the fundamental change early settlement date:

- deliver to the purchase contract agent a completed “Election to Settle Early Following a Fundamental Change” form;
- deliver to the purchase contract agent the certificate evidencing the holder’s Corporate Units or Treasury Units, if in certificated form;
and
- deliver to the purchase contract agent cash in immediately available funds equal to \$100*times* the number of purchase contracts being settled.

So long as Equity Units are held as a beneficial interest in a global security certificate deposited with the depository, procedures for fundamental change early settlement will also be governed by standing arrangements between the depository and the purchase contract agent.

If a holder exercises the fundamental change early settlement right, we will deliver to the holder on the fundamental change early settlement date for each purchase contract with respect to which they have elected fundamental change early settlement, a number of shares (or exchange property units, if applicable) equal to the settlement rate described above *plus* the additional make-whole shares, together with accrued and unpaid contract adjustment payments to the fundamental change early settlement date; *provided* that if a fundamental change early settlement date falls after a record date and on or prior to the corresponding contract adjustment payment date, we will pay the full amount of accrued and unpaid contract adjustment payments, if any, due on such contract adjustment payment date to the holder of record at the close of business on the corresponding record date.

The holder will also receive on the fundamental change early settlement date the shares of convertible preferred stock or the applicable ownership interest in the Treasury portfolio or Treasury securities underlying the Corporate

Units or Treasury Units, as the case may be, with respect to which such holder is effecting a fundamental change early settlement, which, in each case, shall have been released from the pledge under the purchase contract and pledge agreement and delivered to the purchase contract agent, on behalf of the holder, free and clear of our security interest. In the case of Corporate Units, if such holder has elected to settle the purchase contracts, such holder will also receive on the fundamental change early settlement date the aggregate number of shares of convertible preferred stock underlying the Corporate Units. If a holder does not elect to exercise the fundamental change early settlement right, its Corporate Units or Treasury Units will remain outstanding and subject to normal settlement on the purchase contract settlement date.

Holders of Corporate Units and Treasury Units may exercise the fundamental change early settlement right only in integral multiples of 10 purchase contracts.

The terms of the convertible preferred stock provide that if a fundamental change occurs on or after a successful remarketing, there will be no fundamental change conversion right. However, we may, in connection with a remarketing, nonetheless elect for the fundamental change conversion right to apply to the terms of the convertible preferred stock, but we are not obligated to do so. See “Conversion Rights—Adjusted Conversion Rate Upon a Fundamental Change.”

Calculation of Make-Whole Shares. The number of make-whole shares per purchase contract applicable to a fundamental change early settlement will be determined by reference to the table below, based on the date on which the fundamental change occurs or becomes effective (the “effective date”) and the “stock price” in the fundamental change, which will be:

- in the case of a fundamental change described in clause (i) of the definition of fundamental change above where the holders of our common stock receive only cash in the fundamental change, the cash amount paid per share of our common stock; and
- in all other cases, the average of the closing prices of our common stock for the 10 consecutive trading days immediately prior to but not including the effective date.

For purposes of this “Description of the Purchase Contracts” section, the stock prices set forth in the first row of the table (i.e., the column headers) will be adjusted upon the occurrence of certain events requiring anti-dilution adjustments to the maximum settlement rate in a manner inversely proportional to the adjustments to the maximum settlement rate. Each of the make-whole share amounts in the table will be subject to adjustment in the same manner and at the same time as the maximum settlement rate as set forth under “—Anti-dilution Adjustments.”

Effective Date	\$30.00	\$60.00	\$80.00	\$100.00	\$120.00	\$159.45	\$170.00	\$180.00	\$191.34	\$200.00	\$220.00	\$240.00	\$260.00	\$280.00	\$300.00	\$350.00	\$400.00
November 13, 2019	0.4746	0.2165	0.1440	0.0933	0.0544	0.0000	0.0281	0.0518	0.0756	0.0694	0.0574	0.0477	0.0399	0.0336	0.0284	0.0189	0.0124
November 15, 2020	0.3196	0.1478	0.0998	0.0637	0.0327	0.0000	0.0125	0.0366	0.0609	0.0551	0.0440	0.0354	0.0288	0.0237	0.0197	0.0127	0.0083
November 15, 2021	0.1617	0.0754	0.0530	0.0355	0.0158	0.0000	0.0000	0.0217	0.0452	0.0391	0.0280	0.0204	0.0154	0.0120	0.0096	0.0061	0.0040
November 15, 2022	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

The actual stock price and effective date may not be set forth on the table, in which case:

- if the actual stock price is between two stock prices on the table or the actual effective date is between two effective dates on the table, the amount of make-whole shares will be determined by a straight-line interpolation between the make-whole share amounts set forth for the two stock prices and the two effective dates on the table based on a 365-day year, as applicable;

- if the stock price exceeds \$400.00 per share, subject to adjustment in the same manner as the stock prices in the table above, then the make-whole share amount will be zero; and
- if the stock price is less than \$30.00 per share, subject to adjustment in the same manner as the stock prices in the table above (the “minimum stock price”), then the make-whole share amount will be determined as if the stock price equaled the minimum stock price, using straight-line interpolation, as described above, if the actual effective date is between two effective dates on the table.

Contract Adjustment Payments

Contract adjustment payments in respect of Corporate Units, Treasury Units and Cash Settled Units will be payable in cash, shares of our common stock or a combination thereof, unless we have previously irrevocably elected a contract adjustment payment method to apply, at a rate per year of 5.25% of the stated amount of \$100 per purchase contract. Contract adjustment payments payable for any period will be computed (1) for any full quarterly period on the basis of a 360-day year of twelve 30-day months and (2) for any period shorter than a full quarterly period, on the basis of a 30-day month and, for any period less than a month, on the basis of the actual number of days elapsed in a 30-day month. Contract adjustment payments will accrue from the date of original issuance of the Corporate Units to (but excluding) the earliest occurrence of a termination event, the purchase contract settlement date, the fundamental change early settlement date (if applicable) and the most recent quarterly payment date on or before any early settlement of the related purchase contracts (if applicable), and will be payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, commencing on February 15, 2020 (we refer to each of these dates as a “contract adjustment payment date”).

Contract adjustment payments are payable to the holders of purchase contracts as they appear on the books and records of the purchase contract agent at the close of business on the relevant record dates, which are the first day of the month on which the relevant contract adjustment payment date falls (whether or not a business day) or if the Equity Units are held in global book-entry form, the record date will be the business day immediately preceding the applicable contract adjustment payment date. Contract adjustment payments are payable to such record holders notwithstanding the occurrence of any early settlement date or fundamental change early settlement date following a record date and on or prior to the open of business on the related payment date, except that holders will be required to pay us, in connection with any early settlement (other than in connection with a fundamental change), an equivalent payment as described under “— Early Settlement” above. These distributions are paid through the purchase contract agent, who distributes amounts received in respect of the contract adjustment payments for the benefit of the holders of the purchase contracts relating to the Corporate Units, Treasury Units and Cash Settled Units.

If any date on which contract adjustment payments are to be made is not a business day, then payment of the contract adjustment payments payable on that date will be made on the next succeeding day that is a business day and no interest or payment will be paid in respect of the delay, if any.

Our obligations with respect to contract adjustment payments are subordinated and junior in right of payment to our existing and future indebtedness. Upon certain events of our bankruptcy, insolvency or reorganization, holders of our Equity Units will have no claims against us or our estate for any accrued and unpaid (including any deferred) contract adjustment payments.

We may, at our option and upon prior written notice to the holders of the Equity Units and the purchase contract agent, defer the payment of contract adjustment payments on the related purchase contracts forming a part of the Equity Units until the purchase contract settlement date; *provided, however*, that in (x) an early settlement upon a fundamental change, we will pay deferred contract adjustment payments (including compounded contract

adjustment payments thereon as described below) to, but excluding, the fundamental change early settlement date and (y) an early settlement other than upon a fundamental change, we will pay deferred contract adjustment payments (including compounded contract adjustment payments thereon as described below) to, but excluding, the quarterly contract adjustment payment date immediately preceding the early settlement date.

Deferred contract adjustment payments will accrue additional contract adjustment payments at the rate of 5.25% per year until paid, compounded quarterly, which is equal to the rate of total distributions on the Corporate Units (compounding on each succeeding payment date), to, but excluding, the date such deferred contract adjustment payments are made. We refer to these additional contract adjustment payments that accrue on deferred contract adjustment payments as “compounded contract adjustment payments.” We may pay any such deferred contract adjustment payments (including compounded contract adjustment payments thereon) on any scheduled contract adjustment payment date. If the purchase contracts are terminated (upon the occurrence of certain events of bankruptcy, insolvency or reorganization with respect to us), the right to receive contract adjustment payments and deferred contract adjustment payments (including compounded contract adjustment payments thereon) will also terminate.

If we exercise our option to defer the payment of contract adjustment payments, then, until the deferred contract adjustment payments (including compounded contract adjustment payments thereon) have been paid, we will not declare or pay any dividends or make any distributions on, or redeem, purchase or acquire, or make a liquidation payment with respect to, any shares of our capital stock (including the convertible preferred stock).

The restrictions listed above do not apply to:

- purchases, redemptions or other acquisitions of our capital stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors, agents or consultants or a stock purchase or dividend reinvestment plan, or the satisfaction of our obligations pursuant to any contract or security outstanding on the date that the contract adjustment payment is deferred requiring us to purchase, redeem or acquire our capital stock;
- any exchange, redemption or conversion of any class or series of our capital stock, or the capital stock of one of our subsidiaries, for any other class or series of our capital stock;
- any purchase of, or payment of cash in lieu of, fractional interests in shares of our capital stock pursuant to the conversion or exchange provisions of such capital stock or the securities being converted or exchanged;
- any dividend or distribution in the form of stock, warrants, options or other rights where the dividend stock or stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks equally with or junior to such stock;
- redemptions, exchanges or repurchases of, or with respect to, any rights outstanding under a shareholder rights plan outstanding on the date that the contract adjustment payment is deferred or the declaration or payment thereunder of a dividend or distribution of or with respect to rights in the future;
- payments on any trust preferred securities, subordinated debentures, junior subordinated debentures or junior subordinated notes, or any guarantees of any of the foregoing, in each case, that rank equal in right of payment to the contract adjustment payments, so long as the amount of payments made on

account of such securities or guarantees and the purchase contracts is paid on all such securities and guarantees and the purchase contracts then outstanding on a pro rata basis in proportion to the full payment to which each series of such securities, guarantees or purchase contracts is then entitled if paid in full; and

- any payment of deferred interest or principal on, or repayment, redemption or repurchase of, parity or junior securities that, if not made, would cause us to breach the terms of the instrument governing such parity or junior securities.

Method of Payment of Contract Adjustment Payments

Subject to the limitations described below, we may elect to pay any contract adjustment payment (or any portion of any contract adjustment payment) on the Equity Units (whether or not for a current quarterly period or any prior quarterly period), determined in our sole discretion:

- in cash;
- by delivery of shares of our common stock;
or
- through any combination of cash and shares of our common stock.

We will make each contract adjustment payment in cash, except to the extent we elect, or have previously elected, to make all or any portion of such payment in shares of our common stock. To the extent we do not elect to defer such payment, unless we have previously irrevocably elected a contract adjustment payment method, we will give the holders of the Equity Units notice of any election with respect to any particular contract adjustment payment and the portion of such payment that will be made in cash and the portion that will be made in common stock no later than eight scheduled trading days prior to the payment date for such contract adjustment payment.

If we elect, or have previously irrevocably elected, to make any such contract adjustment payment, or any portion thereof, in shares of our common stock, such shares shall be valued for such purpose at the average of the daily VWAPs per share of our common stock over the five consecutive trading day period ending on the second trading day immediately preceding the applicable payment date (the “five-day average price”), *multiplied by 97%*.

Without the consent of any holders of purchase contracts, we may, by notice to such holders through the purchase contract agent, irrevocably elect whether we will pay contract adjustment payments in cash, shares of our common stock or a combination thereof (a “contract adjustment payment method”) and, if applicable, the amount or percentage of a contract adjustment payment to be paid in common stock that will apply to any contract adjustment payment following such notice (unless a contract adjustment payment method has previously been designated) and, subject to the foregoing, specify the effective time of such election (which, for the avoidance of doubt, may be at any time subsequent to the delivery of such notice). Our irrevocable election of a contract adjustment payment method as described herein may be made by us in our sole discretion.

No fractional shares of common stock will be delivered to the holders of the Equity Units in respect of contract adjustment payments. We will instead pay a cash adjustment to each holder that would otherwise be entitled to a fraction of a share of common stock based on (i) the five-day average price and (ii) the aggregate number of Equity Units held by such holder (or, if the Equity Units are held in global book-entry form, based on the applicable procedures of the depository for determining such number of Equity Units).

To the extent a shelf registration statement is required in our reasonable judgment in connection with the issuance of or for resales of common stock issued as a contract adjustment payment, including contract adjustment payments

paid in connection with a fundamental change early settlement, we will, to the extent such a registration statement is not currently filed and effective, use our commercially reasonable efforts to file and maintain the effectiveness of such a shelf registration statement until the earlier of such time as all such shares of common stock have been resold thereunder and such time as all such shares are freely tradable by non-affiliates of ours without registration. To the extent applicable, we will also use our commercially reasonable efforts to have the shares of common stock qualified or registered under applicable state securities laws, if required, and approved for listing on the New York Stock Exchange (or if our common stock is not listed on the New York Stock Exchange, on the principal other U.S. national or regional securities exchange on which our common stock is then listed).

Anti-dilution Adjustments

The maximum settlement rate is subject to the following adjustments:

(1) If we issue common stock as a dividend or distribution on our common stock to all or substantially all holders of our common stock, or if we effect a share split or share combination, the maximum settlement rate will be adjusted based on the following formula:

$$SR_1 = SR_0 \times (OS_1 / OS_0)$$

where,

- SR₀ = the maximum settlement rate in effect immediately prior to the close of business on the record date for such dividend or distribution or immediately prior to the open of business on the effective date for such share split or share combination, as the case may be;
- SR₁ = the maximum settlement rate in effect immediately after the close of business on such record date or such effective date, as the case may be;
- OS₀ = the number of shares of our common stock outstanding immediately prior to the close of business on such record date or such effective date, as the case may be, in each case, prior to giving effect to such event; and
- OS₁ = the number of shares of our common stock that would be outstanding immediately after, and solely as a result of, such event.

Any adjustment made pursuant to this paragraph (1) shall become effective as of the close of business on (x) the record date for such dividend or other distribution or (y) the effective date for such share split or share combination becomes effective, as applicable. If any dividend or distribution in this paragraph (1) is declared but not so paid or made, the new maximum settlement rate shall be readjusted, on the date that our board of directors determines not to pay or make such dividend or distribution, to the maximum settlement rate that would then be in effect if such dividend or distribution had not been declared.

(2) If we distribute to all holders of our common stock any rights, options or warrants entitling them for a period of not more than 45 calendar days after the date of distribution thereof to subscribe for or purchase our common stock, in any case at an exercise price per share of our common stock less than the closing price of our common stock on the business day immediately preceding the date of the time of announcement of such issuance, the maximum settlement rate will be increased based on the following formula:

$$SR_1 = SR_0 \times (OS_0 + X) / (OS_0 + Y)$$

where,

- SR_0 = the maximum settlement rate in effect immediately prior to the close of business on the record date for such distribution;
 SR_1 = the maximum settlement rate in effect immediately after the close of business on such record date;
 OS_0 = the number of shares of our common stock outstanding immediately prior to the close of business on the record date for such distribution;
 X = the total number of shares of our common stock issuable pursuant to such rights, options or warrants; and
 Y = the number of shares of our common stock equal to the quotient of (A) the aggregate price payable to exercise such rights, options or warrants divided by (B) the average of the closing prices of our common stock for the 10 consecutive trading days ending on, and including, the trading day immediately preceding date of announcement for the issuance of such rights, options or warrants.

If any right, option or warrant described in this paragraph (2) is not exercised or converted prior to the expiration of the exercisability or convertibility thereof (and as a result no additional shares of common stock are delivered or issued pursuant to such rights or warrants), the new maximum settlement rate shall be readjusted, as of the date of such expiration, to the maximum settlement rate that would then be in effect had the increase with respect to the issuance of such rights, options or warrants been made on the basis of delivery or issuance of only the number of shares of common stock actually delivered.

For purposes of this paragraph (2), in determining whether any rights, options or warrants entitle the holders to subscribe for or purchase shares of the common stock at a price per share of our common stock less than the closing price of our common stock on the business day immediately preceding the time of announcement of such issuance, and in determining the aggregate price payable to exercise such rights, options or warrants, there shall be taken into account any consideration received by us for such rights, options or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined in good faith by our board of directors. Any increase made under this paragraph (2) will be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the close of business on the record date for such distribution.

(3) (a) If we distribute shares of capital stock, evidences of indebtedness or other assets or property of us to all holders of our common stock (excluding (i) any dividend, distribution, rights, warrants or options as to which an adjustment was effected pursuant to clause (1) or (2) above, (ii) any dividend or distribution paid exclusively in cash, and (iii) any spin-off to which the provisions in clause 3(b) below apply), the maximum settlement rate will be increased based on the following formula:

$$SR_1 = SR_0 \times SP_0 / (SP_0 - FMV)$$

where,

SR_0 = the maximum settlement rate in effect immediately prior to the close of business on the record date for such distribution;
 SR_1 = the maximum settlement rate in effect immediately after the close of business on such record date;
 SP_0 = the closing price of our common stock on the trading day immediately preceding the ex-dividend date for such distribution; and
 FMV = the fair market value (as determined in good faith by our board of directors), on the record date for such dividend or distribution, of the shares of capital stock, evidences of indebtedness, assets or property so distributed, expressed as an amount per share of our common stock.

Notwithstanding the foregoing, if “FMV” (as defined above) exceeds “SP0” (as defined above), in lieu of the foregoing increase, each holder of a purchase contract shall receive, for each purchase contract, at the same time and upon the same terms as holders of shares of our common stock, the amount of such distributed shares of capital stock, evidences of indebtedness or other assets or property that such holder would have received if such holder owned a number of shares of our common stock equal to the maximum settlement rate on the record date for such dividend or distribution.

(b) However, if we distribute to all holders of our common stock, capital stock of any class or series, or similar equity interest, of or relating to a subsidiary or other business unit, which we refer to as a “spin-off”, then the maximum settlement rate will instead be increased based on the following formula:

$$SR_1 = SR_0 \times (FMV_0 + MP_0) / MP_0$$

where,

SR_0 = the maximum settlement rate in effect immediately prior to the end of the valuation period (as defined below);
 SR_1 = the maximum settlement rate in effect immediately after the end of the valuation period;
 FMV_0 = the average of the closing price of the capital stock or similar equity interests distributed to holders of our common stock applicable to one share of our common stock over each of the 10 consecutive trading days commencing on, and including, the third trading day immediately following the ex-dividend date for such dividend or distribution with respect to our common stock on the New York Stock Exchange or such other U.S. national or regional exchange or market that is at that time the principal exchange or market for our common stock (the “valuation period”); and
 MP_0 = the average of the closing price of our common stock over the valuation period.

The adjustment to the maximum settlement rate under this paragraph 3(b) will occur on the last day of the valuation period *provided* that if a holder elects to early settle the purchase contracts, or the purchase contract settlement date occurs, in either case, during the valuation period, references with respect to 10 trading days shall be deemed replaced with such lesser number of trading days as have elapsed between the ex-dividend date of such spin-off and the date on which such holder elected its early settlement right, or the business day immediately preceding the purchase contract settlement date, as the case may be, in determining the maximum settlement rate.

If any dividend or distribution described in this paragraph (3) is declared but not so paid or made, the new maximum settlement rate shall be readjusted, as of the date our board of directors determines not to pay or make such dividend or distribution, to the maximum settlement rate that would then be in effect if such dividend or distribution had not been declared.

(4) If any regular, quarterly cash dividend or distribution is made to all or substantially all holders of our common stock during any quarterly fiscal period exceeds \$0.69 per share (the “reference dividend”), the maximum settlement rate will be increased based on the following formula:

$$SR_1 = SR_0 \times [(SP_0 - T) / (SP_0 - C)]$$

- SR₀ = the maximum settlement rate in effect immediately prior to the close of business on the record date for such distribution;
- SR₁ = the maximum settlement rate in effect immediately after the close of business on such record date;
- SP₀ = the closing price of our common stock on the record date for such distribution;
- C = the amount in cash per share we distribute to holders of our common stock; and
- T = the reference dividend; provided that if the dividend or distribution is not a regular quarterly cash dividend, the reference dividend will be deemed to be zero.

Notwithstanding the foregoing, if “C” (as defined above) exceeds “SR” (as defined above), in lieu of the foregoing increase, each holder of a purchase contract shall receive, for each purchase contract, at the same time and upon the same terms as holders of shares of our common stock, the amount of distributed cash that such holder would have received if such holder owned a number of shares of our common stock equal to the maximum settlement rate on the record date for such cash dividend or distribution.

The reference dividend will be subject to an inversely proportional adjustment whenever the maximum settlement rate is adjusted, other than pursuant to this paragraph (4). For the avoidance of doubt, the reference dividend will be zero in the case of a cash dividend that is not a regular quarterly dividend.

If any dividend or distribution described in this paragraph (4) is declared but not so paid or made, the new maximum settlement rate shall be readjusted, as of the date our board of directors determines not to pay or make such dividend or distribution, to the maximum settlement rate that would then be in effect if such dividend or distribution had not been declared.

(5) If we or any of our subsidiaries makes a payment in respect of a tender offer or exchange offer for our common stock to the extent that the cash and value of any other consideration included in the payment per share of our common stock validly tendered or exchanged exceeds the closing price of a share of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer, the maximum settlement rate will be increased based on the following formula:

$$SR_1 = SR_0 \times [(FMV + (SP_1 \times OS_1)) / (SP_1 - OS_0)]$$

where,

SR ₀ =	the maximum settlement rate in effect immediately prior to the close of business on the trading day on which such tender or exchange offer expires;
SR ₁ =	the maximum settlement rate in effect immediately after the close of business on the trading day immediately following the date such tender or exchange offer expires;
FMV =	the fair market value (as determined in good faith by our board of directors, whose good faith determination will be conclusive), at the close of business on the trading day immediately following the date such tender or exchange offer expires, of the aggregate value of all cash and any other consideration paid or payable for shares validly tendered or exchanged and not withdrawn as of the expiration date;
OS ₀ =	the number of shares of our common stock outstanding immediately prior to the last time tenders or exchanges may be made pursuant to such tender or exchange offer (prior to giving effect to the purchase or exchange of shares pursuant to such tender or exchange offer);
OS ₁ =	the number of shares of our common stock outstanding immediately after the last time tenders or exchanges may be made pursuant to such tender or exchange offer (after giving effect to the purchase or exchange of shares pursuant to such tender or exchange offer); and
SP ₁ =	the closing price of our common stock for the trading day next succeeding the date such tender or exchange offer expires.

The adjustment to the maximum settlement rate under the preceding paragraph (5) will occur at the close of business on the trading day on which such tender or exchange offer expires.

The term “ex-dividend date,” when used with respect to any issuance or distribution on our common stock or any other security, means the first date on which our common stock or such other security, as applicable, trades, regular way, on the principal U.S. securities exchange or quotation system on which our common stock or such other security, as applicable, is listed or quoted at that time, without the right to receive the issuance or distribution.

We currently do not have a shareholders rights plan with respect to our common stock. To the extent that we have a shareholders rights plan involving the issuance of share purchase rights or other similar rights to all or substantially all holders of our common stock in effect upon settlement of a purchase contract, a holder will receive, in addition to the common stock issuable upon settlement of any purchase contract, the related rights for the common stock under the shareholders rights plan, unless, prior to any settlement of a purchase contract, the rights have separated from the common stock, in which case the maximum settlement rate will be adjusted at the time of separation as if we made a distribution to all holders of our common stock as described in clause (3) above, subject to readjustment in the event of the expiration, termination or redemption of the rights under the shareholder rights plan.

For United States income tax purposes, holders may be treated as receiving a constructive distribution from us with respect to the purchase contract if (1) the maximum settlement rate is adjusted (or fails to be adjusted) and, as a result of the adjustment (or failure to adjust), their proportionate interest in our assets or earnings and profits is increased, and (2) the adjustment (or failure to adjust) is not made pursuant to a bona fide, reasonable anti-dilution formula. For example, if the maximum settlement rate is adjusted as a result of a distribution that is taxable to the holders of our common stock, such as a cash dividend, the holder will be deemed to have received a “constructive distribution” of our stock. Thus, under certain circumstances, an adjustment to the maximum settlement rate might give rise to a taxable dividend to the holder even though they will not receive any cash in connection with such adjustment. In addition, Non-U.S. Holders may, in certain circumstances, be deemed to have received a distribution subject to United States federal withholding tax.

In addition, we may increase the maximum settlement rate if our board of directors deems it advisable to avoid or diminish any income tax to holders of our common stock resulting from any dividend or distribution of shares (or

rights to acquire shares) or from any event treated as a dividend or distribution for income tax purposes or for any other reasons.

Adjustments to the maximum settlement rate will be calculated to the nearest ten thousandth of a share. No adjustment to the maximum settlement rate will be required unless the adjustment would require an increase or decrease of at least one percent in the maximum settlement rate. If any adjustment is not required to be made because it would not change the maximum settlement rate by at least one percent, then the adjustment will be carried forward and taken into account in any subsequent adjustment. All adjustments will be made not later than the purchase contract settlement date, any early settlement date and the time at which we are required to determine the relevant settlement rate or amount of make-whole shares (if applicable) in connection with any settlement with respect to the purchase contracts.

No adjustment to the maximum settlement rate will be made if holders of Equity Units participate, as a result of holding the Equity Units and without having to settle the purchase contracts that form part of the Equity Units, in the transaction that would otherwise give rise to an adjustment as if they held a number of shares of our common stock equal to the maximum settlement rate, at the same time and upon the same terms as the holders of common stock participate in the transaction.

Except as described above, the maximum settlement rate will not be adjusted:

- upon the issuance of any shares of our common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities and the investment of additional optional amounts in shares of our common stock under any plan;
- upon the issuance of options, restricted stock or other awards in connection with any employment contract, executive compensation plan, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors, consultants or independent contractors or the exercise of such options or other awards;
- upon the issuance of any shares of our common stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the date the Equity Units were first issued;
- for a change in the par value or no par value of the common stock;
- for accumulated and unpaid contract adjustment payments.

We will, as promptly as practicable after the maximum settlement rate is adjusted, provide written notice of the adjustment to the holders of Equity Units.

If an adjustment is made to the maximum settlement rate, an adjustment also will be made to the reference price on an inversely proportional basis solely to determine which of the clauses of the definition of settlement rate will be applicable to determine the settlement rate with respect to the purchase contract settlement date, any early settlement date or any fundamental change early settlement date.

If any adjustment to the maximum settlement rate becomes effective, or any effective date, expiration time, ex-date or record date for any stock split or reverse stock split, tender or exchange offer, issuance, dividend or distribution (relating to a required maximum settlement rate adjustment) occurs, during the period beginning on, and including, (i) the open of business on a first trading day of the market value averaging period or (ii) in the case of the optional early settlement or fundamental change early settlement, the relevant early settlement date or the fundamental

change early settlement date and, in each case, ending on, and including, the date on which we deliver shares of our common stock under the related purchase contract, we will make appropriate adjustments to the maximum settlement rate and/or the number of shares of our common stock deliverable upon settlement with respect to the purchase contract, in each case, consistent with the methodology used to determine the anti-dilution adjustments set forth above. If any adjustment to the maximum settlement rate becomes effective, or any effective date, expiration time, ex-date or record date for any stock split or reverse stock split, tender or exchange offer, issuance, dividend or distribution (relating to a required maximum settlement rate adjustment) occurs, during the period used to determine the “stock price” or any other averaging period hereunder, we will make appropriate adjustments to the applicable prices, consistent with the methodology used to determine the anti-dilution adjustments set forth above.

Reorganization Events

The following events are defined as “reorganization events”:

- any recapitalization, reclassification or change of our common stock (other than changes resulting from a subdivision or combination);
- any consolidation, merger or combination involving us;
- any sale, lease or other transfer to another person of the consolidated assets of ours and our subsidiaries substantially as an entirety; or
- any statutory exchange of our common stock;

in each case as a result of which our common stock would be converted into, or exchanged for, stock, other securities, other property or assets (including cash or any combination thereof) (“exchange property”).

Following the effective date of a reorganization event, the settlement rate shall be determined by reference to the value of an exchange property unit, and we will deliver, upon settlement of any purchase contract, a number of exchange property units equal to the number of shares of our common stock that we would otherwise be required to deliver. An “exchange property unit” is the kind and amount of exchange property receivable in such reorganization event (without any interest thereon, and without any right to dividends or distribution thereon which have a record date that is prior to the applicable settlement date) per share of our common stock by a holder of common stock that is not a person with which we are consolidated or into which we are merged or which merged into us or to which such sale or transfer was made, as the case may be (we refer to any such person as a “constituent person”), or an affiliate of a constituent person, to the extent such reorganization event provides for different treatment of common stock held by the constituent person and/or the affiliates of the constituent person, on the one hand, and non-affiliates of a constituent person, on the other hand. In the event holders of our common stock (other than any constituent person or affiliate thereof) have the opportunity to elect the form of consideration to be received in such transaction, the exchange property unit that holders of the Corporate Units or Treasury Units are entitled to receive will be deemed to be the weighted average of the types and amounts of consideration received by the holders of our common stock.

In the event of such a reorganization event, the person formed by such consolidation or surviving such merger or, if other than us, the person which acquires our assets and those of our subsidiaries substantially as an entirety will execute and deliver to the purchase contract agent an agreement providing that the holder of each Equity Unit that remains outstanding after the reorganization event (if any) will have the rights described in the preceding paragraph and expressly assuming all of our obligations under the purchase contracts, the purchase contract and pledge agreement, the convertible preferred stock and the remarketing agreement. Such supplemental agreement will

provide for adjustments to the amount of any securities constituting all or a portion of an exchange property unit and/or adjustments to the maximum settlement rate, which, for events subsequent to the effective date of such reorganization event, will be as nearly equivalent as may be practicable, as determined by us in our sole commercially reasonable discretion, to the adjustments provided for under “—Anti-dilution Adjustments” above (it being understood that any such adjustment may be zero and that no such adjustments shall be required with respect to any portion of the exchange property that consists of cash). The provisions described in the preceding two paragraphs shall similarly apply to successive reorganization events.

In connection with any reorganization event, we will also adjust the reference dividend based on the number of shares of common stock comprising an exchange property unit and (if applicable) the value of any non-stock consideration comprising an exchange property unit. If an exchange property unit is composed solely of non-stock consideration, the reference dividend will be zero.

Termination

The purchase contract and pledge agreement provides that the purchase contracts and the obligations and rights of us and of the holders of Corporate Units, Treasury Units and Cash Settled Units thereunder, including the holders’ obligation and right to purchase and receive shares of our common stock and the right to receive accrued and unpaid contract adjustment payments (including deferred contract adjustment payments), will immediately and automatically terminate upon the occurrence of certain events of bankruptcy, insolvency or reorganization with respect to us.

Upon any such termination and receipt of written notice from the purchase contract agent of the same, the collateral agent will release the convertible preferred stock, the applicable ownership interest in the Treasury portfolio, Treasury securities or cash, as the case may be, from the pledge arrangement and transfer such convertible preferred stock, the applicable ownership interest in the Treasury portfolio, Treasury securities or cash to the purchase contract agent for distribution to the holders of Corporate Units, Treasury Units and Cash Settled Units. Upon any termination, however, such release and distribution may be subject to a delay. In the event that we become the subject of a case under the U.S. Bankruptcy Code, such delay may occur as a result of the automatic stay under Section 362 of the U.S. Bankruptcy Code or other relief sought by the collateral agent, the purchase contract agent or other party asserting an interest in the pledged securities or contending that such termination is not effective and may continue until such automatic stay has been lifted or efforts to obtain such other relief has been resolved against such party.

Moreover, claims arising out of the convertible preferred stock will be subject to the equitable jurisdiction and powers of the bankruptcy court.

Pledged Securities and Pledge

The shares of convertible preferred stock that are a component of the Corporate Units or, following a successful optional remarketing, the applicable ownership interests in the Treasury portfolio, that are a component of the Corporate Units or, if substituted, the Treasury securities that are a component of the Treasury Units or cash that is a component of the Cash Settled Units, collectively, the “pledged securities,” will be pledged to the collateral agent for our benefit pursuant to the purchase contract and pledge agreement to secure a holder’s obligation to purchase shares of our common stock under the related purchase contracts. The rights of the holders of the Corporate Units, Treasury Units and Cash Settled Units with respect to such pledged securities will be subject to our security interest therein. No holder of Corporate Units, Treasury Units or Cash Settled Units will be permitted to withdraw the pledged securities related to such Corporate Units, Treasury Units or Cash Settled Units from the pledge arrangement except:

- in the case of Corporate Units, to substitute a Treasury security or cash, as the case may be, for the related convertible preferred stock as provided for under “Description of the Equity Units—Creating Treasury Units by Substituting a Treasury Security for Convertible Preferred Stock” and “Description of the Equity Units—Creating Cash Settled Units”;
- in the case of Treasury Units, to substitute convertible preferred stock for the related Treasury security, as provided for under “Description of the Equity Units—Recreating Corporate Units from Treasury Units”; and
- upon any early settlement, cash settlement or termination of the related purchase contracts.

Subject to our security interest and the terms of the purchase contract and pledge agreement, each holder of Corporate Units, unless the Treasury portfolio has replaced the convertible preferred stock as a component of the Corporate Units, is entitled through the purchase contract agent and the collateral agent to all of the proportional rights and preferences of the related convertible preferred stock. Each holder of Treasury Units and each holder of Corporate Units, if the Treasury portfolio has replaced the convertible preferred stock as a component of the Corporate Units, will retain ownership of the related Treasury securities or the applicable ownership interests in the Treasury portfolio, as applicable, pledged in respect of the related purchase contracts. Each holder of Cash Settled Units will retain ownership of the related cash pledged in respect of the related purchase contracts. We will have no interest in the pledged securities other than our security interest.

Except as described in “Certain Provisions of the Purchase Contract and Pledge Agreement—General,” upon receipt of distributions on the pledged securities, the collateral agent will distribute such payments to the purchase contract agent, which in turn will distribute those payments, together with contract adjustment payments received from us, to the holders in whose names the Corporate Units, Treasury Units or Cash Settled Units are registered at the close of business on the record date preceding the date of such distribution.

Certain Provisions of the Purchase Contract and Pledge Agreement

General

Except as described under “—Book-Entry System for Corporate Units, Treasury Units and Cash Settled Units” below, payments on the Corporate Units, Treasury Units and Cash Settled Units are payable, the purchase contracts will be settled and transfers of the Corporate Units, Treasury Units and Cash Settled Units are registrable at the offices or agency of the purchase contract agent in the Borough of Manhattan, The City of New York. In addition, if the Corporate Units, Treasury Units or Cash Settled Units do not remain in book-entry only form, we have the option to make payments on the Corporate Units, Treasury Units and Cash Settled Units by check mailed to the address of the person entitled thereto as shown on the security register or by a wire transfer to the account designated by the holder by a prior written notice.

Shares of our common stock will be delivered on the purchase contract settlement date (or earlier upon early settlement), or, if the purchase contracts have terminated, the related pledged securities will be delivered (potentially after a delay as a result of the imposition of the automatic stay under the U.S. Bankruptcy Code, see “Description of the Purchase Contracts—Termination”) at the offices or agency of the purchase contract agent upon presentation and surrender of the applicable Corporate Unit, Treasury Unit or Cash Settled Unit certificate, if in certificated form.

If Corporate Units, Treasury Units or Cash Settled Units are in certificated form and a holder fails to present and surrender the certificate evidencing the Corporate Units, Treasury Units or Cash Settled Units to the purchase contract agent on or prior to the purchase contract settlement date, the shares of our common stock issuable upon settlement of the related purchase contract will be registered in the name of the purchase contract agent. The shares of our common stock, together with any distributions, will be held by the purchase contract agent as agent for the benefit of the holder until the certificate is presented and surrendered or the holder provides satisfactory evidence that the certificate has been destroyed, lost or stolen, together with any indemnity or security that may be required by the purchase contract agent and us.

If the purchase contracts terminate prior to the purchase contract settlement date, the related pledged securities are transferred to the purchase contract agent for distribution to the holders, and a holder fails to present and surrender the certificate evidencing the holder’s Corporate Units, Treasury Units or Cash Settled Units, if in certificated form, to the purchase contract agent, the related pledged securities delivered to the purchase contract agent and payments on the pledged securities will be held by the purchase contract agent as agent for the benefit of the holder until the applicable certificate is presented, if in certificated form, or the holder provides the evidence and indemnity or security described above.

No service charge will be made for any registration of transfer or exchange of the Corporate Units, Treasury Units or Cash Settled Units, except for any tax or other governmental charge that may be imposed in connection therewith.

The purchase contract agent has no obligation to invest or to pay interest on any amounts held by the purchase contract agent pending payment to any holder.

Modification

The purchase contract and pledge agreement contains provisions permitting us, the purchase contract agent and the collateral agent, to modify the purchase contract and pledge agreement without the consent of the holders for any of the following purposes:

- to evidence the succession of another person to our obligations;
- to add to the covenants for the benefit of holders or to surrender any of our rights or powers under those agreements;
- to evidence and provide for the acceptance of appointment of a successor purchase contract agent or a successor collateral agent or securities intermediary;
- to conform the provisions of the purchase contract and pledge agreement to the description contained in this Description of the 2019 Corporate Units;
- irrevocably elect a contract adjustment payment method to apply;
- to cure any ambiguity, defect, inconsistency or mistake; or
- to make such other provisions in regard to matters or questions arising under the purchase contract and pledge agreement that do not adversely affect the interests of any holders of Equity Units in any material respect.

The purchase contract and pledge agreement contains provisions preventing us, the purchase contract agent and the collateral agent, subject to certain limited exceptions, from modifying the terms of the purchase contracts and the purchase contract and pledge agreement without the consent of the holders of not less than a majority of the outstanding purchase contracts. However, no modification may, without the consent of the holder of each outstanding purchase contract affected thereby:

- subject to our right to defer contract adjustment payments, change any payment date;
- change the place or currency or method of payment or reduce any contract adjustment payments;
- impair the right to institute suit for the enforcement of a purchase contract or any contract adjustment payment or deferred contract adjustment payment (including compounded contract adjustment payments thereon);
- except as described under “Description of the Purchase Contracts—Early Settlement” or “—Anti-dilution Adjustments,” reduce the number of shares of our common stock purchasable under a purchase contract, increase the purchase price of the shares of our common stock issuable on settlement of any purchase contract, change the purchase contract settlement date or the right to early settlement;
- adversely affect the holder’s rights under a purchase contract in any material respect, *provided* that any amendment made solely to conform the provisions of the purchase contract and pledge agreement to the description contained in this Description of the 2019 Corporate Units will not be deemed to adversely affect the interests of the holders;
- change the amount or type of collateral required to be pledged to secure a holder’s obligations under the purchase contract and pledge agreement, impair the right of the holder of any purchase contract to receive distributions on such collateral, or otherwise adversely affect the holder’s rights in or to such collateral;
- reduce any contract adjustment payments or any deferred contract adjustment payments (including compounded contract adjustment payments); or

- reduce the above-stated percentage of outstanding purchase contracts whose holders' consent is required for the modification or amendment of the provisions of the purchase contracts and the purchase contract and pledge agreement;

provided that if any amendment or proposal would adversely affect only the Corporate Units, only the Treasury Units or only the Cash Settled Units, then only the affected voting group of holders will be entitled to vote on such amendment or proposal, and such amendment or proposal will not be effective except with the consent of the holders of not less than a majority of such voting group or, if referred to in the immediately preceding eight bullets above, all of the holders of such voting group.

We are entitled to set any day as a record date for the purpose of determining the holders of outstanding Equity Units entitled to give or take any demand, direction, consent or other action under the Equity Units, in the manner and subject to the limitations provided in the purchase contract and pledge agreement. In certain circumstances, the purchase contract agent also will be entitled to set a record date for action by holders. If such a record date is set for any action to be taken by holders of particular Equity Units, such action may be taken only by persons who are holders of such Equity Units at the close of business on the record date.

No Consent to Assumption; Agreement by Purchasers

Each holder of a Corporate Unit, a Treasury Unit or a Cash Settled Unit will be deemed under the terms of the purchase contract and pledge agreement, by the purchase of such Corporate Unit, Treasury Unit or Cash Settled Unit, to have expressly withheld any consent to the assumption (i.e., affirmance) of the related purchase contracts by us, our receiver, liquidator or trustee in the event that we become the subject of a case under the U.S. Bankruptcy Code or other similar state or federal law providing for reorganization or liquidation.

Merger, Sale or Lease

We covenant in the purchase contract and pledge agreement that we will not merge or consolidate with any entity or sell, convey, transfer, assign or otherwise dispose of all or substantially all of our assets unless:

- either we are the continuing corporation or the successor entity is an entity duly organized under the laws of the United States, any state thereof or the District of Columbia and treated as a corporation for U.S. federal income tax purposes and this other entity expressly assumes all of our obligations under the purchase contracts, the purchase contract and pledge agreement, the convertible preferred stock and the remarketing agreement by one or more supplemental agreements;
- we are not, or such successor entity is not, immediately after such merger, consolidation, sale, conveyance, transfer, assignment or other disposition, in default of payment obligations under the purchase contracts, the purchase contract and pledge agreement, the convertible preferred stock or the remarketing agreement or in material default in the performance of any other obligations thereunder; and
- an officer's certificate and opinion of counsel is delivered to the purchase contract agent.

In case of any such consolidation, merger, sale, conveyance (other than by way of lease), transfer, assignment or other disposition, and upon any such assumption by the successor corporation or limited liability company, such successor corporation or limited liability company shall succeed to and be substituted for us, with the same effect as if it had been named in the purchase contract and pledge agreement as us and we shall be relieved of any further

obligation under the purchase contract and pledge agreement and under the Corporate Units, Treasury Units and Cash Settled Units.

Title

We, the purchase contract agent and the collateral agent may treat the registered owner of any Corporate Units, Treasury Units or Cash Settled Units as the absolute owner of the Corporate Units, Treasury Units or Cash Settled Units for the purpose of making payment (subject to the record date provisions described above), settling the related purchase contracts and for all other purposes.

Replacement of Equity Unit Certificates

In the event that physical certificates have been issued, any mutilated Corporate Unit, Treasury Unit or Cash Settled Unit certificate will be replaced by us at the expense of the holder upon surrender of the certificate to the purchase contract agent. Corporate Unit, Treasury Unit or Cash Settled Unit certificates that become destroyed, lost or stolen will be replaced by us at the expense of the holder upon delivery to us and the purchase contract agent of evidence of their destruction, loss or theft satisfactory to us and the purchase contract agent. In the case of a destroyed, lost or stolen Corporate Unit, Treasury Unit or Cash Settled Unit certificate, an indemnity or security satisfactory to the purchase contract agent and us may be required at the expense of the holder before a replacement certificate will be issued.

Notwithstanding the foregoing, we will not be obligated to issue any Corporate Unit, Treasury Unit or Cash Settled Unit certificates on or after the business day immediately preceding the earliest of any early settlement date, any fundamental change early settlement date, the purchase contract settlement date or the date on which the purchase contracts have terminated. The purchase contract and pledge agreement will provide that, in lieu of the delivery of a replacement Corporate Unit, Treasury Unit or Cash Settled Unit certificate following any of these dates, the purchase contract agent, upon delivery of the evidence and indemnity or security described above, will deliver the shares of our common stock issuable pursuant to the purchase contracts included in the Corporate Units, Treasury Units or Cash Settled Units evidenced by the certificate, or, if the purchase contracts have terminated prior to the purchase contract settlement date, transfer the pledged securities included in the Corporate Units, Treasury Units or Cash Settled Units evidenced by the certificate.

Governing Law

The purchase contracts and the purchase contract and pledge agreement are governed by, and construed in accordance with, the laws of the State of New York.

Information Concerning the Purchase Contract Agent

The Bank of New York Mellon Trust Company, N.A. is the purchase contract agent. The purchase contract agent will act as the agent for the holders of Corporate Units, Treasury Units and Cash Settled Units. The purchase contract agent will not be obligated to take any discretionary action in connection with a default under the terms of the Corporate Units, the Treasury Units, the Cash Settled Units or the purchase contract and pledge agreement.

The purchase contract and pledge agreement contains provisions limiting the liability of and providing indemnification to the purchase contract agent. The purchase contract and pledge agreement also will contain provisions under which the purchase contract agent may resign or be replaced. Such resignation or replacement will be effective upon the appointment of a successor.

Information Concerning the Collateral Agent

HSBC Bank USA, National Association is the collateral agent. The collateral agent will act solely as our agent and will not assume any obligation or relationship of agency or trust for or with any of the holders of the Corporate Units, the Treasury Units and the Cash Settled Units except for the obligations owed by a pledgee of property to the owner thereof under the purchase contract and pledge agreement and applicable law.

HSBC Bank USA, National Association and its affiliates maintain banking relationships with us and HSBC Bank USA, National Association is the collateral agent for our Equity Units issued in May, 2017, as well as the trustee for our 2052 Debentures.

The purchase contract and pledge agreement contains provisions limiting the liability of and providing indemnification to the collateral agent. The purchase contract and pledge agreement also will contain provisions under which the collateral agent may resign or be replaced. Such resignation or replacement will be effective upon the appointment of a successor.

Miscellaneous

The purchase contract and pledge agreement provide that we will pay all fees and expenses (including fees and expenses of counsel) related to the retention of the collateral agent and the purchase contract agent. Holders who elect to substitute the related pledged securities, thereby creating Treasury Units or Cash Settled Units or recreating Corporate Units, however, will be responsible for any fees or expenses (including fees and expenses of counsel) payable in connection with such substitution, as well as for any commissions, fees or other expenses incurred in acquiring the pledged securities to be substituted. We will not be responsible for any such fees or expenses.

Book-Entry System for Corporate Units, Treasury Units and Cash Settled Units

The Depository Trust Company, or DTC, which we refer to along with its successors in this capacity as the depository, acts as securities depository for the Corporate Units, Treasury Units and Cash Settled Units. The Corporate Units were and the Treasury Units and Cash Settled Units will be issued only as fully registered securities registered in the name of Cede & Co., the depository's nominee. One or more fully registered global security certificates, representing the total aggregate number of Corporate Units, Treasury Units and Cash Settled Units, was issued and deposited with the depository or its custodian, bearing a legend regarding the restrictions on exchanges and registration of transfer referred to below.

The laws of some jurisdictions may require that some purchasers of securities take physical delivery of securities in certificated form. These laws may impair the ability to transfer beneficial interests in the Corporate Units, Treasury Units and Cash Settled Units so long as the Corporate Units, Treasury Units and Cash Settled Units are represented by global security certificates.

DTC advises that it is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 1A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The depository holds securities that its participants deposit with the depository. The depository also facilitates the settlement among participants of securities transactions, including transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. The depository is a

wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the depository’s system is also available to others, including securities brokers and dealers, banks, trust companies and clearing corporations that clear transactions through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules applicable to the depository and its participants are on file with the SEC.

We will issue the Corporate Units, the Treasury Units and Cash Settled Units in definitive certificated form if the depository notifies us that it is unwilling or unable to continue as depository or the depository ceases to be a clearing agency registered under the Exchange Act and a successor depository is not appointed by us within 90 calendar days. In addition, beneficial interests in a global security certificate may be exchanged for definitive certificated Corporate Units, Treasury Units or Cash Settled Units upon request by or on behalf of the depository in accordance with customary procedures following the request of a beneficial owner seeking to exercise or enforce its rights under such Corporate Units, Treasury Units or Cash Settled Units. If we determine at any time that the Corporate Units, Treasury Units or Cash Settled Units shall no longer be represented by global security certificates, we will inform the depository of such determination and the depository will, in turn, notify participants of their right to withdraw their beneficial interest from the global security certificates, and if such participants elect to withdraw their beneficial interests, we will issue certificates in definitive form in exchange for such beneficial interests in the global security certificates. Any global Corporate Unit, Treasury Unit or Cash Settled Unit, or portion thereof that is exchangeable pursuant to this paragraph will be exchangeable for Corporate Unit, Treasury Unit or Cash Settled Unit certificates, as the case may be, registered in the names directed by the depository. We expect that these instructions will be based upon directions received by the depository from its participants with respect to ownership of beneficial interests in the global security certificates.

As long as the depository or its nominee is the registered owner of the global security certificates, the depository or its nominee, as the case may be, will be considered the sole owner and holder of the global security certificates and all Corporate Units, Treasury Units and Cash Settled Units represented by these certificates for all purposes under the Corporate Units, Treasury Units, Cash Settled Units and the purchase contract and pledge agreement. Except in the limited circumstances referred to above, owners of beneficial interests in global security certificates:

- will not be entitled to have the Corporate Units, the Treasury Units or the Cash Settled Units represented by these global security certificates registered in their names, and
- will not be considered to be owners or holders of the global security certificates or any Corporate Units, Treasury Units or Cash Settled Units represented by these certificates for any purpose under the Corporate Units, Treasury Units, Cash Settled Units or the purchase contract and pledge agreement.

All payments on the Corporate Units, Treasury Units and Cash Settled Units represented by the global security certificates and all transfers and deliveries of related convertible preferred stock, Treasury securities, cash and common stock will be made to the depository or its nominee, as the case may be, as the holder of the securities.

Ownership of beneficial interests in the global security certificates is limited to participants or persons that may hold beneficial interests through institutions that have accounts with the depository or its nominee. Ownership of beneficial interests in global security certificates are shown only on, and the transfer of those ownership interests are effected only through, records maintained by the depository or its nominee, with respect to participants’ interests, or any participant, with respect to interests of persons held by the participant on their behalf. Procedures for settlement of purchase contracts on the purchase contract settlement date, or upon early settlement, will be governed by arrangements among the depository, participants and persons that may hold beneficial interests through participants designed to permit settlement without the physical movement of certificates. Payments, transfers, deliveries,

exchanges and other matters relating to beneficial interests in global security certificates may be subject to various policies and procedures adopted by the depositary from time to time. None of us, the purchase contract agent or any agent of us or the purchase contract agent will have any responsibility or liability for any aspect of the depositary's or any participant's records relating to, or for payments made on account of, beneficial interests in global security certificates, or for maintaining, supervising or reviewing any of the depositary's records or any participant's records relating to these beneficial ownership interests.

Although the depositary has agreed to the foregoing procedures in order to facilitate transfers of interest in the global security certificates among participants, the depositary is under no obligation to perform or continue to perform these procedures, and these procedures may be discontinued at any time. We will not have any responsibility for the performance by the depositary or its direct participants or indirect participants under the rules and procedures governing the depositary.

The information in this section concerning the depositary and its book-entry system has been obtained from sources that we believe to be reliable, but we have not attempted to verify the accuracy of this information.

Description of the Convertible Preferred Stock

General

Under our Restated Certificate of Incorporation, as amended, our board of directors designated up to 750,000 shares of our authorized but unissued preferred stock as, and approved a certificate of amendment creating, a series of our preferred stock, designated as the 0% Series D Cumulative Perpetual Convertible Preferred Stock, which we refer to as the “convertible preferred stock.” We shall not (i) change any terms of the convertible preferred stock except as set forth in the certificate of amendment and (ii) issue any additional shares of the convertible preferred stock other than in accordance with the certificate of amendment.

We issued an aggregate of 750,000 shares of the convertible preferred stock.

Each Corporate Unit includes a 1/10, or 10%, undivided beneficial ownership interest in one share of convertible preferred stock with an initial \$1,000 liquidation preference that corresponds to the stated amount of \$100 per Corporate Unit.

We do not intend to list the convertible preferred stock that are not a part of Corporate Units on any securities exchange.

Ranking

The convertible preferred stock, with respect to dividend rights or rights upon our liquidation, winding-up or dissolution, ranks:

- senior to all classes or series of our common stock, and if issued, our authorized Series A Junior Participating Preferred Stock, and to any other class or series of our capital stock expressly designated as ranking junior to the convertible preferred stock;
- on parity with (a) our 0% Series C Cumulative Perpetual Convertible Preferred Stock and (b) any other class or series of our capital stock expressly designated as ranking on parity with the convertible preferred stock;
- junior to any other class or series of our capital stock expressly designated as ranking senior to the convertible preferred stock;
and
- junior to our existing and future indebtedness and other liabilities (including trade payables).

The term “capital stock” does not include convertible or exchangeable debt securities, which, prior to conversion or exchange, will rank senior in right of payment to the convertible preferred stock.

In the case of our liquidation, dissolution or winding up, holders of the convertible preferred stock will not have the right to receive any payment or distribution unless all of our liabilities are first paid in full and the priority of any senior stock is satisfied.

The convertible preferred stock will be structurally subordinated to all debt, preferred stock and other liabilities of our subsidiaries, which means that creditors and preferred stockholders of our subsidiaries will be paid from the assets of such subsidiaries before holders of the convertible preferred stock would have any claims to those assets.

No Dividends

The convertible preferred stock does not bear any dividends and the liquidation preference of the convertible preferred stock does not accrete.

Dividends Following a Successful Remarketing

In connection with a successful remarketing of the convertible preferred stock, the dividend rate on the convertible preferred stock may be increased as described under “—Increased Dividend Rate and Increased Conversion Rate” below. From and after the settlement date for such a remarketing in connection with which the dividend rate on the convertible preferred stock is increased (a “dividend increase remarketing”), cumulative dividends on the convertible preferred stock will be payable, when, as and if authorized by our board of directors and declared by us out of funds legally available for the payment of dividends, on the \$1,000 liquidation preference per share of the convertible preferred stock, payable in cash, shares of our common stock, or a combination of cash and shares of our common stock, at our election, unless we have previously irrevocably elected a dividend payment method to apply.

If the dividend on the convertible preferred stock is so increased, dividends will accumulate from the remarketing settlement date or if dividends shall have been paid on the convertible preferred stock thereafter, from the most recent date of payment, and will be payable to investors quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, each a “dividend payment date,” commencing no earlier than February 15, 2023, to the person whose name appears in our stock records at the close of business on the applicable record date, which will be the first day of the month on which the relevant dividend payment date falls (whether or not a business day) or, if the separate shares of the convertible preferred stock are held in global book-entry form, the record date will be the business day immediately preceding the applicable dividend payment date. We refer to each period beginning on and including a dividend payment date (or, if no dividends have been paid on the convertible preferred stock, the remarketing settlement date) to but excluding the next dividend payment date as a “dividend period.”

We will calculate dividends on the convertible preferred stock on the basis of a 360-day year of twelve 30-day months. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward. Dividends on the convertible preferred stock will cease to accumulate upon conversion, as described below.

If a dividend payment date falls on a date that is not a business day, such dividend payment date will be postponed to the next succeeding business day, provided that, if such business day falls in the next succeeding calendar month, the dividend payment date will be brought forward to the immediately preceding business day.

Dividends on the convertible preferred stock after a dividend increase remarketing will accumulate whether or not:

- we have earnings;
- there are funds legally available for the payment of those dividends;
or
- those dividends are authorized or declared.

So long as any shares of convertible preferred stock remain outstanding, except as described below, unless full cumulative dividends on the convertible preferred stock for all past dividend periods (including compounded dividends thereon) shall have been or contemporaneously are declared and paid or declared and a sum or number of shares of common stock sufficient for the payment thereof is set apart for payment, we will not:

- declare and pay or declare and set aside for payment of dividends, and we will not declare and make any distribution of cash or other property, directly or indirectly, on or with respect to any shares of our common stock or shares of any other class or series of our capital stock ranking, as to dividends, on parity with or junior to the convertible preferred stock (including our 0% Series C Cumulative Perpetual Convertible Preferred Stock), for any period;
- redeem, purchase or otherwise acquire for any consideration, or make any other distribution of cash or other property, directly or indirectly, on or with respect to, or pay or make available any monies for a sinking fund for the redemption of, any common stock or shares of any other class or series of our capital stock ranking, as to dividends or upon liquidation, on parity with or junior to the convertible preferred stock (including our 0% Series C Cumulative Perpetual Convertible Preferred Stock); or
- make any contract adjustment payments under the purchase contracts or any payment under any similar agreement providing for the issuance by us of capital stock on a forward basis.

The foregoing sentence, however, will not prohibit:

- purchases, redemptions or other acquisitions of shares of capital stock ranking junior to the convertible preferred stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of current or former employees, officers, directors or consultants;
- purchases of shares of our common stock pursuant to a contractually binding requirement to buy stock existing prior to the commencement of the first dividend period for which dividends are unpaid, including under a contractually binding stock repurchase plan;
- the purchase of, or the payment of cash in lieu of, fractional interests in shares of capital stock ranking junior to the convertible preferred stock issued by us (i) in connection with a bona fide acquisition of a business or (ii) pursuant to the conversion or exchange provisions of such capital stock or securities convertible into or exchangeable for such capital stock;
- any declaration of a dividend on our capital stock in connection with the implementation of a shareholders rights plan designed to protect us against unsolicited offers to acquire our capital stock, or the issuance of our capital stock under any such plan in the future, or the redemption or repurchase of any such rights pursuant thereto;
- dividends or distributions payable solely in capital stock ranking junior to the convertible preferred stock, or warrants, options or rights to acquire such capital stock, other than any indebtedness or our capital stock ranking, as to dividends or upon liquidation, on parity with or senior to the convertible preferred stock, in each case, convertible into our capital stock ranking junior to the convertible preferred stock; or
- the conversion into or exchange for other shares of any class or series of capital stock ranking junior to the convertible preferred stock.

We will not permit any of our subsidiaries to purchase or otherwise acquire for consideration any shares of our stock unless we could, under the above paragraph, purchase or otherwise acquire such shares at such time and in such manner. We refer to the provisions described in this paragraph and the above paragraph as the “dividend blocker provisions.”

When we do not pay dividends in full (or do not set apart a sum sufficient to pay them in full) on the convertible preferred stock and the shares of any other class or series of capital stock ranking, as to dividends, on parity with the convertible preferred stock, we will declare any dividends upon the convertible preferred stock and each such other class or series of capital stock ranking, as to dividends, on parity with the convertible preferred stock pro rata, so that the amount of dividends declared per share of the convertible preferred stock and such other class or series of capital stock will in all cases bear to each other the same ratio that accumulated and unpaid dividends per share on the convertible preferred stock and such other class or series of capital stock (which will not include any accumulation in respect of unpaid dividends on such other class or series of capital stock for prior dividend periods if such other class or series of capital stock does not have a cumulative dividend) bear to each other.

Any accumulated and unpaid dividends will accumulate additional dividends at the then-current dividend rate until paid, compounded quarterly, to, but excluding, the payment date. We refer to these additional dividends that accumulate on accumulated and unpaid dividends as “compounded dividends” and the payments in respect thereof as “compounded dividend payments.”

Holders of shares of the convertible preferred stock are not entitled to any dividends in excess of the full cumulative dividends (including compounded dividends) on the convertible preferred stock as described above. Any dividend payment made on the convertible preferred stock will first be credited against the earliest accumulated but unpaid dividends due with respect to those shares which remain payable.

No dividend will be paid unless and until our board of directors, or an authorized committee of our board of directors, declares a dividend payable with respect to the convertible preferred stock. Our ability to declare and pay dividends and make other distributions with respect to our capital stock, including the convertible preferred stock, may be limited by the terms of any indentures, loan agreements or other financing arrangements that we enter into in the future. In addition, our ability to declare and pay dividends may be limited by applicable Connecticut law.

Method of Payment of Dividends

Subject to the limitations described below, we may pay any dividend (or any portion of any dividend) on the convertible preferred stock (whether or not for a current dividend period or any prior dividend period), determined in the sole discretion of our board of directors, or an authorized committee thereof:

- in cash;
- by delivery of shares of our common stock;
or
- through any combination of cash and shares of our common stock.

We will make each payment of a dividend on the convertible preferred stock in cash, except to the extent we elect, or have previously elected, to make all or any portion of such payment in shares of our common stock. Unless we have previously irrevocably elected a dividend payment method to apply, we will give the holders of the convertible preferred stock notice of any election with respect to any particular dividend payment, the portion of such payment that will be made in cash and the portion of such payment that will be made in common stock no later than eight scheduled trading days prior to the dividend payment date for such dividend.

If we elect, or have previously irrevocably elected, to make any such payment of a dividend, or any portion thereof, in shares of our common stock, such shares shall be valued for such purpose at the average of the daily VWAPs per share of our common stock over the five consecutive trading day period ending on the second trading day immediately preceding the applicable payment date (the “five-day average price”), multiplied by 97%.

Without the consent of any holders of the convertible preferred stock, we may, by notice to such holders, irrevocably elect whether we will pay dividend payments in cash, shares of our common stock or a combination thereof (a “dividend payment method”) and, if applicable, the amount or percentage of a dividend payment to be paid in common stock that will apply to any dividend payment following such notice (unless a dividend payment method has previously been designated) and, subject to the foregoing, specify the effective time of such election (which, for the avoidance of doubt, may be at any time subsequent to the delivery of such notice). Our irrevocable election of a dividend payment method as described herein may be made by us in our sole discretion.

No fractional shares of common stock will be delivered to the holders of the convertible preferred stock in respect of dividends. We will instead pay a cash adjustment to each holder that would otherwise be entitled to a fraction of a share of common stock based on (i) the five-day average price and (ii) the aggregate number of shares of convertible preferred stock held by such holder (or, if the convertible preferred stock is held in global book-entry form, based on the applicable procedures of the depositary for determining such number of shares).

To the extent a shelf registration statement is required in our reasonable judgment in connection with the issuance of or for resales of common stock issued as payment of a dividend, we will, to the extent such a registration statement is not currently filed and effective, use our commercially reasonable efforts to file and maintain the effectiveness of such a shelf registration statement until the earlier of such time as all such shares of common stock have been resold thereunder and such time as all such shares are freely tradable by non-affiliates of ours without registration. To the extent applicable, we will also use our commercially reasonable efforts to have the shares of common stock qualified or registered under applicable state securities laws, if required, and approved for listing on the New York Stock Exchange (or if our common stock is not listed on the New York Stock Exchange, on the principal other U.S. national or regional securities exchange on which our common stock is then listed).

Any dividends paid in shares of our common stock will be subject to the listing standards of the New York Stock Exchange, if applicable.

Liquidation Preference

Upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs, before any distribution or payment shall be made to holders of shares of our common stock or any other class or series of capital stock ranking, as to rights upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs, junior to the convertible preferred stock, holders of shares of the convertible preferred stock are entitled to be paid out of our assets legally available for distribution to our stockholders, after payment of or provision for our debts and other liabilities, a liquidation preference of \$1,000 per share of the convertible preferred stock, plus an amount equal to any accumulated and unpaid dividends (whether or not authorized or declared) (which will only accrue after a dividend increase remarketing) up to but excluding the date of payment, but subject to the prior payment in full of all our liabilities and the payment of our senior stock. If, upon our voluntary or involuntary liquidation, dissolution or winding up, our available assets are insufficient to pay the full amount of the liquidating distributions on all outstanding shares of the convertible preferred stock and the corresponding amounts payable on all shares of each other class or series of capital stock ranking, as to liquidation rights, on parity with the convertible preferred stock in the distribution of assets, then holders of shares of the convertible preferred stock and each such other class or series of capital stock ranking, as to voluntary or involuntary liquidation rights, on parity with the convertible preferred stock will share ratably in any distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

Holders of shares of the convertible preferred stock will be entitled to written notice of any event triggering the right to receive a distribution in connection with any voluntary or involuntary liquidation, dissolution or winding up of

our affairs. After payment of the full amount of the liquidating distributions to which they are entitled, holders of shares of the convertible preferred stock will have no right or claim to any of our remaining assets. Our consolidation or merger with or into any other corporation, trust or other entity, or the voluntary sale, lease, transfer or conveyance of all or substantially all of our property or business, will not be deemed to constitute a liquidation, dissolution or winding up of our affairs.

No Maturity

The convertible preferred stock has no maturity date, but we are permitted to redeem the convertible preferred stock as described under “—Optional Redemption.” Accordingly, the convertible preferred stock will remain outstanding indefinitely unless a holder of shares of the convertible preferred stock decides, subject to satisfaction of the conditions described herein, to convert it, or we elect to redeem it. See “—Conversion Rights,” and “—Optional Redemption” below.

Optional Redemption

We do not have the right to redeem any shares of the convertible preferred stock before December 22, 2022. On or after December 22, 2022, we will have the option to redeem some or all the shares of the convertible preferred stock at a redemption price equal to 100% of the liquidation preference per share, plus any accumulated and unpaid dividends, if any (whether or not declared) (which will only accrue after a dividend increase remarketing) to, but excluding, the redemption date. The redemption price will be paid solely in cash. In connection with a successful remarketing of the convertible preferred stock, the earliest redemption date for the convertible preferred stock may be changed to a later date.

In the event of a redemption, we will request that the depository notify its participants holding convertible preferred stock or, if the convertible preferred stock is in certificated form, send a written notice by first class mail to each holder of record of the convertible preferred stock at such holders registered address, not fewer than 25 scheduled trading days nor more than 90 calendar days prior to the redemption date, stating, among other things, the redemption price and, if we have not previously irrevocably elected a settlement method to apply, the settlement method of the convertible preferred stock if the holder elects to convert. In addition, we will (i) issue a press release containing such information and (ii) publish such information on our website. In no event will we give any notice of redemption prior to the earlier of a remarketing settlement date and the purchase contract settlement date.

If we give notice of redemption, then, by 12:00 p.m., New York City time, on the redemption date, to the extent funds are legally available, we shall, with respect to:

- shares of the convertible preferred stock held by DTC or its nominees, deposit or cause to be deposited, irrevocably with DTC cash sufficient to pay the redemption price and will give DTC irrevocable instructions and authority to pay the redemption price to holders of such shares of the convertible preferred stock; and
- shares of the convertible preferred stock held in certificated form, deposit or cause to be deposited, irrevocably with the paying agent cash sufficient to pay the redemption price and will give the paying agent irrevocable instructions and authority to pay the redemption price to holders of such shares of the convertible preferred stock upon surrender to the paying agent of their certificates evidencing their shares of the convertible preferred stock.

If on the redemption date DTC or the paying agent holds cash sufficient to pay the redemption price for the shares of the convertible preferred stock delivered for redemption in accordance with the terms of the certificate of

amendment, dividends, if any, will cease to accumulate on those shares of the convertible preferred stock called for redemption and all rights of holders of such shares will terminate except for the right to receive the redemption price. Payment of the redemption price for the shares of the convertible preferred stock is conditioned upon book-entry transfer of or physical delivery of certificates representing the convertible preferred stock, together with necessary endorsements, to the paying agent, or to the paying agent's account at DTC, at any time after delivery of the redemption notice. Payment of the redemption price for the convertible preferred stock will be made (i) if book-entry transfer of or physical delivery of the convertible preferred stock has been made by or on the redemption date, on the redemption date, or (ii) if book-entry transfer of or physical delivery of the convertible preferred stock has not been made by or on such date, at the time of book-entry transfer of or physical delivery of the convertible preferred stock.

If the redemption date falls after a dividend payment record date that occurs after a dividend increase remarketing and before the related dividend payment date, holders of the shares of convertible preferred stock at the close of business on that dividend payment record date will be entitled to receive the dividend payable on those shares on the corresponding dividend payment date. The redemption price payable on such redemption date will include only the liquidation preference, but will not include any amount in respect of dividends declared and payable on such corresponding dividend payment date.

In the case of any partial redemption, we will select the shares of convertible preferred stock to be redeemed on a pro rata basis, by lot or any other method that we, in our discretion, deem fair and appropriate.

We do not have the right to authorize, issue a press release or give notice of redemption unless (a) we have funds legally available for the payment of the aggregate redemption price and (b) prior to giving the notice, (i) all accumulated and unpaid dividends on the convertible preferred stock (whether or not declared) for dividend periods ended prior to the date of such notice of redemption shall have been or contemporaneously are declared and paid out of legally available funds and (ii) if the redemption date occurs following a record date that occurs after a dividend increase remarketing and prior to the related dividend payment date, a cash dividend for the related dividend period has been declared and sufficient funds legally available therefor have been set aside for payment of such dividend.

Limited Voting Rights

Holders of shares of the convertible preferred stock generally do not have any voting rights, except as set forth below and as required by law. In matters where holders of the convertible preferred stock are entitled to vote, each share of the convertible preferred stock shall be entitled to one vote.

Preferred Stock Directors

If at any time after a dividend increase remarketing, dividends on the convertible preferred stock have not been declared and paid in full for six or more dividend periods from and after such successful remarketing, whether or not consecutive (which we refer to as a "preferred dividend default"), holders of shares of the convertible preferred stock (voting together as a class with the holders of all other classes or series of preferred stock upon which like voting rights have been conferred and are exercisable (and with voting rights allocated pro rata based on the liquidation preference of the convertible preferred stock and each such other class or series of preferred stock)) will be entitled to vote for the election of two additional directors to serve on our board of directors (which we refer to as "preferred stock directors"), until all accumulated unpaid dividends with respect to the convertible preferred stock and any other class or series of preferred stock upon which like voting rights have been conferred and are exercisable have been paid or declared and a sum sufficient for payment is set aside for such payment. In such a case, the number of directors serving on our board of directors will be increased by two. The preferred stock directors will be elected by a plurality of the votes cast in the election to serve until the next annual meeting and

each preferred stock director will serve until his successor is duly elected and qualifies or until the director's right to hold the office terminates, whichever occurs earlier. The election will take place at:

- a special meeting called by holders of at least 10% of the outstanding shares of the convertible preferred stock together with any other class or series of preferred stock upon which like voting rights have been conferred and are exercisable, if this request is received more than 90 calendar days before the date fixed for our next annual or special meeting of stockholders or, if we receive the request for a special meeting within 90 calendar days before the date fixed for our next annual or special meeting of stockholders, at our annual or special meeting of stockholders; and
- each subsequent annual meeting (or special meeting held in its place) until all accumulated dividends on the convertible preferred stock and on any other class or series of preferred upon which like voting rights have been conferred and are exercisable have been paid in full for all past dividend periods and the dividend for the then current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment.

If and when all accumulated dividends on the convertible preferred stock and all other classes or series of preferred stock upon which like voting rights have been conferred and are exercisable shall have been paid in full or a sum sufficient for such payment in full is set aside for payment, holders of shares of the convertible preferred stock shall be divested of the voting rights set forth above (subject to re-vesting in the event of any subsequent preferred dividend defaults) and the term of office of such preferred stock directors so elected will terminate and the entire board of directors will be reduced accordingly. Each preferred stock director shall be entitled to one vote on any matter.

When a Supermajority Vote is Required

So long as any shares of the convertible preferred stock remain outstanding, we will not, without the consent or the affirmative vote of the holders of at least two-thirds of the outstanding shares of the convertible preferred stock together with each other class or series of preferred stock ranking on parity with the convertible preferred stock with respect to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up and upon which like voting rights have been conferred (voting as a single class):

- authorize, create or issue, or increase the number of authorized or issued shares of, any class or series of stock ranking senior to the convertible preferred stock with respect to payment of dividends, or the distribution of assets upon the liquidation, dissolution or winding up of our affairs, or reclassify any of our authorized capital stock into any such shares, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares;
- amend, alter or repeal the provisions of our certificate of incorporation so as to materially and adversely affect any right, preference, privilege or voting power of the convertible preferred stock; or
- consummate a binding share exchange or reclassification involving the shares of convertible preferred stock or a merger or consolidation of us with another entity, unless either (i) the shares of convertible preferred stock remain outstanding and have rights, preferences, privileges and voting powers, taken as a whole, that are no less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the convertible preferred stock immediately prior to such consummation, taken as a whole, or (ii) in the case of any such merger or consolidation with respect to which we are not the surviving or resulting entity, the shares of convertible preferred stock are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, such surviving or

resulting entity or ultimate parent is organized under the laws of the United States, any state thereof or the District of Columbia and treated as a corporation for U.S. federal income tax purposes, and such preference securities have rights, preferences, privileges and voting powers, taken as a whole, that are no less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the convertible preferred stock immediately prior to such consummation, taken as a whole;

provided that the creation and issuance, or an increase in the authorized or issued amount, whether pursuant to pre-emptive or similar rights or otherwise, of any series of preferred stock (including the convertible preferred stock), ranking equally with and/or junior to the convertible preferred stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and the distribution of assets upon our liquidation, dissolution and winding-up, shall not be deemed to adversely affect the rights, preferences, privileges or voting powers of the convertible preferred stock, and shall not require the affirmative vote or consent of the holders of the convertible preferred stock.

If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation specified above would adversely affect one or more but not all series of parity stock (including the convertible preferred stock for this purpose), then only the one or more series of parity stock adversely affected and entitled to vote, rather than all series of parity stock, shall vote as a class.

Without the consent of the holders of the convertible preferred stock, so long as such action does not adversely affect the special rights, preferences, privileges or voting powers of the convertible preferred stock, and limitations and restrictions thereof, we may amend, alter, supplement, or repeal any terms of the convertible preferred stock for the following purposes:

- to cure any ambiguity, defect, inconsistency or mistake, or to correct or supplement any provision contained in the certificate of amendment establishing the terms of the convertible preferred stock that may be defective or inconsistent with any other provision contained in such certificate of amendment;
- to make such other provisions in regard to matters or questions relating to the convertible preferred stock that is not inconsistent with the provisions of the certificate of amendment establishing the terms of the convertible preferred stock; or
- to waive any of our rights with respect thereto;

provided that any such amendment, alteration, supplement or repeal of any terms of the convertible preferred stock effected in order to (1) conform the terms of the convertible preferred stock to the description contained in this Description of the 2019 Corporate Units, (2) implement the changes under “—Increased Dividend Rate and Increased Conversion Rate,” (3) change the earliest redemption date for the convertible preferred stock in connection with a successful remarketing, (4) irrevocably elect a settlement method or dividend payment method to apply or (5) elect for the fundamental change conversion right to apply after a successful remarketing (as well as any increase to any related table of additional shares to be added to the conversion rate, if any) shall be deemed not to adversely affect the special rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the convertible preferred stock.

Holders of shares of the convertible preferred stock are not entitled to vote with respect to any increase in the total number of authorized shares of our common stock or preferred stock, any increase in the number of authorized shares of the convertible preferred stock or the creation or issuance of any other class or series of capital stock, or any increase in the number of authorized shares of any other class or series of capital stock, in each case ranking on

parity with or junior to the convertible preferred stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up, except as set forth above.

Holders of shares of the convertible preferred stock do not have any voting rights with respect to, and the consent of the holders of shares of the convertible preferred stock is not required for, the taking of any corporate action, including any merger or consolidation involving us or a sale of all or substantially all of our assets, regardless of the effect that such merger, consolidation or sale may have upon the powers, preferences, voting power or other rights or privileges of the convertible preferred stock, except as set forth above.

In addition, the voting provisions above will not apply if, at or prior to the time when the act with respect to which the vote would otherwise be required would occur, we have redeemed upon proper procedures all outstanding shares of the convertible preferred stock.

Conversion Rights

General

Holders of Corporate Units do not have the right to convert their ownership interests in the convertible preferred stock that are a part of such Corporate Units. Only shares of convertible preferred stock that are not a part of Corporate Units may be so converted. Holders of such separate shares of convertible preferred stock that are not a part of Corporate Units may convert their shares into common stock (or cash or a combination of cash and common stock, at our election, unless we have previously irrevocably elected a settlement method to apply) at their option prior to November 15, 2022 only upon the occurrence of a fundamental change if such fundamental change occurs prior to a successful remarketing. In order for a holder of Corporate Units to separate their convertible preferred stock from the purchase contracts in order to convert the convertible preferred stock in connection with a fundamental change prior to a successful remarketing, the holder must either (1) create Treasury Units or (2) settle the related purchase contracts early with separate cash, as described under “Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change” above. If a fundamental change occurs prior to a successful remarketing, holders of separate shares of convertible preferred stock can convert such shares at any time from or after the effective date of such transaction until 35 trading days after such effective date.

On and after November 15, 2022, holders of shares of the convertible preferred stock may, at their option, at any time and from time to time, convert some or all of their outstanding shares of the convertible preferred stock.

The conversion rate will initially be 5.2263 shares of our common stock per share of convertible preferred stock, which is equivalent to an initial conversion price of approximately \$191.34 per share of our common stock. Upon conversion of the convertible preferred stock, we will settle our obligations in the manner set forth under “—Settlement Upon Conversion.”

Upon settlement of a conversion of the convertible preferred stock and except as set forth in the immediately succeeding paragraph, a holder will not receive payment of accumulated and unpaid dividends, if any, as described under “—Dividends Following a Successful Remarketing” and we will not make any payments in respect of or adjust the conversion rate to account for accumulated and unpaid dividends to the conversion date except as provided under “—Adjusted Conversion Rate Upon a Fundamental Change.”

If a holder of shares of convertible preferred stock exercises its conversion rights, on and after the conversion date, those shares will cease to cumulate dividends (if any) as of the end of the day immediately preceding the conversion date. A holder of shares of convertible preferred stock on the record date for the payment of a dividend will receive that dividend notwithstanding a conversion of the convertible preferred stock following such record date to the

dividend payment date. However, convertible preferred stock surrendered for conversion after the close of business on any record date for the payment of dividends declared and before the opening of business on the dividend payment date relating to that record date must be accompanied by a payment in cash of an amount equal to the dividend payable in respect of those shares for the dividend period in which the shares are converted; *provided* that no such payment need be made:

- if we have specified a redemption date that is after a dividend payment record date and on or prior to the corresponding dividend payment date; or
- if we have specified a fundamental change conversion deadline (as defined below) that is after a dividend payment record date and on or prior to the corresponding dividend payment date.

In case any shares of convertible preferred stock are to be redeemed, the right to convert those shares of the convertible preferred stock will terminate at 5:00 p.m., New York City time, on the business day immediately preceding the redemption date, unless we default in the payment of the redemption price of those shares of convertible preferred stock.

Adjusted Conversion Rate Upon a Fundamental Change

If a fundamental change (as defined in “Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change” above) occurs prior to a successful remarketing, a holder may elect to convert separate shares of convertible preferred stock in connection with such fundamental change (such right of conversion, the “fundamental change conversion right”). If the stock price (as defined in “Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change—Calculation of Make-Whole Shares” above) is less than \$191.34 (which we refer to as the “conversion price,” and which initially equals the conversion price of the convertible preferred stock), any such conversion in connection with such fundamental change will be at an adjusted conversion rate that will be equal to the \$1,000 liquidation preference *plus* all accumulated and unpaid dividends, if any, to, but excluding such fundamental change settlement date described below (unless the conversion date for a share of convertible preferred stock occurs after the record date for the payment of declared dividends and prior to the related dividend payment date, in which case the conversion rate calculation for such share will not include accumulated and unpaid dividends that will be paid to holders of record on such record date) *divided by* the average of the closing prices of our common stock for the five consecutive trading days ending on the second business day prior to the fundamental change settlement date (or, in the case of a fundamental change described in clause (i) of the definition of fundamental change where the holders of our common stock receive only cash in the fundamental change, the cash amount paid per share of our common stock) (the “fundamental change settlement price”). Notwithstanding the foregoing, in no event will the conversion rate exceed 12.5431 shares of common stock per share of convertible preferred stock (subject to adjustment as set forth under “—Conversion Rate Adjustments” and increase as set forth under “—Increased Dividend Rate and Increased Conversion Rate”), which is equal to the \$1,000 liquidation preference *divided by* 50% of \$159.45 (the closing price of our common stock on the pricing date of this offering, which closing price we refer to as the “initial price”).

However, on and after a successful remarketing, there will be no fundamental change conversion right. We may, in connection with a remarketing, nonetheless elect for the fundamental change conversion right to apply to the terms of the convertible preferred stock, but we are not obligated to do so.

The initial price will be adjusted as of any date on which the conversion rate of the convertible preferred stock is adjusted. The adjusted initial price will equal the initial price applicable immediately prior to such adjustment *multiplied by* a fraction, the numerator of which is the conversion rate immediately prior to the adjustment giving

rise to the stock price adjustment and the denominator of which is the conversion rate as so adjusted. The conversion price as of any time is equal to \$1,000 divided by the conversion rate as of such time.

A conversion of the convertible preferred stock will be deemed for these purposes to be “in connection with” such a fundamental change (regardless of the stock price) if the conversion date occurs from, and including, the effective date of such fundamental change to, and including, the date we specified in the fundamental change company notice as the last date on which a holder of the convertible preferred stock may exercise the fundamental change conversion right for that fundamental change, which we refer to as the “fundamental change conversion deadline.” The fundamental change conversion deadline will be a date no less than 20 business days nor more than 35 business days after the effective date of such fundamental change, *provided* that if any purchase contracts are outstanding at the time we give the fundamental change company notice, such date shall not be less than 10 business days following the fundamental change early settlement date we specify for the purchase contracts as described under “Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change.”

To the extent practicable, we will provide each holder of convertible preferred stock with a notice of the anticipated effective date of a fundamental change (to the extent such anticipated effective date is expected to occur prior to a successful remarketing unless the fundamental change conversion right also applies after a remarketing as described in this Description of the 2019 Corporate Units) at least 20 business days prior to such anticipated effective date, but in any event not later than two business days following our becoming aware of the occurrence of such fundamental change. In addition, if such fundamental change occurs prior to a successful remarketing unless the fundamental change conversion right also applies after a remarketing as described in this Description of the 2019 Corporate Units, we will send a notice to holders of a fundamental change within five business days after the effective date of such fundamental change (the “fundamental change company notice”). Such fundamental change company notice will state:

- the events constituting the fundamental change;
- the effective date of the fundamental change;
- the name and address of the paying agent and the conversion agent;
- the conversion rate and any adjustment to the conversion rate that will result from the fundamental change, or if the stock price is less than the conversion price, the formula for determination of the conversion rate;
- the procedures that the holder of the convertible preferred stock must follow to exercise the fundamental change conversion right;
- the fundamental change conversion deadline;
- unless we have previously irrevocably elected a settlement method to apply, the settlement method for all conversions in exercise of the fundamental change conversion right, including, in the case of combination settlement, the amount of cash per share of convertible preferred stock we will pay in settlement of any such conversions; and
- if the stock price is less than the conversion price, the date on which all conversions in exercise of the fundamental change conversion right will be settled (the “fundamental change settlement date”), which will be the second business day immediately following the fundamental change conversion deadline.

To exercise the fundamental change conversion right, a holder of a separate share of convertible preferred stock must deliver, on or before the close of business on the fundamental change conversion deadline, the convertible preferred stock to be converted, duly endorsed for transfer, together with a written conversion notice completed, to our conversion agent. The conversion notice will state:

- the relevant fundamental change conversion date;
and
- the number of shares of the convertible preferred stock to be converted pursuant to the fundamental change conversion right.

If the convertible preferred stock is held in global form, the conversion notice must comply with applicable DTC procedures.

If the stock price is greater than or equal to the conversion price, the convertible preferred stock as to which the fundamental change conversion right has been properly exercised will be converted into cash, shares of our common stock or a combination thereof at our election, unless we have previously irrevocably elected a settlement method to apply, in accordance with “—Settlement Upon Conversion” below. If the stock price is less than the conversion price, then notwithstanding anything to the contrary, we can elect, unless we have previously irrevocably elected a settlement method to apply, to settle conversions in connection with a valid exercise of the fundamental change conversion right through cash settlement, combination settlement or physical settlement, as follows:

- any such conversions will settle on the fundamental change settlement date;
- if we have validly elected physical settlement, we will deliver, in respect of each share of the convertible preferred stock, a number of shares of common stock (and cash in lieu of any fractional shares) equal to the conversion rate described above;
- if we have validly elected cash settlement, we will deliver an amount of cash per share of convertible preferred stock equal to the conversion rate described above *multiplied by* the fundamental change settlement price; and
- if we have validly elected combination settlement, we will deliver, in addition to the amount of cash per share of convertible preferred stock specified in the fundamental change company notice, a number of shares of common stock (and cash in lieu of any fractional shares) equal to a fraction, the numerator of which is (i) the conversion rate described above *multiplied by* the fundamental change settlement price minus (ii) the amount of cash per share specified in the fundamental change company notice, and the denominator of which is the fundamental change settlement price.

If the holders of our common stock receive only cash in a reorganization event, then notwithstanding the foregoing, for all conversions in connection with a fundamental change that occur after the effective date of such transaction where the relevant stock price is less than the conversion price, the consideration due upon conversion of each such share of convertible preferred stock shall be solely cash in an amount equal to the conversion rate as modified by this “—Adjusted Conversion Rate Upon a Fundamental Change,” *multiplied by* the fundamental change settlement price for such transaction.

We will, to the extent applicable, comply with listing standards of the New York Stock Exchange in connection with the issuance of our common stock upon any exercise of the fundamental change conversion right.

Conversion Procedures

Holders of shares of the convertible preferred stock represented by a beneficial interest in a global security may convert their shares by complying with the depositary's procedures and, if required, by paying any dividends as described in this Description of the 2019 Corporate Units. Holders of shares of the convertible preferred stock in certificated form may convert some or all of their shares by surrendering to us at our principal office or at the office of our conversion agent, as may be designated by our board of directors or a committee of our board of directors, the certificate or certificates, if any, for the shares of the convertible preferred stock to be converted, accompanied by a written notice stating that the holder of shares of the convertible preferred stock elects to convert all or a specified whole number of those shares in accordance with the provisions described in this Description of the 2019 Corporate Units and specifying the name or names in which the holder of shares of the convertible preferred stock wishes the certificate or certificates, if any, for the shares of our common stock to be issued. If the notice specifies a name or names other than the name of the holder of shares of the convertible preferred stock, the notice will be accompanied by payment of all transfer taxes payable upon the issuance of shares of our common stock in that name or names. Other than such transfer taxes, we will pay any documentary, stamp or similar issue or transfer taxes that may be payable in respect of any issuance or delivery of shares of our common stock upon conversion of shares of the convertible preferred stock. The date on which the foregoing procedures have been complied with will be deemed the "conversion date" with respect to a share of the convertible preferred stock.

As promptly as practicable after the conversion date with respect to any shares of the convertible preferred stock, we will reflect in our stock records the cancellation of the convertible preferred stock that is being converted and the issuance of such number of validly issued, fully paid and non-assessable shares of our common stock to which the holders of such shares of the convertible preferred stock are entitled as a result of the conversion, if any, as of such conversion date (in the case of any physical settlement) or the final day of the observation period (in the case of a combination settlement). In addition, if the common stock to be issued upon conversion is certificated, promptly after the issuance of the common stock certificate (or, if the convertible preferred stock is certificated, promptly after, and in any case, no later than (x) two business days after the surrender of the certificates representing the shares that are converted (in the case of physical settlement) and (y) two business days after the later of the surrender of the certificates representing the shares that are converted and the final day of the observation period (in the case of combination settlement)) we will deliver or cause to be delivered (i) certificates representing the number of validly issued, fully paid and non-assessable shares of our common stock to which the holders of such shares of the convertible preferred stock, or the transferee of the holder of such shares of the convertible preferred stock, will be entitled and (ii) if the convertible preferred stock is then certificated and if less than the full number of shares of the convertible preferred stock represented by the surrendered certificate or certificates, if any, or specified in the notice, are being converted, a new certificate or certificates, of like tenor, for the number of shares represented by the surrendered certificate or certificates, less the number of shares being converted. This conversion will be deemed to have been made at the close of business on the conversion date so that the rights of the holder of shares of the convertible preferred stock as to the shares being converted will cease, except for the right to receive the shares of our common stock.

Holders of shares of the convertible preferred stock are not eligible to exercise any rights of a holder of shares of our common stock until they have converted their shares of the convertible preferred stock into shares of our common stock, if any. If more than one share of the convertible preferred stock is surrendered for conversion by the same stockholder at the same time, the number of whole shares of our common stock issuable upon conversion of those shares of the convertible preferred stock will be computed on the basis of the total number of shares of the convertible preferred stock so surrendered.

We will at all times reserve and keep available, free from preemptive rights, out of our authorized but unissued shares of capital stock, for issuance upon the conversion of shares of the convertible preferred stock, a number of authorized but unissued shares of our common stock that will from time to time be sufficient to permit the

conversion of all outstanding shares of the convertible preferred stock (assuming, for such purposes, that physical settlement is applicable to all conversions).

Before the delivery of any securities upon conversion of shares of the convertible preferred stock, we will comply with all applicable federal and state laws and regulations. All shares of our common stock delivered upon conversion of shares of the convertible preferred stock, if any, will, upon delivery, be duly and validly issued, fully paid and non-assessable, free of all liens and charges and not subject to any preemptive rights.

Settlement Upon Conversion

To satisfy our obligations upon a conversion, we may elect to pay or deliver, as the case may be, solely shares of our common stock, together with cash in lieu of fractional shares (“physical settlement”), solely cash (“cash settlement”) or a combination of cash and our common stock (“combination settlement”). We refer to each of these elections as a “settlement method.”

We will use the same settlement method for all conversions with the same conversion date, but we will not have any obligation to use the same settlement method with respect to conversions occurring on different conversion dates, except that we will use the same settlement method for (x) all conversions following our delivery of a notice of redemption to holders of the convertible preferred stock to, and including, the related redemption date, regardless of the conversion date and (y) all conversions in connection with a fundamental change. If we elect a settlement method (if we have not previously irrevocably elected a settlement method to apply), we will inform holders so converting through the conversion agent of such settlement method we have selected no later than the second business day immediately following the related conversion date; *provided* that (x) in the case of any conversions of convertible preferred stock called for redemption, we will elect our settlement method in the redemption notice (or, if we have previously irrevocably elected a settlement method, restate such election) and (y) in the case of a conversion in connection with a fundamental change, we will elect our settlement method in the fundamental change company notice (or, if we have previously irrevocably elected a settlement method, restate such election). If we elect or are deemed to have elected combination settlement, but we do not timely notify converting holders of the specified dollar amount per \$1,000 liquidation preference of convertible preferred stock, such specified dollar amount will be deemed to be \$1,000. If we do not timely provide notice electing a settlement method in respect of any conversion of the convertible preferred stock, we will be deemed to have elected combination settlement and the specified dollar amount per \$1,000 liquidation preference of convertible preferred stock will be equal to \$1,000.

Settlement amounts will be computed as follows:

- if we elect physical settlement, we will deliver to the converting holder a number of shares of our common stock equal to the number of shares of convertible preferred stock to be converted *multiplied by* the applicable conversion rate;
- if we elect cash settlement, we will deliver to the converting holder, in respect of each \$1,000 liquidation preference of the convertible preferred stock being converted, cash in an amount equal to the sum of the daily conversion values for each of the 20 consecutive trading days during the related observation period; and
- if we elect or are deemed to have elected combination settlement, we will deliver to the converting holder in respect of each \$1,000 liquidation preference of the convertible preferred stock being converted a “settlement amount” equal to the sum of the daily settlement amounts for each of the 20 consecutive trading days during the related observation period.

The “daily settlement amount,” for each of the 20 consecutive trading days during the observation period, will consist of:

- cash equal to the lesser of (i) a dollar amount per share of the convertible preferred stock to be received upon conversion as specified by us in the notice regarding our chosen settlement method (the “specified dollar amount”), if any, *divided by 20* (such quotient being referred to as the “daily measurement value”) and (ii) the daily conversion value for such trading day; and
- to the extent the daily conversion value for such trading day exceeds the daily measurement value, a number of shares equal to (i) the difference between such daily conversion value and the daily measurement value, *divided by* (ii) the daily VWAP for such trading day.

“Daily conversion value” means, for each of the 20 consecutive trading days during the observation period, one-twentieth of the product of (i) the applicable conversion rate and (ii) the daily VWAP of our common stock on such trading day.

“Observation period” means, with respect to any share of convertible preferred stock being converted, the 20 consecutive trading day period beginning on and including the second trading day after the conversion date for such share of convertible preferred stock, *provided* that if the relevant conversion date occurs on or after the date of our issuance of a notice of redemption with respect to the convertible preferred stock as described under “—Redemption” and prior to the relevant redemption date, the observation period shall be the 20 consecutive trading days beginning on, and including, the 21st scheduled trading day immediately preceding such redemption date.

If we elect physical settlement in respect of a conversion, we will deliver the settlement amount to converting holders on the second trading day following the conversion date, but such holders will be deemed to be the owners of the shares of our common stock included in the settlement amount as of the close of business on the conversion date. If we elect cash settlement or if we elect or are deemed to have elected combination settlement, we will pay or deliver, as the case may be, the settlement amount to converting holders on the second trading day following the final trading day of the relevant observation period and such holders will be deemed to be the owners of any of the shares of our common stock included in the settlement amount on the last trading day of the relevant observation period.

Without the consent of any holder of the convertible preferred stock, we may, by notice to the holders through the conversion agent, irrevocably elect a settlement method (and, if applicable, a specified dollar amount) to apply to any conversion following such notice (unless a settlement method has previously been designated) and, subject to the foregoing, specify the effective time of such election (which, for the avoidance of doubt, may be at any time subsequent to the delivery of such notice) *provided* that we may make such election (i) solely for conversions in connection with a fundamental change, (ii) solely for conversions other than in connection with a fundamental change, or (iii) for both conversions in connection with a fundamental change and for such other conversions, in which case we may elect the same or different settlement method (and, if applicable, the same or different specified dollar amount) for conversions in connection with a fundamental change and for such other conversions. Our irrevocable election of a settlement method as described herein may be made by us in our sole discretion.

We will not issue fractional shares upon conversion of the convertible preferred stock. Instead, we will pay cash in lieu of fractional shares based on the daily VWAP of our common stock on the relevant conversion date (in the case of physical settlement) or based on the daily VWAP of our common stock on the last trading day of the relevant observation period (in the case of combination settlement).

Recapitalizations, Reclassifications and Changes of Our Common Stock

In the case of any reorganization event, at and after the effective time of such reorganization event, the conversion rate shall be determined by reference to the value of an exchange property unit, and we will deliver, upon settlement of any conversion of convertible preferred stock, a number of exchange property units equal to the number of shares of our common stock that we would otherwise be required to deliver. However, at and after the effective time of the reorganization event, (i) we will, subject to our ability to irrevocably elect a settlement method, continue to have the right to determine the form of consideration to be paid or delivered, as the case may be, upon conversion, as set forth under “—Conversion Rights—Settlement Upon Conversion” and (ii)(x) any amount payable in cash upon conversion as set forth under “—Conversion Rights—Settlement Upon Conversion” will continue to be payable in cash, (y) any shares of our common stock that we would have been required to deliver upon conversion as set forth under “—Conversion Rights—Settlement Upon Conversion” will instead be deliverable in the amount and type of exchange property that a holder of that number of shares of our common stock would have received in such transaction and (z) the daily VWAP and fundamental change settlement price will be calculated based on the value of an exchange property unit that a holder of one share of our common stock would have received in such transaction. In the event holders of our common stock (other than any constituent person or affiliate thereof) have the opportunity to elect the form of consideration to be received in such transaction, the exchange property unit that holders of the convertible preferred stock are entitled to receive will be deemed to be the weighted average of the types and amounts of consideration received by the holders of our common stock. We will notify holders of the weighted average as soon as practicable after such determination is made. If the holders receive only cash in such transaction, then notwithstanding anything herein to the contrary for all conversions that occur after the effective date of such transaction (other than conversions in connection with a fundamental change prior to a successful remarketing where the relevant stock price is less than the conversion price) (i) the consideration due upon conversion of each share of convertible preferred stock shall be solely cash in an amount equal to the conversion rate in effect on the conversion date, *multiplied by* the price paid per share of common stock in such transaction and (ii) we will satisfy our conversion obligation by paying cash to converting holders on the second scheduled trading day immediately following the conversion date. In addition, we will amend the certificate of amendment (1) to provide for anti-dilution and other adjustments that are as nearly equivalent as possible to the adjustments described under “—Conversion Rate Adjustments” below, (2) in the case of any transaction that results in the common equity of any entity other than us (or, for the avoidance of doubt, our successor in such transaction) being included as exchange property, (a) by replacing references to “us” or “our” (and similar references) in the definitions of “fundamental change” with references to that other entity and (b) by causing the dividend blocker provisions to apply to that other entity, with its equity securities being deemed stock ranking junior to the convertible preferred stock for this purpose and (3) to include such additional provisions to protect the interests of the holders of convertible preferred stock as our board of directors reasonably considers necessary by reason of the foregoing. We will not become party to any such transaction unless its terms are consistent with the foregoing.

In connection with any adjustment to the conversion rate described below, we will also adjust the initial dividend threshold (as defined under “—Conversion Rate Adjustments”) based on the number of shares of common stock comprising the exchange property and (if applicable) the value of any non-stock consideration comprising the exchange property. If the exchange property is composed solely of non-stock consideration, the initial dividend threshold will be zero.

The provisions described in the preceding two paragraphs shall similarly apply to successive reorganization events. To the extent the preceding two paragraphs apply to an event or occurrence, the provisions of “—Conversion Rate Adjustments” shall not apply to such event or occurrence.

Conversion Rate Adjustments

The applicable conversion rate shall be adjusted from time to time for any of the following events that occur following the original issue date of the convertible preferred stock:

- (1) If we issue common stock as a dividend or distribution on our common stock to all or substantially all holders of our common stock, or if we effect a share split or share combination, the conversion rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where:

CR_0 = the conversion rate in effect immediately prior to the ex-dividend date for such dividend or distribution, or the effective date of such share split or share combination;

CR_1 = the new conversion rate in effect immediately on and after the ex-dividend date for such dividend or distribution, or the effective date of such share split or share combination;

OS_0 = the number of shares of our common stock outstanding immediately prior to the ex-dividend date, or the effective date of such share split or share combination; and

OS_1 = the number of shares of our common stock outstanding immediately after giving effect to such dividend or distribution, or the effective date of such share split or share combination.

Any adjustment made pursuant to this clause (1) shall become effective as of the open of business on (x) the ex-dividend date for such dividend or other distribution or (y) the date on which such split or combination becomes effective, as applicable. If any dividend or distribution described in this clause (1) is declared but not so paid or made, the new conversion rate shall be readjusted to the conversion rate that would then be in effect if such dividend or distribution had not been declared.

- (2) If we distribute to all holders of our common stock any rights, warrants or options entitling them for a period of not more than 45 calendar days after the date of distribution thereof to subscribe for or purchase our common stock, in any case at an exercise price per share of our common stock less than the closing price of our common stock on the business day immediately preceding the time of announcement of such issuance, the conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1 + X}{OS_0 + Y}$$

where:

CR_0 = the conversion rate in effect immediately prior to the ex-dividend date for such distribution;

CR_1 = the new conversion rate in effect immediately on and after the ex-dividend date for such distribution;

OS_0 = the number of shares of our common stock outstanding immediately prior to the ex-dividend date for such distribution;

X = the aggregate number of shares of our common stock issuable pursuant to such rights, warrants or options; and

Y = the number of shares of our common stock equal to the quotient of (A) the aggregate price payable to exercise all such rights, warrants or options and (B) the average of the closing prices of our common stock for the 10 consecutive trading days ending on the trading day immediately preceding the date of announcement for the issuance of such rights, warrants or options.

For purposes of this clause (2), in determining whether any rights, warrants or options entitle the holders to subscribe for or purchase our common stock at less than the closing price of our common stock on the business day immediately preceding the time of announcement of such issuance, and in determining the aggregate exercise or conversion price payable for such common stock, there shall be taken into account any consideration received by us for such rights, warrants or options and any amount payable on exercise or conversion thereof, with the value of such consideration, if other than cash, to be determined by us. Any increase made under this clause (2) will be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the open of business on the ex-dividend date for such issuance. If any right, warrant or option described in this clause (2) is not exercised or converted prior to the expiration of the exercisability or convertibility thereof, the new conversion rate shall be readjusted to the conversion rate that would then be in effect if such right, warrant or option had not been so issued.

- (3)(a) If we distribute shares of capital stock, evidences of indebtedness or other assets or property of us to all holders of our common stock, excluding:
 - (A) dividends, distributions, rights, warrants or options as to which an adjustment was effected in clause (1) or (2) above;
 - (B) dividends or distributions paid exclusively in cash; and
 - (C) spin-offs described below in this clause (3),

then the conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where

CR₀ = the conversion rate in effect immediately prior to the ex-dividend date for such distribution;

CR₁ = the new conversion rate in effect immediately on and after the ex-dividend date for such distribution;

SP₀ = the closing price of our common stock on the trading day immediately preceding the ex-dividend date for such distribution; and

FMV = the fair market value (as determined in good faith by us) of the shares of capital stock, evidences of indebtedness, assets or property distributed with respect to each outstanding share of our common stock on the earlier of the record date and the ex-dividend date for such distribution.

An adjustment to the conversion rate made pursuant to the immediately preceding paragraph shall become effective as of the open of business on the ex-dividend date for such distribution.

Notwithstanding the foregoing, if “FMV” (as defined above) is equal to or greater than “SP” (as defined above), in lieu of the foregoing increase, each holder of convertible preferred stock shall receive, in respect of each share of convertible preferred stock, at the same time and upon the same terms as holders of our common stock and without having to convert its shares of convertible preferred stock, the amount and kind of our capital stock, evidences of indebtedness or other assets or property of ours that such holder would have received if such holder owned a number of shares of common stock equal to the conversion rate in effect on the ex-dividend date for the distribution.

(b) However, if we distribute to all holders of our common stock, capital stock of any class or series, or similar equity interest, of or relating to a subsidiary or other business unit (which we refer to as a “spin-off”), the conversion rate in effect immediately following the 10th trading day immediately following, and including, the effective date of the spin-off will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where:

CR_0 = the conversion rate in effect on the 10th trading day immediately following, and including the effective date of the spin-off;

CR_1 = the new conversion rate immediately after the 10th trading day immediately following (and including) the effective date of the spin-off;

FMV_0 = the average of the closing prices of the capital stock or similar equity interest distributed to holders of our common stock applicable to one share of our common stock over the first 10 consecutive trading days after (and including) the effective date of the spin-off (the “valuation period”); and

MP_0 = the average of the closing prices of our common stock over the valuation period.

The increase to the conversion rate under the preceding paragraph will occur at the close of business on the last trading day of the valuation period *provided* that (x) in respect of any conversion of convertible preferred stock for which physical settlement is applicable, if the relevant conversion date occurs during the valuation period, the reference to “10” in the preceding paragraph shall be deemed replaced with such lesser number of trading days as have elapsed between the ex-dividend date for such spin-off and such conversion date in determining the conversion rate and (y) in respect of any conversion of convertible preferred stock for which cash settlement or combination settlement is applicable, for any trading day that falls within the relevant observation period for such conversion and within the valuation period, the reference to “10” in the preceding paragraph shall be deemed replaced with such lesser number of trading days as have elapsed between the ex-dividend date for such spin-off and such trading day in determining the conversion rate as of such trading day. In addition, if the ex-dividend date for such spin-off is after the 10th trading day immediately preceding, and including, the end of any observation period in respect of a conversion of convertible preferred stock, references to “10” or “10th” in the preceding paragraph and this paragraph shall be deemed to be replaced, solely in respect of that conversion, with such lesser number of trading days as have elapsed from, and including, the ex-dividend date for such spin-off to, and including, the last trading day of such observation period.

If any such dividend or distribution described in this clause (3) is declared but not paid or made, the new conversion rate shall be readjusted to be the conversion rate that would then be in effect if such dividend or distribution had not been declared.

- (4) If any cash dividend or distribution is made to all or substantially all holders of our common stock, other than a regular, quarterly cash dividend that does not exceed \$0.69 per share (the “initial dividend threshold”), the conversion rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0 - IDT}{SP_0 - C}$$

where,

CR_0 = the conversion rate in effect immediately prior to the ex-dividend date for such dividend or distribution;

CR_1 = the conversion rate in effect immediately after the ex-dividend date for such dividend or distribution;

SP_0 = the closing price of our common stock on the trading day immediately preceding the ex-dividend date for such distribution;

C = the amount in cash per share we distribute to holders of our common stock; and

IDT = the initial dividend threshold; *provided* that if the dividend or distribution is not a regular quarterly cash dividend, the initial dividend threshold will be deemed to be zero.

Any increase to the conversion rate made pursuant to this clause (4) shall become effective as of the open of business on the ex-dividend date for such dividend or distribution. If any such dividend or distribution is not so paid or made, the new conversion rate shall be readjusted to the conversion rate that would be in effect if such dividend or distribution had not been declared.

Notwithstanding the foregoing, if “ C ” (as defined above) is equal to or greater than “ SP_0 ” (as defined above), in lieu of the foregoing increase, each holder of convertible preferred stock shall receive, for each share of convertible preferred stock, at the same time and upon the same terms as holders of shares of our common stock and without having to convert its shares of convertible preferred stock, the amount of cash that such holder would have received if such holder owned a number of shares of our common stock equal to the conversion rate on the ex-dividend date for such cash dividend or distribution.

The initial dividend threshold is subject to adjustment in a manner inversely proportional to adjustments to the conversion rate *provided* that no adjustment will be made to the initial dividend threshold for any adjustment made to the conversion rate under this clause (4).

- (5) If we or any of our subsidiaries make a payment in respect of a tender offer or exchange offer for our common stock to the extent that the cash and value of any other consideration included in the payment per share of our common stock exceeds the closing price of a share of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer, the conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{AC + (SP_1 \times OS_1)}{OS_0 \times SP_1}$$

where:

CR_0 = the conversion rate in effect on the trading day on which such tender or exchange offer expires;

CR^1 = the conversion rate in effect on the trading day immediately following the date such tender or exchange offer expires;

AC = the aggregate value of all cash and any other consideration (as determined in good faith by us) paid or payable for our common stock purchased in such tender or exchange offer;

OS^0 = the number of shares of our common stock outstanding immediately prior to the date such tender or exchange offer expires (prior to giving effect to the purchase or exchange of shares pursuant to such tender or exchange offer);

OS^1 = the number of shares of our common stock outstanding immediately after the date such tender or exchange offer expires (after giving effect to the purchase or exchange of shares pursuant to such tender or exchange offer); and

SP^1 = the closing price of our common stock for the trading day next succeeding the date such tender or exchange offer expires.

If the application of the foregoing formula would result in a decrease in the conversion rate, no adjustment to the conversion rate will be made.

Any adjustment to the conversion rate made pursuant to this clause (5) shall become effective at the close of business on the trading day immediately following the date such tender offer or exchange offer expires. If we or one of our subsidiaries is obligated to purchase our common stock pursuant to any such tender or exchange offer but is permanently prevented by applicable law from effecting any such purchase or all such purchases are rescinded, the new conversion rate shall be readjusted to be the conversion rate that would be in effect if such tender or exchange offer had not been made.

If we have in effect a rights plan while any convertible preferred stock remains outstanding, holders of convertible preferred stock will receive, upon a conversion of convertible preferred stock, in addition to shares of our common stock, if any, rights under our shareholder rights agreement unless, prior to conversion, the rights have expired, terminated or been redeemed or unless the rights have separated from our common stock. If the rights provided for in the rights plan adopted by us have separated from our common stock in accordance with the provisions of the applicable shareholder rights agreement so that holders of convertible preferred stock would not be entitled to receive any rights in respect of our common stock, if any, delivered upon conversion of convertible preferred stock, the conversion rate will be adjusted at the time of separation as if we had distributed to all holders of our common stock capital stock, evidences of indebtedness or other assets or property pursuant to clause (3) above, subject to readjustment upon the subsequent expiration, termination or redemption of the rights.

Notwithstanding the foregoing, if a conversion rate adjustment becomes effective on any ex-dividend date as described above, and a holder that has converted its shares of the convertible preferred stock on or after such ex-

dividend date and on or prior to the related record date would be treated as the record holder of our common stock as of the related conversion date based on an adjusted conversion rate for such ex-dividend date, then, notwithstanding the foregoing conversion rate adjustment provisions, the conversion rate adjustment relating to such ex-dividend date will not be made for such converting holder. Instead, such holder will be treated as if such holder were the record owner of our common stock on an unadjusted basis and participate in the related dividend, distribution or other event giving rise to such adjustment.

In addition to the adjustments pursuant to paragraphs (1) through (5) above, we may increase the conversion rate in order to avoid or diminish any income tax to holders of our common stock resulting from any dividend or distribution of capital stock (or rights to acquire our common stock) or from any event treated as such for income tax purposes. We may also, from time to time, to the extent permitted by applicable law, increase the conversion rate by any amount for any period of at least 20 business days if we have determined that such increase would be in our best interests. If we make such determination, it will be conclusive and we will mail to holders of the convertible preferred stock a notice of the increased conversion rate and the period during which it will be in effect at least 15 calendar days prior to the date the increased conversion rate takes effect in accordance with applicable law.

No adjustment to the conversion rate will be made if holders of the convertible preferred stock, as a result of holding the convertible preferred stock and without conversion thereof, are entitled to participate at the same time as our common stock holders participate in any of the transactions described above as if such holders of the convertible preferred stock held a number shares of our common stock equal to the conversion rate, *multiplied by* the number of shares of convertible preferred stock held by such holder, without having to convert their convertible preferred stock.

As used in this section and in “Description of the Purchase Contracts—Anti-dilution Adjustments” above, “record date” means, with respect to any dividend, distribution or other transaction or event in which the holders of our common stock (or other applicable security) have the right to receive any cash, securities or other property or in which our common stock (or such other security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of holders of our common stock (or such other security) entitled to receive such cash, securities or other property (whether such date is fixed by our board of directors or a duly authorized committee thereof, statute, contract or otherwise).

The conversion rate will not be adjusted except as specifically set forth in this “Conversion Rate Adjustments” and in “—Conversion Rights—Adjusted Conversion Rate Upon a Fundamental Change.” Without limiting the foregoing, the conversion rate will not be adjusted for:

- the issuance of our common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on securities of ours and the investment of additional optional amounts in shares of our common stock under any plan;
- the issuance of our common stock or options or rights to purchase those shares pursuant to any present or future employee, director, trustee or consultant benefit plan, employee agreement or arrangement or program of ours;
- the issuance of our common stock pursuant to any option, warrant, right, or exercisable, exchangeable or convertible security outstanding as of the date the convertible preferred stock was first issued;
- a change in the par value of our common stock;
- accumulated and unpaid dividends, if any;
and

- the issuance of limited partnership units by us and the issuance of our common stock or the payment of cash upon redemption thereof.

All required calculations will be made to the nearest cent or 1/10,000th of a share, as the case may be. We will not be required to make an adjustment to the conversion rate unless the adjustment would require a change of at least 1% in the conversion rate. However, we will carry forward any adjustments that are less than 1% of the conversion rate and make such carried-forward adjustments (x) when all such carried-forward adjustments aggregate to a change of at least 1% in the conversion rate and (y) regardless of whether the aggregate adjustment is less than 1% (i) on the effective date for any fundamental change, (ii) on the conversion date in respect of any shares of convertible preferred stock for which physical settlement applies and (iii) on each trading day of any observation period in respect of any conversion of convertible preferred stock for which cash settlement or combination settlement applies.

In the event of an adjustment to the conversion rate, holders of Corporate Units and convertible preferred stock may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal income tax as a dividend. In addition, non-U.S. holders of Corporate Units and convertible preferred stock may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal withholding tax requirements.

Adjustments of Prices

Whenever any provision of the certificate of amendment requires us to calculate the closing prices, the daily VWAPs, the daily conversion values or the daily settlement amounts over a span of multiple days (including any observation period, the five-day average price and the “stock price” and “fundamental change settlement price” (if applicable) for purposes of this “Description of the Convertible Preferred Stock” section), we will make appropriate adjustments to each to account for any adjustment to the conversion rate that becomes effective, or any event requiring an adjustment to the conversion rate where the ex-dividend date of the event occurs, at any time during the period when the closing prices, the daily VWAPs, the daily conversion values or the daily settlement amounts are to be calculated.

Transfer Agent, Registrar, Paying Agent, Conversion Agent

The registrar and transfer agent for the convertible preferred stock is Computershare Trust Company, N.A. The paying agent and conversion agent for the convertible preferred stock is The Bank of New York Mellon, Trust Company, N.A.

Remarketing

The convertible preferred stock will be remarketed as described under “Description of the Purchase Contracts—Remarketing.”

In connection with a successful remarketing:

- the dividend rate and/or conversion rate of all outstanding shares of convertible preferred stock (whether or not remarketed) may be increased as described below, the earliest redemption date may be changed to a later date and we may elect for the fundamental change conversion right to apply; and
- if the dividend rate is increased, dividends will be payable quarterly, when, as and if declared by our board of directors, as described herein.

In order to remarket the convertible preferred stock, our board of directors may, in consultation with the remarketing agent, increase the dividend rate, increase the conversion rate of the convertible preferred stock, change the earliest redemption date to a later date and/or elect for the fundamental change conversion right to apply to the terms of the convertible preferred stock in order to produce the required price in the remarketing.

Remarketing of Shares That Are Not Included in Corporate Units

At any time prior to a remarketing, other than during a blackout period, holders of convertible preferred stock that do not underlie Corporate Units may elect to have their shares of convertible preferred stock remarketed in such remarketing in the same manner as shares of convertible preferred stock that underlie Corporate Units by delivering their shares along with a notice of this election to the custodial agent. The custodial agent will hold the shares of convertible preferred stock in an account separate from the collateral account in which the pledged securities will be held. Holders of shares of convertible preferred stock electing to have their shares remarketed will also have the right to withdraw their election at any time prior to 5:00 p.m., New York City time, on the second business day immediately preceding an optional remarketing period or the final remarketing period, as applicable. The “remarketing price per share of convertible preferred stock” means, for each share of convertible preferred stock, an amount in cash equal to the quotient of the Treasury portfolio purchase price *divided by* the number of shares of convertible preferred stock included in such remarketing that are held as components of Corporate Units. For purposes of determining the proceeds that the remarketing agent will seek to obtain for the convertible preferred stock in an optional remarketing, the “separate convertible preferred stock purchase price” means the amount in cash equal to the product of (A) the remarketing price per share of convertible preferred stock and (B) the number of shares of convertible preferred stock included in such remarketing that are not part of Corporate Units, which will be the same price on a per share basis, as shares of convertible preferred stock remarketed as Corporate Units. In the event of a successful remarketing, proceeds from the remarketing attributable to holders of separate shares of convertible preferred stock that elected to have their shares remarketed will be remitted by the remarketing agent for the benefit of such holders on the optional remarketing settlement date (in the case of any optional remarketing) or on the purchase contract settlement date (in the case of the final remarketing).

Increased Dividend Rate and Increased Conversion Rate

In the case of a successful remarketing, the dividend rate on the convertible preferred stock may be increased (in which case holders of the convertible preferred stock would be entitled to receive cumulative dividends on their shares when, as and if declared by our board of directors out of funds legally available for the payment of dividends) and/or the conversion rate of the convertible preferred stock may be increased. The increased dividend rate and/or increased conversion rate will become effective on the settlement date of the remarketing (the “remarketing settlement date”), which will be, in the case of a successful optional remarketing, the second business day following the optional remarketing date (or such other date as we and the remarketing agent agree upon) and, in the case of the final remarketing period, the purchase contract settlement date. If the dividend rate and/or the conversion rate is increased pursuant to a successful optional remarketing, the increased rate(s) will be the dividend rate and/or conversion rate determined by our board of directors, after consultation with the remarketing agent, as the rate(s) the convertible preferred stock should bear in order for the net remarketing proceeds of such convertible preferred stock to have an aggregate market value on the optional remarketing date of at least 100% of the aggregate of the Treasury portfolio purchase price *plus* the separate convertible preferred stock purchase price, if any. If the dividend rate and/or the conversion rate is increased pursuant to a successful final remarketing, the increased rate(s) will be the dividend rate and/or conversion rate determined by our board of directors, after consultation with the remarketing agent, as the rate(s) the convertible preferred stock should bear in order for the net remarketing proceeds to equal at least \$1,000 *multiplied by* the number of shares of convertible preferred stock being remarketed. We will not

decrease the conversion rate or the dividend rate in connection with a successful remarketing (and, therefore, in no event will the dividend rate be less than zero).

If the convertible preferred stock is not successfully remarketed, neither the dividend rate nor the conversion rate will be increased (and, for the avoidance of doubt, the convertible preferred stock will continue to not bear any dividends).

The remarketing agent is not obligated to purchase any shares of convertible preferred stock that would otherwise remain unsold in the remarketing. None of us, the remarketing agent or any agent of us or the remarketing agent will be obligated in any case to provide funds to make payment upon tender of convertible preferred stock for remarketing.

Automatic Settlement Upon Failed Final Remarketing

If the convertible preferred stock has not been successfully remarketed on or prior to the last day of the final remarketing period, all ownership interests in shares of convertible preferred stock held as part of Corporate Units will be delivered to us on the purchase contract settlement date in full satisfaction of the Corporate Unit holders' obligations to purchase our common stock under the related purchase contracts on the purchase contract settlement date, unless the holder separately cash settles purchase contracts as described below.

The ownership interest in convertible preferred stock underlying a Corporate Unit will be automatically delivered to us thereby satisfying such holder's obligations to us under the related purchase contracts in full, unless, prior to 5:00 p.m., New York City time, on the second business day immediately prior to the purchase contract settlement date, the holder provides written notice of an intention to settle the related purchase contracts with separate cash and on or prior to the business day immediately preceding the purchase contract settlement date delivers to the securities intermediary \$1,000 in cash per 10 purchase contracts. Holders of Corporate Units may settle their purchase contracts with separate cash only in integral multiples of 10 Corporate Units.

Payment

So long as any separate shares of convertible preferred stock are registered in the name of DTC, as depository for the convertible preferred stock as described herein under "Book-Entry Issuance—The Depository Trust Company," or DTC's nominee, payments on the convertible preferred stock will be made as described therein.

Form

So long as any separate shares of convertible preferred stock are registered in the name of DTC, as depository for the convertible preferred stock as described herein under "Book-Entry Issuance—The Depository Trust Company," or DTC's nominee, transfers and exchanges of beneficial interests in the separate shares of convertible preferred stock will be made as described therein.

Certain Trading Characteristics

After a dividend increase remarketing, the convertible preferred stock is expected to trade at a price that takes into account the value, if any, of accumulated but unpaid dividends (except for declared dividends accrued after a record date and prior to a dividend payment date, which dividends will be payable to the holders as of the record date, as described above); thus, purchasers will not pay, and sellers will not receive, accumulated and unpaid dividends with respect to the convertible preferred stock that is not included in the trading price thereof.

Title

We and any agent of ours will treat the person or entity in whose name securities are registered as the absolute owner of those securities for the purpose of making payments and for all other purposes irrespective of notice to the contrary.

Book-Entry Issuance—The Depository Trust Company

The shares of convertible preferred stock that form a part of the Corporate Units were issued in fully registered form and are evidenced by one or more global securities held in certificated form in the name of the purchase contract agent. The shares of convertible preferred stock that do not form a part of the Corporate Units are evidenced by one or more global securities registered in the name of DTC's nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. Such global securities will be deposited with the transfer agent as custodian for DTC. See "Certain Provisions of the Purchase Contract and Pledge Agreement—Book-Entry System for Corporate Units, Treasury Units and Cash Settled Units" for a description of DTC.

Purchases of the convertible preferred stock under the DTC system must be made by or through direct participants, which will receive a credit for the convertible preferred stock on DTC's records. The ownership interest of each actual purchaser of each share of convertible preferred stock ("beneficial owner") is in turn to be recorded on the direct and indirect participants' records. Beneficial owners will not receive written confirmation from DTC of their purchases, but beneficial owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the direct or indirect participant through which they purchased the convertible preferred stock. Transfers of ownership interests on the convertible preferred stock are to be accomplished by entries made on the books of direct and indirect participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in convertible preferred stock, except in the event that use of the book-entry system for the convertible preferred stock is discontinued.

To facilitate subsequent transfers, all convertible preferred stock deposited by direct participants with DTC are registered in the name of DTC's nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the convertible preferred stock with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the convertible preferred stock; DTC's records reflect only the identity of the direct participants to whose accounts the shares of convertible preferred stock are credited, which may or may not be the beneficial owners. The direct and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners, are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Notices will be sent to DTC.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the convertible preferred stock unless authorized by a direct participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns the voting or consenting rights of Cede & Co. to those direct participants to whose accounts the shares of convertible preferred stock are credited on the record date. We believe that these arrangements will enable the beneficial owners to exercise rights equivalent in substance to the rights that can be directly exercised by a registered holder of the convertible preferred stock.

Payments of dividends on the convertible preferred stock, if any, will be made to Cede & Co. (or such other nominee of DTC).

DTC's practice is to credit direct participants' accounts upon DTC's receipt of funds and corresponding detail information from us or the transfer agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices and will be the responsibility of each participant and not of DTC or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of dividends to Cede & Co. (or other such nominee of DTC) is our responsibility. Disbursement of such payments to direct participants will be the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of direct and indirect participants.

A beneficial owner will not be entitled to receive physical delivery of the convertible preferred stock. Accordingly, each beneficial owner must rely on the procedures of DTC to exercise any rights under the convertible preferred stock.

DTC may discontinue providing its services as securities depository with respect to the convertible preferred stock at any time by giving us or the transfer agent reasonable notice. In the event no successor securities depository is obtained, certificates for the convertible preferred stock will be printed and delivered.

The information in this section concerning DTC's book-entry system has been obtained from sources that we believe to be reliable, but neither we nor the underwriters take any responsibility for the accuracy of this information.

STANLEY BLACK & DECKER, INC.
2020 Restricted Stock Unit Deferral Plan
For Non-Employee Directors

ARTICLE I

PURPOSE

The purpose of the Plan is to provide non-employee directors of the Company the opportunity to defer the receipt of Shares payable pursuant to RSU Awards granted during fiscal year 2020 and beyond for tax or other reasons suited to the Participant's own financial strategies. The Plan is intended to, and shall be interpreted to, comply in all respects with Section 409A.

ARTICLE II

DEFINITIONS

As used in the Plan, the following terms shall have the meanings specified in this Article 2.

- 2.1 Award Terms: any written instrument, agreement or other document evidencing or describing each RSU Award provided to a Participant pursuant to the Omnibus Plan and the Plan, which sets forth certain of the terms and conditions applicable thereto, which instrument, agreement or other document shall be in a form approved by the Committee from time to time.
- 2.2 Beneficiary: the Person(s) designated in accordance with Article 9 below.
- 2.3 Board: the Board of Directors of the Company.
- 2.4 Change in Control: a "change in the ownership" or the "change in the effective control" of the Company or a "change in the ownership of a substantial portion of the Company's assets" (each within the meaning of Section 409A).
- 2.5 Committee: the Corporate Governance Committee of the Board or, if there is no such committee, the Board, provided that no Participant shall be permitted to act in the capacity of a director with respect to any matters pertaining directly to such Participant's own RSU Award(s).
- 2.6 Common Stock: the common stock of the Company, par value \$2.50 per share, subject to adjustment pursuant to Article 8.
- 2.7 Company: Stanley Black & Decker, Inc., a Connecticut corporation, and any successor thereto.
- 2.8 Compensation Committee: the Compensation & Talent Development Committee of the Board.
- 2.9 Dividend Equivalent Account: a notional account established on the books and records of the Company to record any dividend equivalents credited in respect of any outstanding RSU Awards
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deferred under this Agreement.

2.10 Effective Date: December 3, 2019.

2.11 Eligible Director: each member of the Board who is not an employee of the Company or any of its subsidiaries.

2.12 Grant Date: with respect to an RSU Award, the date as of which such RSU Award is granted to a Participant, as communicated to the Participant.

2.13 Initial Deferral Election Rule: Except as otherwise permitted by Section 409A, a Participant's initial election with respect to the deferral of any Shares issuable in respect of any RSU Award must be made by December 31 of the calendar year immediately preceding the calendar year in which the services relating to the RSU Award are rendered.

2.14 Omnibus Plan: the Stanley Black & Decker, Inc. 2018 Omnibus Award Plan, or any successor plan.

2.16 Participant: an Eligible Director who is selected by the Committee to participate in the Plan and who is granted an RSU Award under the Omnibus Plan.

2.17 Person: any natural person, firm, partnership, limited liability company, association, corporation, company, trust, business trust, governmental authority or other entity.

2.18 Plan: the Stanley Black & Decker, Inc. 2020 Restricted Stock Unit Deferral Plan for Non-Employee Directors, as it may be amended from time to time.

2.19 Record Date: the date established by the Company for entitlement to receive a dividend or other distribution in respect of Common Stock.

2.20 Restricted Stock Unit: a Restricted Stock Unit or an Other Stock-Based Award as defined under the Omnibus Plan.

2.21 RSU Award: a share-settled restricted stock unit award or other stock-based award granted pursuant to the Omnibus Plan, which award represents the contingent right to receive one Share, subject to the applicable Award Terms and the Plan.

2.22 Secretary: the individual holding the position of corporate secretary of the Company from time to time or his or her delegate.

2.23 Section 409A: section 409A of the Internal Revenue Code of 1986, as amended, and any proposed, temporary or final regulations, or any other guidance, promulgated with respect to section 409A by the U.S. Department of Treasury or the Internal Revenue Service.

2.24 Separation from Service: means a "separation from service" defined in Treas. Reg. Section 1.409A-1(h) or such other regulation or guidance issued under Section 409A.

2.25 Share: a share of Common Stock.

2.26 Termination Date: the date on which a Participant's Separation from Service occurs for any reason.

ARTICLE III

ELIGIBILITY AND PARTICIPATION

Only Eligible Directors shall be eligible to participate in the Plan. Participation in the Plan shall not entitle any Participant to continue to serve as a director of the Company for any period or to receive or be eligible to receive any RSU Awards.

ARTICLE IV

DISTRIBUTIONS

Each RSU Award granted to a Participant shall be fully vested and nonforfeitable as of the Grant Date. All RSU Awards settled under the Plan shall be settled in the form of Shares.

ARTICLE V

METHOD AND TIMING OF SETTLEMENT

5.1 Elections with respect to Method and Timing of Settlement. Pursuant to the Initial Deferral Election Rule, a Participant may elect for an RSU Award to be settled in one of the following methods (each, a "Settlement Method"):

(i) in one lump sum of Shares, which Shares shall be settled on the Settlement Date, or

(ii) in three (3), five (5) or ten (10) approximately equal annual installments, with the first installment of Shares to be settled on the Settlement Date, with each subsequent installment of Shares to be settled on each of the subsequent one-year anniversaries of the Settlement Date occurring during the applicable installment period.

The term "Settlement Date" means the 90th day following the Participant's Termination Date. In the event the Settlement Date falls on a weekend or holiday, the Settlement Date shall mean the first business day following such Settlement Date.

Election of the Settlement Method shall be made in writing, on such election form as may be approved from time to time by the Secretary.

5.2 Settlement on Change in Control. Notwithstanding anything herein to the contrary, upon a Change in Control, the balance of the RSU Awards credited to the Participant's account, and the balance of the Participant's Dividend Equivalent Account, in each case as of immediately prior to the Change in Control, shall be settled within 30 days following such Change in Control in the manner set forth in Section 6.1(c).

5.3 Modification of Settlement Elections. The Company may, in its sole discretion, authorize the acceleration of the settlement of an RSU Award in accordance with paragraphs (j)(4)(ii) through (xiv) of Treasury Regulation §1.409A-3 (to the extent the Committee determines any such subsection(s) are applicable).

ARTICLE VI

SETTLEMENT OF AWARDS

6.1 Settlement. (a) Lump Sum Distribution. In the case of an RSU Award payable in one lump sum, on the Settlement Date, the Company shall issue to the Participant, in full settlement of such RSU Award, (i) one Share for each Restricted Stock Unit then being distributed, plus (ii) an additional number of Shares in respect of any dividend equivalents then-credited to the Participant's Dividend Equivalent Account (as determined in accordance with Section 9.3 of this Plan) in respect of such Restricted Stock Unit. Any fractional Shares will be settled in cash.

(b) Installments. The number of Shares delivered on each installment payment date shall be equal to the number of Shares underlying the applicable RSU Award that have not yet been distributed, multiplied by a fraction, the numerator of which shall be one and the denominator of which shall be the number of annual installments (including the current installment) remaining to be paid. In the case of an RSU Award that is to be settled in installments, on the Settlement Date applicable to such RSU Award and on each subsequent installment payment date applicable to such RSU Award, the Company shall issue to the Participant, in partial settlement of such RSU Award, (i) one Share for each Restricted Stock Unit then being settled, plus (ii) an additional number of Shares in respect of any dividend equivalents then-credited to the Participant's Dividend Equivalent Account (as determined in accordance with Section 9.3 of this Plan) in respect of each such Restricted Stock Unit then being settled. Any fractional Shares will be settled in cash.

(c) Change in Control. At the time of settlement of a Participant's then-current account balance in connection with a Change in Control pursuant to Section 5.2, the Company shall issue to the Participant (i) one Share for each Restricted Stock Unit then being distributed, plus (ii) an additional number of Shares in respect of any dividend equivalents then-credited to the Participant's Dividend Equivalent Account (as determined in accordance with Section 9.3 of this Plan) in respect of such Restricted Stock Unit. Any fractional Shares will be settled in cash. Notwithstanding the foregoing, in the event of a Change in Control, the Company, in its sole discretion, may elect to change the form of settlement in order to settle Participants' RSU Awards deferred hereunder in cash in lieu of Shares. For purposes of determining the cash amount to be paid to a Participant in connection with any cash settlement pursuant to this Section 6.1(c), the Shares credited to the Participant's account as of immediately prior to the Change in Control, and the balance of the Participant's Dividend Equivalent Account, shall be valued at the closing price of a Share as reported on the New York Stock Exchange Composite Transactions on the trading date immediately preceding the effective date of the Change in Control.

ARTICLE VII

ADMINISTRATION

7.1 Authority of the Committee. The Committee shall be responsible for the administration and interpretation of the Plan. Subject to any guidelines established for the Committee, as approved in writing by the Board, the Committee shall have full discretionary authority to exercise its duties and powers under the Plan and the Award Terms, including with respect to the administration and interpretation of the Plan. Subject to the terms of the Plan, the Omnibus Plan, and the Award Terms, the Committee is authorized to prescribe, amend and rescind rules and regulations relating to the administration and interpretation of the Plan, to provide for conditions and assurances deemed necessary or advisable to protect the interests of the Company, and to make all other determinations necessary or advisable for the administration and interpretation of the Plan and the RSU Awards thereunder or to carry out its or their provisions and purposes. All determinations, calculations, interpretations and other actions made or taken by the Committee pursuant to the provisions of the Plan or otherwise in connection with the administration, operation or interpretation thereof shall be final, binding and conclusive for all purposes

and upon all persons and shall be made in the sole and absolute discretion of the Committee.

7.2 Delegation by the Committee; Authority of the Board. The Committee may appoint in writing such person or persons as it may deem necessary or desirable to carry out any of the duties or responsibilities of the Committee hereunder and may delegate to such person or persons in writing such duties, and confer upon such person or persons in writing, such powers, discretionary or otherwise, as the Committee may deem appropriate. The Committee may employ one or more persons to render advice with regard to any of the duties or responsibilities of the Committee under the Plan. Any and all rights, duties and responsibilities of the Committee hereunder may be exercised by the Board in lieu of the Committee, in the Board's discretion.

7.3 Reliance. The Committee shall be entitled to rely upon all determinations, certificates and reports made by any financial officer of the Company or any actuary or independent public accountant and upon all opinions of law given by any counsel selected by it (who may be counsel to the Company), and shall be fully protected in respect of any act done or omitted to be done or any determination made in good faith in reliance upon any such determination, certificate, report or opinion. No member of the Committee shall be liable for any act done or omitted to be done or determination made in the performance of its duties under this Plan or for any act done or omitted to be done by any agent or representative of such Committee so long as such person acted in good faith.

7.4 Indemnification. Each person who is or shall have been a member of the Committee or otherwise delegated any administrative duties or responsibilities hereunder shall be indemnified and held harmless by the Company to the fullest extent permitted by law from and against any and all losses, costs, liabilities and expenses (including any related attorneys' fees and advances thereof) in connection with, based upon or arising or resulting from any claim, action, suit or proceeding to which such person may be made a party or in which such person may be involved by reason of any action taken or failure to act under or in connection with the Plan and from and against any and all amounts paid by such person in settlement thereof, with the Company's approval, or paid by such person in satisfaction of any judgment in any such action, suit or proceeding against him, provided that such person shall give the Company an opportunity, at its own expense, to defend the same before such person undertakes to defend it on his own behalf. The foregoing right of indemnification shall not be exclusive and shall be independent of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or By-laws, by contract, as a matter of law or otherwise.

ARTICLE VIII

ADJUSTMENTS IN CAPITALIZATION

If adjustments are made to outstanding Shares or to the capital structure of the Company as a result of stock dividends, stock splits or combinations, recapitalizations, mergers, consolidations, exchange offers, issuer tender offers, extraordinary cash dividends, or similar event or transaction, the Compensation Committee shall make an appropriate adjustment to the balance of the Participant's account under the Plan in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan. Any such action taken by the Compensation Committee shall be final and binding on the Participant. RSU Awards (and any dividend equivalents credited in respect thereof) that have not yet converted to Shares shall be subject to adjustment as set forth in Section 4(b) of the Omnibus Plan.

ARTICLE IX

GENERAL PROVISIONS

9.1 Right to Payment Unsecured. The right of a Participant to receive distributions under the Plan shall be only that of an unsecured creditor against the assets of the Company and distributions under the Plan shall be made solely from the general assets of the Company. No Participant shall have any right to any specific assets of the Company by virtue of the Plan. It is the intention of the Company that the Plan is unfunded for purposes of ERISA and the Code.

9.2 Nontransferability of Awards prior to Delivery of Shares. No RSU Awards or undistributed Shares (including any interests credited to the Participant's Dividend Equivalent Account) may be transferred, sold, assigned, pledged, encumbered, hypothecated, alienated or otherwise disposed of, other than by will or by the laws of descent and distribution.

9.3 Rights as a Stockholder; Dividend Equivalents. The Participant shall not have any interest in any RSU Awards or any Shares deferred under the Plan until such Shares have been distributed and issued to the Participant, other than the right to receive dividend equivalents or other distributions that the Participant would have otherwise been entitled to receive in respect of the Shares had the Participant been the owner of such Shares on the applicable Record Date.

(i) Crediting of Dividends. With respect to each RSU Award hereunder, the Participant's Dividend Equivalent Account shall be credited as follows: if on any date while any portion of the RSU Award is outstanding the Company pays a dividend on the Shares (other than a dividend payable in Shares), the number of Restricted Stock Units underlying the Participant's account with respect to his or her RSU Award shall, as of the payment date for such dividend payment, be increased by a number of Restricted Stock Units equal to: (a) the product of (x) the number of Restricted Stock Units underlying the Participant's RSU Award as of such Record Date, multiplied by (y) the per Share amount of any cash dividend (or, in the case of any dividend payable, in whole or in part, other than in cash, the per Share value of such dividend, as determined in good faith by the Company), divided by (b) the average of the high and low price of a Share on the New York Stock Exchange on the payment date for such dividend payment. In the case of any dividend declared on shares of Common Stock that is payable in the form of Shares, the number of Restricted Stock Units underlying the Participant's RSU Award shall be increased by a number equal to the product of (1) the aggregate number of Restricted Stock Units underlying the RSU Award on the Record Date for such dividend, multiplied by (2) the number of Shares (including any fraction thereof) payable as a dividend on a Share.

9.4 Registration of Shares. To the extent that registration of the Shares under the Securities Act of 1933 shall be required prior to their distribution under the Plan, the Company will undertake to either file a registration statement relating to such Shares or include such Shares in another registration statement to be filed within a reasonable time.

9.5 Amendment or Termination. The Plan and any RSU Awards hereunder may be amended, modified or terminated by the Board at any time or from time to time, provided that no such amendment, modification or termination (other than an amendment, modification or termination as necessary to comply with Section 409A) shall, without the consent of the affected Participant, materially and adversely affect the rights of such Participant. Notwithstanding the foregoing, the Board may amend the Plan to the extent necessary to comply with applicable securities laws, without the consent of the affected Participant, and any termination of the Plan shall be subject to compliance with Section 409A of the Code.

9.6 Limitation on Participants' Rights. Participation in the Plan shall not be construed as conferring upon any Participant any legal right to continue to serve as a director of the Company.

9.7 Facility of Share Deliveries. In the event that the Committee shall find that any Participant

to whom any benefit is payable under the Plan is unable to care for his or her affairs because of illness, accident or otherwise, the Committee may direct that any benefit due shall be paid to the duly appointed legal representative of such Participant, or if there is no duly appointed legal representative, to the Participant's spouse or child of majority age, and the delivery of any such benefits shall be in complete discharge of the liabilities of the Company under the Plan.

9.8 Beneficiary Designation. Each Participant may from time to time name any Beneficiary or Beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Secretary (which form may be the form used generally for other benefit plan purposes) and will be effective only when filed by the Participant in writing with the Secretary during his or her lifetime. In the absence of any such designation, or in the event the designated beneficiary shall have predeceased the Participant, the Participant's Beneficiary shall be deemed to be to the Participant's surviving spouse, if any, or otherwise his or her estate.

9.9 Section 409A. The Plan is intended to provide for the deferral of compensation in full compliance with Section 409A. The Plan shall be construed in a manner to give effect to such intention. Each payment made under the Plan shall be considered a "separate payment" for purposes of Section 409A. Notwithstanding the foregoing, the Company makes no commitment or guarantee to any Participant that any federal, state and/or local tax treatment will apply or be available to any person eligible for benefits under the Plan and assume no liability whatsoever for the tax consequences to any Participant. A termination of service will not be deemed to have occurred for purposes of any provision of this Plan providing for the payment of any amounts or benefits subject to Section 409A upon or following a termination of service unless such termination is also a Separation from Service.

9.10 Notices. Each Participant shall be responsible for furnishing the Secretary with the current and proper address for the mailing of notices and delivery of agreements or other property. Any notices required or permitted to be given shall be deemed given by the Company if directed to the Participant to whom addressed at such address and mailed by regular United States mail, first-class and prepaid. If any item mailed by the Company to such address is returned as undeliverable to the addressee, mailing will be suspended until the Participant furnishes the proper address.

9.11 Taxes. The Participant is not an employee of the Company and, as an independent contractor, Participant will be required to pay (and the Company will not withhold or remit) any applicable taxes in connection with the settlement of any RSU Award under the Plan.

9.12 Severability of 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 this Plan shall be construed and enforced as if such provision had not been included.

9.13 Applicable Law. This Plan shall be construed and interpreted in accordance with the laws of the State of Connecticut, without regard to the principles of conflicts of law thereof.

9.14 Number and Gender. To the extent appropriate in the context, each term used in this Plan in either the singular or the plural shall include the singular and the plural, and pronouns stated in either the masculine, feminine or neuter gender shall include the masculine, feminine and neuter.

9.15 Headings and Captions. Headings and captions in this Plan are inserted for convenience of reference only and the Plan is not to be construed by the interpretation thereof.



Joseph Voelker
SVP, Chief Human Resources Officer
Stanley Black & Decker
1000 Stanley Drive, New Britain, CT 06053
T (860) 827- 3871

April 1, 2019

Robert Blackburn


Dear Robert,

I am pleased to offer you the position of Senior Vice President, Global Operations at Stanley Black & Decker, Inc. We anticipate you will be designated as an Executive Officer, subject to board approval. This is a full time, salaried exempt position, based initially in New Britain, CT with possible future relocation to Towson, MD. You will report directly to Don Allan, EVP and CFO, with an expected eventual transition to Jim Loree, CEO. Your annual base salary will be \$550,000, paid monthly.

TARGETED START DATE: Your anticipated start date is May 1, 2019. The finalization of your start date will be determined once the contingencies in this offer have been satisfactorily met.

SIGN-ON BONUS: On joining the Company, you will receive a one-time sign-on bonus of \$300,000, subject to applicable taxes and withholdings. If within two years of the date you commence work for Stanley Black & Decker you voluntarily terminate your employment, or your employment is terminated by the Company for violation of Company rules, or misconduct, you shall repay to the Company the net amount (i.e. the amount initially disbursed to you after deduction for all applicable US taxes) of this signing bonus at the time of such termination.

ANNUAL BONUS INCENTIVE: You will participate in the Corporate Management Incentive Compensation Program (MICP) Level 1A per the terms and conditions of the plan. Your target bonus is 75% of your base salary with a 150% maximum of your base salary, payable in the spring following each MICP plan year. You will receive a full year 2019 MICP bonus to the extent earned based upon business performance in relation to the Corporate plan metrics. MICP participants are required to sign and return a restrictive covenant agreement, which is attached to this offer letter.

LONG-TERM INCENTIVES:

As part of your annual compensation package, you will be eligible to participate in the Annual Equity Award Program and Long-Term Performance Award Program (LTPAP).

Annual Equity Grant: Equity grants are typically made in December of each year. For your 2019 December grant, your target will be approximately \$816,000 of fair value at the grant date, expected to be comprised of a mix of Stock Options and Restricted Stock Units (RSUs). Specific grant levels are subject to annual review by the Board of Directors. These grants will typically vest in 25% increments over four years.

Long-Term Performance Award: LTPAP grants are typically made in February of each year. This Program is intended to provide financial rewards for specified full-time members of the Stanley Black & Decker executive team, provided specific corporate goals are achieved during the Program's three-year measurement period. For your 2019 February grant, your target will be 100% of your base salary with a 200% maximum of your base salary, payable in shares after the completion of the three-year performance period to the extent the performance goals are achieved.

RELOCATION: The Company will pay for up to one month of temporary housing associated with your initial move to CT to enable you time to secure rental housing. The Company will pay reasonable and customary relocation costs for your eventual move from Germany to the United States, which will occur when your permanent work location (CT or MD) is determined. Once determined, customary relocation benefits will be provided at that time including Company-paid incremental selling costs, shipment of your family's belongings to the US, house-hunting trip etc. In addition, the Company will pay for a once per month trip to Germany to visit your family (the "Interim Travel Benefit") until such time that they permanently relocate to the US, not to exceed a two year period from your date of hire. If within two years of the date when the Company paid for each of the relocation benefits outlined in this section, aside from the one month temporary housing and the Interim Travel Benefit, you voluntarily terminate your employment, or your employment is terminated by the Company for violation of Company rules, or misconduct, you shall repay to the Company the full gross amount of each relocation benefit at the time of such termination.

BENEFITS: You are eligible for 4 weeks of Paid Time Off (PTO). PTO is subject to the terms of the corporate policy. You will be eligible to enroll for medical, dental, vision, flexible spending accounts, group legal, disability and life insurance coverage effective on the first of the month following your date of hire. A benefits guide is enclosed with this offer letter.

The Stanley Black & Decker Retirement Account Plan will become effective on the first of the month following your date of hire. The plan provides a competitive retirement benefit and has two components. The Retirement Account Plan offers a 401K savings vehicle for you to save on a pre-tax basis with a Company match of 50% on employee pre-tax contributions up to 7% of your pay and a competitive investment fund line-up. In addition, the Retirement Account Plan provides a Core allocation to an account for you regardless of your own contributions. Stanley Black & Decker will make a Core allocation to your account of 2%, 4% or 6% of your pay based on your age (2% to age 39, 4% ages 40-54, and 6% age 55 and above).

PERQUISITES: You will be eligible for the following perquisites as described in the enclosed Executive Compensation Booklet.

Stanley Black & Decker (SBD) Home Security System: You are eligible for an SBD home security system with a reimbursement value (installation and equipment) up to \$30,000, which will include monthly monitoring, preventative maintenance and repair costs.

SBD Company Products: You are eligible to receive up to \$5,000 per year in SBD Company products (at standard cost).

Executive Life Insurance Program: Death benefit of 3X base salary and retirement cash funding if at the time of termination, you have 10 years of service and are age 55 or older.

Executive Long-Term Disability Insurance: Monthly LTD Benefit for qualifying disabilities equal to up to 60% of Monthly Earnings (a maximum of \$35,000 monthly)

Executive Physical Program: An annual comprehensive medical examination and appropriate screening with an annual allowance up to \$5,000.

Executive Financial and Estate Planning Program: Financial planning services with a professional of your choice with an annual allowance up to \$15,000.

STOCK OWNERSHIP, CHANGE IN CONTROL, AND SEPARATION: As an Executive Officer, you will be subject to the attached Stock Ownership Guidelines. The ownership target of Company stock is three times your base salary.

Shortly after you join the Company, subject to board approval, we expect to execute a Change in Control agreement that will provide you with a 2.5x total cash benefit (base salary + average 3-year bonus) upon a double trigger event (i.e., Change in Control and involuntary termination).

In the event the Company terminates your employment involuntarily, in the absence of your violation of Company rules or misconduct, you will be entitled to one year of base salary as severance during which time life, health and welfare benefits shall continue as if you were actively employed, whereas disability coverage, as well as certain

voluntary and retirement benefits, will cease upon termination. In addition, you would receive a pro-rated annual bonus payout, to the extent earned in relation to the performance metrics, based on the number of complete months of your active service during the year of any such involuntary termination without cause.

OTHER: Please be aware that your employment at Stanley Black & Decker will be strictly on an "at-will" basis and as such is terminable by either the Company or you at any time and for any reason. Stanley Black & Decker does not recognize any contract of employment in the U.S. unless it is reduced to writing and signed by an Officer of Stanley Black & Decker. Specific terms and conditions of the various benefits are governed by program documents and policies, which are subject to periodic update.

Commencing employment is contingent upon successful:

1. Submission of completed Pre-Employment forms, including the Invention and Confidentiality Agreement;
2. Pre-employment drug screen;
3. Background check;
4. Evidence of your authorization to legally work in the U.S. in accordance with Immigration and Naturalization Act (Form I-9);
5. Return of the signed MICP Restrictive Covenant Agreement
6. Return of the signed Made in the USA Acknowledgement Agreement

We are delighted that you will be joining Stanley Black & Decker! There's a lot of exciting work to be done and we know that you'll make a great contribution to our success. If you have any questions, please do not hesitate to call me at (860) 827-3817.

Sincerely,

Joseph Voelker
SVP and Chief Human Resources Officer

I, _____ hereby accept the offer of employment as presented above on

(print name)

this _____ day of _____ 2019. I understand that this letter sets forth the entire agreement

between myself and Stanley Black & Decker, Inc. regarding my offer of employment, and fully supersedes any

other agreements, understandings, or promises from any representative of the Company.

Signature: _____

Enclosures:

Benefits Guide
Restrictive Covenant
Made in the USA Acknowledgement Form
Executive Compensation Booklet
Stock Ownership Guidelines

StanleyBlack&Decker

2018 Omnibus Award Plan

Stock Option Grant Certificate

Subject to the terms and conditions set forth in this certificate,

/\$ParticipantName\$/ has been awarded an Option to purchase /\$AwardsGranted\$/

Shares as follows:

Grant Date: /\$GrantDate\$/

Expiration Date: /\$ExpirationDate\$/

Purchase Price Per Share: /\$GrantPrice\$/

Vests: as set forth in your Equity Plan account for this Option grant

Stanley Black & Decker, Inc.

As a member of the Stanley Black & Decker team, your skills and contributions are vital to our Company's and its Shareholders continued success. This award of stock options provides you with the opportunity to earn significant financial rewards for your efforts and contributions to making Stanley Black & Decker the most successful company it can be.

On behalf of the Board of Directors, Congratulations.

James M. Loree
Chief Executive Officer
Stanley Black & Decker, Inc.

NON-QUALIFIED STOCK OPTION TERMS

This certifies that Stanley Black & Decker, Inc. (the "Company") has on the Grant Date granted to the Grantee named in this Award Certificate the option (the "Option") to purchase, on or before the Expiration Date at the Purchase Price per share of the Common Stock of Stanley Black & Decker, Inc., par value \$2.50 per share (the "Common Stock") all as set forth in this Award Certificate. The Option is granted subject to the following terms and conditions and the terms and conditions of the Company's 2018 Omnibus Award Plan, as amended from time to time (the "Plan"). A copy of the Plan is available upon request. In the event of any conflict between the terms of the Plan and this Award Certificate, the terms of the Plan shall govern. For purposes of this Award Certificate, if the Grantee is not employed by the Company, "Employer" means the Affiliate that employs the Grantee.

1. Vesting and Exercisability. The Option will become vested and exercisable on the date (or dates) and in the amounts specified in the Grantee's Merrill Lynch (or subsequent record keeper's) account for this Option grant, provided the Grantee continues in employment with the Company or an Affiliate until the applicable vesting date. In addition, 100% of the Option will become vested in the event of the Grantee's termination of employment due to Retirement, Disability or death. Once vested, the vested portion of the Option may be exercised, from time to time, from the applicable vesting date until the earlier of (i) the Expiration Date set forth in this Award Certificate or (ii) the applicable date described below in paragraph 6 regarding termination of employment. Shares of Common Stock may be purchased hereunder only to the extent that this Option has become vested. If, prior to the vesting date for any portion of the Option, the Grantee's employment with the Company and its Affiliates terminates for any reason other than Retirement, Disability or death, the unvested portion of the Option will be forfeited.

2. Process of Exercise. The vested portion of the Option may be exercised, in whole or in part, by written notification to the Company's Treasurer at the Company's executive offices in New Britain, Connecticut, or by any other procedure established by the Company from time to time. Such notification shall (i) specify the number of shares of Common Stock with respect to which the Option is being exercised, and (ii) be accompanied by payment for such shares of Common Stock. Such notification shall be effective upon its receipt by the Treasurer or any other party designated by the Treasurer on or before the Expiration Date. The Option may not be exercised with respect to a fractional share or with respect to the lesser of 100 shares or the balance of the shares then covered by the Option. In the event the Expiration Date falls on a day which is not a regular business day at the Company's executive offices in New Britain, Connecticut, then such written notification must be received at such office on or before the last regular business day prior to the Expiration Date. Payment is to be made by check payable to the order of Stanley Black & Decker, Inc. or by one of the alternative methods of payment described in the Plan and acceptable to the Company's Compensation and Talent Development Committee (the "Committee"). No shares of Common Stock shall be issued on exercise of the Option until full payment for such shares of Common Stock has been made and all checks delivered in payment therefor have been collected. The Grantee shall not have any rights of a shareholder upon exercise of the Option, including but not limited to, the right to vote or to receive dividends, until stock certificates have been issued to the Grantee or Grantee's ownership has been otherwise recorded.

3. Tax Withholding; etc.

(a) Regardless of any action the Company or the Employer takes with respect to any or all income tax (including U.S. federal, state and local taxes or non-U.S. taxes), social insurance, payroll tax, payment on account or other tax-related withholding ("Tax-Related Items"), the Grantee acknowledges and agrees that the ultimate liability for all Tax-Related Items legally due by the Grantee is and remains the Grantee's responsibility and that the Company and the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option, including the grant of the Option, the exercise of the Option, the subsequent sale of any shares of Common Stock acquired pursuant to the Option and (ii) do not commit to structure the terms of the grant or any aspect of the Option to reduce or eliminate the Grantee's liability for Tax-Related Items.

(b) Prior to the delivery of shares of Common Stock upon the exercise of the Option, if the Grantee's country of residence (and country of employment, if different) requires withholding of Tax-Related Items, the Company may withhold a sufficient number of whole shares of Common Stock otherwise issuable upon the exercise of the Option that have an aggregate Fair Market Value sufficient to pay the Tax-Related Items required to be withheld with respect to the shares of Common Stock. Depending on the withholding method specified in the Plan, the Company may withhold or account for Tax-Related Items by considering applicable statutory withholding rates or other applicable withholding rates, including maximum applicable rates. The cash equivalent of the shares of Common Stock withheld will be used to settle the obligation to withhold the Tax-Related Items. In the event that the withholding of shares of Common Stock becomes prohibited under applicable law or otherwise may trigger adverse consequences to the Company or the Employer, the Company and the Employer may withhold the Tax-Related Items required to be withheld with respect to the shares of Common Stock in cash from the Grantee's regular salary and/or wages or any other amounts payable to the Grantee, or may require the Grantee to personally make payment of the Tax-Related Items required to be withheld. In the event the withholding requirements are not satisfied through the withholding of shares of Common Stock by the Company or through the withholding of cash from the Grantee's regular salary and/or wages or other amounts payable to the Grantee, no shares of Common Stock will be issued to the Grantee (or the Grantee's estate) upon exercise of the Option unless and until satisfactory arrangements (as determined by the Committee) have been made by the Grantee with respect to the payment of any Tax-Related Items that the Company or the Employer determines, in its sole discretion, must be withheld or collected with respect to such Option. If the obligation for the Grantee's Tax-Related Items is satisfied by withholding a number of shares of Common Stock as described herein, the Grantee shall be deemed to have been issued the full number of shares of Common Stock issuable upon exercise, notwithstanding that a number of the shares of Common Stock is held back solely for the purpose of paying the Tax-Related Items due as a result of the exercise or any other aspect of the Option.

(c) The Grantee will pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of the Grantee's participation in the Plan or the Grantee's acquisition of shares of Common Stock that cannot be satisfied by the means described herein. The Company may refuse to deliver any shares of Common Stock due upon exercise of the Option if the Grantee fails to comply with his/her obligations in connection with the Tax-Related Items as described herein. If the Grantee is subject to taxation in more than one country, the Grantee acknowledges that the Company, the Employer or one or more of their respective Affiliates may be required to withhold or account for Tax-Related Items in more than one country. The Grantee hereby consents to any action reasonably taken by the Company and the Employer to meet the Grantee's obligation for Tax-Related Items. By accepting this Option, the Grantee expressly consents to the withholding of shares of Common Stock and/or withholding from the Grantee's regular salary and/or wages or other amounts payable to the Grantee as provided for hereunder. All other Tax-Related Items related to the Option and any shares of Common Stock delivered in payment thereof shall be the Grantee's sole responsibility.

4. Transferability. Except as otherwise provided in the Plan, the Option is not transferable by the Grantee otherwise than (i) by will or by the laws of descent and distribution, (ii) pursuant to a qualified domestic relations order, as defined in the Internal Revenue Code of 1986, as amended (the "Code"), or (iii) following the Grantee's Retirement, in whole or in part and without payment of consideration, to (a) the Grantee's spouse, children and grandchildren (an "Immediate Family Member") or Immediate Family Members, (b) a trust or trusts for the exclusive benefit of Immediate Family Member(s), or (c) a partnership or partnerships in which Immediate Family Member(s) are the only Partner(s). More particularly (but without limiting the generality of the foregoing), the Option may not be assigned, transferred (except as provided above), pledged or hypothecated in any way, shall not be assignable by operation of law and shall not be subject to execution, attachment or similar process. The Company reserves the right to charge administrative fees in respect of such transfers.

5. No Right to Continued Employment. The Option does not confer upon the Grantee any right with respect to continuation of employment with the Company or any Affiliate, nor will not interfere in any way with the right of the Company or any Affiliate to terminate the Grantee's employment at any time.

6. Termination of Employment. Notwithstanding any other provisions:

If the Grantee's employment with the Company and its Affiliates terminates for any reason other than Retirement, Disability or death, the Grantee may exercise the

portion of the Option that has become vested as of the Grantee's termination date until the earlier of (i) the Expiration Date set forth in this Award Certificate or (ii) the last day of the two (2) month period following such termination date. If the Grantee's employment terminates due to Retirement, Disability or death, the Option will become immediately vested in full and the Grantee (or, following the Grantee's death, the person designated in the Grantee's last will and testament or if no person is designated, the Grantee's estate) may exercise the Option until the Expiration Date set forth in this Award Certificate.

Leaves of absence for such periods and purposes conforming to the personnel policy of the Company as may be approved by the Committee shall not be deemed terminations or interruptions of employment.

In the event the Option is exercised by the executors, administrators, legatees or distributees of the estate of the Grantee, the Company shall be under no obligation to issue shares unless the Company is satisfied that the person or persons exercising the Option are the duly appointed legal representatives of the Grantee's estate or the proper legatees or distributees thereof.

7. Legal and Tax Compliance; Cooperation. If the Grantee is a resident and/or employed outside of the United States, the Grantee agrees, as a condition of the grant of the Option, to repatriate all payments attributable to the shares of Common Stock acquired under the Plan (including, but not limited to, any proceeds derived from the sale of the shares of Common Stock acquired pursuant to the Option) if required by and in accordance with local foreign exchange rules and regulations in the Grantee's country of residence (and/or country of employment, if different). In addition, the Grantee also agrees to take any and all actions, and consents to any and all actions taken by the Company and its Affiliates, as may be required to allow the Company and its Affiliates to comply with local laws, rules and regulations in the Grantee's country of residence (and/or country of employment, if different). Finally, the Grantee agrees to take any and all actions as may be required to comply with his/her personal legal and tax obligations under local laws, rules and regulations in his/her country of residence (and/or country of employment, if different).

8. Data Privacy. The Company is located at 1000 Stanley Drive, New Britain Connecticut 06053 U.S.A. and grants Options to acquire shares of Common Stock under the Plan to employees of the Company and its Affiliates, at its sole discretion. In accepting the Option granted under the Plan, the Grantee should carefully review the following information about the Company's data processing practices.

(a) **Data Collection, Processing and Usage .** The Company collects, processes and uses personal data of employees, including name, home address, email address and telephone number, date of birth, social insurance, passport or other identification number, salary, citizenship, job title, any shares of Common Stock or directorships held in the Company, and details of all Options to acquire shares of Common Stock canceled, vested, or outstanding in the Grantee's favor, which the Company receives from the Grantee or, if different, the Employer ("Personal Information"). If the Company grants the Grantee an Option under the Plan, then the Company will collect the Grantee's Personal Information for purposes of allocating shares of Common Stock and implementing, administering and managing the Plan. The Company's legal basis for collecting, processing and using the Grantee's Personal Information will be the Company's necessity to execute its contractual obligations under this Award Certificate and to comply with its legal obligations.

(b) **Stock Plan Administration Service Providers .** The Company transfers the Grantee's Personal Information as necessary and appropriate to Bank of America Merrill Lynch and its affiliates ("BAML"), an independent service provider based in the United States which assists the Company with the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and share the Grantee's data with another company that serves in a similar manner. BAML will open an account for the Grantee to receive and trade shares of Common Stock the Grantee acquires under the Plan. The Grantee will be asked to agree to separate terms and data processing practices with BAML, which is a condition of the Grantee's ability to participate in the Plan.

(c) **International Data Transfers.** The Grantee's Personal Information may be transferred to or otherwise processed in the United States or other jurisdictions besides the Grantee's own. The Grantee' should note that the Grantee's country of residence (and country of employment, if different) may have enacted data privacy laws that are different from those of the recipient country. Such transfers will be made pursuant to Company policies and data protection measures as detailed in the Company's Employee Privacy Policy, available by contacting Grantee's local HR manager or Global Privacy Office.

(d) **Data Retention.** The Company will use the Grantee's Personal Information as long as is necessary to implement, administer and manage the Grantee's participation in the Plan or as required to comply with legal or regulatory obligations, including under tax and security laws. When the Company no longer needs the Grantee's Personal Information, the Company will remove it from its systems.

(e) **Voluntariness.** The Grantee participation in the Plan is purely voluntary. If the Grantee elects not to participate in the Plan, the Grantee's decision would not affect the Grantee's salary as an employee of the Employer or the Grantee's career; the Grantee would merely forfeit the opportunities associated with the Plan.

(f) **Individual Rights.** The Grantee may have a number of rights under data privacy laws in the Grantee's country of residence (and country of employment, if different). Depending on where the Grantee is based, the Grantee's rights may include the right to (i) request access or copies of Personal Information the Company processes pursuant to this Award Certificate, (ii) request to rectify incorrect Personal Information, (iii) request to delete Personal Information, (iv) request to restrict Personal Information processing, and/or (v) lodge complaints with competent authorities in the Grantee's country of residence (and country of employment, if different). To receive clarification regarding the Grantee's rights or to exercise the Grantee's rights, the Grantee should contact his/her local HR department. A response to the Grantee's request will be provided consistent with applicable law.

(g) **SBD Employee Privacy Notice .** All collection and use of the Grantee's Personal Information under this Notice is made pursuant to the Company's Employee Privacy Notice (the "Privacy Notice"), which the Grantee has previously received. Please see the Privacy Notice for additional information on the Company's policies regarding data retention, data security and other important information.

By accepting the Option as granted under the Plan, the Grantee explicitly declares that the Grantee has been informed about the collection, processing and use of the Grantee's Personal Information by the Company and the transfer of the Grantee's Personal Information to the recipients mentioned above, including recipients located in countries that have different data protection rules than in the Grantee's country of residence.

9. Insider Trading/Market Abuse Laws. By participating in the Plan, the Grantee agrees to comply with the Company's policy on insider trading (to the extent that it is applicable to the Grantee). The Grantee further acknowledges that, depending on his/her or his/her broker's country of residence or where the shares of Common Stock are listed, the Grantee may be subject to insider trading restrictions and/or market abuse laws which may affect his/her ability to accept, acquire, sell or otherwise dispose of shares of Common Stock, rights to purchase shares of Common Stock (e.g., Option) or rights linked to the value of shares of Common Stock, during such times the Grantee is considered to have "inside information" regarding the Company as defined by the laws or regulations in the Grantee's country of residence (or country of employment, if different). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Grantee places before he/she possessed inside information. Furthermore, the Grantee could be prohibited from (a) disclosing the inside information to any third party (other than on a "need to know" basis) and (b) "tipping" third parties or causing them otherwise to buy or sell securities. The Grantee understands that third parties include fellow employees. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company's insider trading policy. The Grantee acknowledges that it is his/her personal responsibility to comply with any applicable restrictions, and that he/she should consult with his/her personal advisor on this matter.

10. Private Placement. If the Grantee is a resident and/or employed outside of the United States, the Grantee acknowledges that the grant of the Option is not intended to be a public offering of securities in his/her country of residence (country of employment, if different). The Grantee further acknowledges that the Company has not submitted any registration statement, prospectus or other filing with any securities authority other than the U.S. Securities and Exchange Commission with respect to the grant of the Option, unless otherwise required under local law. **No employee of the Company is permitted to advise the Grantee on whether the Grantee should acquire shares of Common Stock under the Plan or provide the Grantee with any legal, tax or financial advice with respect to the grant of the Option. The acquisition of shares of Common Stock involves certain risks, and the Grantee should carefully consider all risk factors and tax considerations relevant to the acquisition of shares of Common Stock under the Plan and the disposition of them. Further, the Grantee should carefully review all of the materials related to**

the Option and the Plan, and the Grantee should consult with his/her personal legal, tax and financial advisors for professional advice in relation to the Grantee's personal circumstances.

11. Adjustments. In the event of a merger, consolidation, reorganization, recapitalization, stock dividend, stock split or other changes in corporate structure or capitalization affecting the Common Stock, the number of shares of Common Stock remaining to be exercised under the Option and the Purchase Price shall be appropriately adjusted by the Committee in accordance with the terms and provisions of the Plan. If, as a result of any adjustment under this paragraph, the Grantee becomes entitled to a fractional share of Common Stock, he or she shall have the right to purchase only the adjusted number of full shares of Common Stock and no payment or other adjustment will be made with respect to the fractional share of Common Stock so disregarded.

12. Governing Law; Venue. The Plan, this Award Certificate and all determinations made and actions taken pursuant to the Plan or Award Certificate shall be governed by the laws of the State of Connecticut, without giving effect to the conflict of laws principles thereof. Any disputes regarding this Option, the Award Certificate or the Plan shall be brought only in the United States in the state or federal courts of the State of Connecticut.

13. Electronic Delivery . The Company may, in its sole discretion, decide to deliver any documents related to the Option or other Options granted to the Grantee under the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

14. Binding Effect. The grant of this Option shall be binding and effective only if this Award Certificate is executed by or on behalf of the Company.

15. Capitalized Terms. The term "Retirement" means the Grantee's termination of employment at or after attaining the age of 55 and completing 10 years of service. The term "Disability" has the meaning provided in Section 22(e)(3) of the Code, or any successor provision. All other capitalized terms used in this Award Certificate which are not defined herein or on the front of this Award Certificate shall have the meanings given them in the Plan unless the context clearly requires otherwise.

16. Miscellaneous. All decisions or interpretations of the Committee with respect to any question arising under the Plan or under the Option shall be binding, conclusive and final. The waiver by the Company of any provision of the Option shall not operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision of the Option. The Option shall be irrevocable during the Option period. Grantee agrees to execute such other agreements, documents, or assignments as may be necessary or desirable to effect the purposes of the Option.

17. Clawback/Recoupment Policy. Notwithstanding any other provision of this Award Certificate to the contrary, the Grantee acknowledges and agrees that all shares of Common Stock acquired pursuant to the Plan shall be and remain subject to any incentive compensation clawback or recoupment policy of the Company currently in effect or as may be adopted by the Company and, in each case, as may be amended from time to time. No such policy adoption or amendment shall require the Grantee's prior consent. For purposes of the foregoing, the Grantee expressly and explicitly authorizes the Company to issue instructions, on the Grantee's behalf, to any brokerage firm and/or third party administrator engaged by the Committee to hold the Grantee's shares of Common Stock, and other amounts acquired under the Plan to re-convey, transfer or otherwise return such shares of Common Stock and/or other amounts to the Company.

18. Addendum. Notwithstanding any provisions of this Award Certificate to the contrary, the Option shall be subject to any special terms and conditions for the Grantee's country of residence (and country of employment, if different), as are set forth in an applicable Addendum to this Award Certificate. Further, if the Grantee transfers residence and/or employment to another country reflected in an Addendum to this Award Certificate, the special terms and conditions for such country will apply to the Grantee to the extent the Company determines, in its discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws, rules, and regulations or to facilitate the operation and administration of the Option and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate the Grantee's transfer). Any applicable Addendum shall constitute part of this Award Certificate.

19. Additional Requirements; Amendments. The Company reserves the right to impose other requirements on the Option, any shares of Common Stock acquired pursuant to the Option and the Grantee's participation in the Plan to the extent the Company determines, in its sole discretion, that such other requirements are necessary or advisable in order to comply with local law, rules and regulations or to facilitate the operation and administration of the Option and the Plan. Such requirements may include (but are not limited to) requiring the Grantee to sign any agreements or undertakings that may be necessary to accomplish the foregoing. In addition, the Company reserves the right to amend the terms and conditions reflected in this Award Certificate, without the Grantee's consent, either prospectively or retroactively, to the extent that such amendment does not materially affect the Grantee's rights under the Option except as otherwise permitted under the Plan or this Award Certificate.

20. Nature of the Grant. In accepting the Option, the Grantee hereby acknowledges that:

- (a) the Plan is established voluntarily by the Company, is discretionary in nature and may be terminated, suspended or amended by the Company at any time, to the extent permitted by the Plan;
 - (b) the grant of the Option is voluntary and does not create any contractual or other right to receive future Options or benefits in lieu of an Option, even if Options have been granted in the past;
 - (c) all decisions with respect to future Options or other grants, if any, will be at the sole discretion of the Company;
 - (d) the grant of the Options and the Grantee's participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service contract with the Company, the Employer or any other Affiliate shall not interfere with the ability of the Company, the Employer or any other Affiliate to terminate the Grantee's employment relationship (if any);
 - (e) the Grantee is voluntarily participating in the Plan;
 - (f) the Option and any shares of Common Stock acquired under the Plan, and the income from and value of same, are not intended to replace any pension rights or compensation;
 - (g) the Option and any shares of Common Stock acquired under the Plan, and the income from and value of same, are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and which are outside the scope of the Grantee's employment and the Grantee's employment contract, if any;
 - (h) the Option and any shares of Common Stock acquired under the Plan, and the income from and value of same, are not part of normal or expected compensation or salary for any purpose, including, without limitation, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, leave-related payments, holiday top-up, pension or retirement or welfare benefits or similar mandatory payments;
 - (i) the future value of the underlying shares of Common Stock is unknown, indeterminable and cannot be predicted with certainty and the value of such shares of Common Stock acquired under the Plan may increase or decrease in the future;
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(j) no claim or entitlement to compensation or damages shall arise from forfeiture of the Option resulting from termination of the Grantee's status as an employee (regardless of the reason for the termination and whether or not the termination is later found to be invalid or in breach of employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment agreement, if any);

(k) on the date of termination of the Grantee's status as an employee (regardless of the reason for the termination and whether or not the termination is later found to be invalid or in breach of employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment agreement, if any), the Grantee's right to participate in the Plan, if any, will terminate (for purposes of the foregoing, the Committee shall have exclusive discretion to determine the effective date the Grantee is no longer an employee);

(l) neither the Company, the Employer nor any other Affiliate shall be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the United States Dollar that may affect the value of the shares of Common Stock acquired or sold under the Plan;

(m) in consideration of the grant of the Option, no claim or entitlement to compensation or damages shall arise from termination of the Option or diminution in value of the Option or shares of Common Stock acquired upon vesting of the Option resulting from termination of employment by the Company or the Employer, as applicable (for any reason whatsoever and whether or not in breach of applicable labor laws) and the Grantee hereby irrevocably releases the Company, the Employer and any Affiliates from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by acceptance of the Option, the Grantee shall be deemed irrevocably to have waived his/her entitlement to pursue such claim; and

(n) in the event of termination of the Grantee's employment with the Company (whether or not in breach of local labor laws), the Grantee's right to receive the Option and vest in the Option under the Plan, if any, will terminate effective as of the date of termination of his or her active employment as determined in the discretion of the Committee unless otherwise provided in this Award Certificate or the Plan; furthermore, in the event of termination of the Grantee's employment (regardless of any contractual or local law requirements), the Grantee's right to vest in the Option after such termination, if any, will be measured by the date of termination of the Grantee's active employment; the Committee will have the discretion to determine the date of termination of the Grantee's active employment for purposes of the Option.

21. Acceptance. By electronically accepting the grant of this Option, the Grantee affirmatively and expressly acknowledges that he/she has read this Award Certificate, the Addendum to the Award Certificate (as applicable) and the Plan, and specifically accepts and agrees to the provisions therein. The Grantee also affirmatively and expressly acknowledges that the Company, in its sole discretion, may amend the terms and conditions reflected in this Award Certificate without the Grantee's consent, either prospectively or retroactively, to the extent that such amendment does not materially impair the Grantee's rights under the Option, and the Grantee agrees to be bound by such amendment regardless of whether notice is given to the Grantee of such change.

22. Miscellaneous. All decisions or interpretations of the Committee with respect to any question arising under the Plan or this Option shall be binding, conclusive and final. The waiver by the Company of any provision of this Option shall not operate as or be construed to be a subsequent waiver of the same provision or of any other provision of the Option. The Grantee agrees to execute such other agreements, documents or assignments as may be necessary or desirable to effect the purposes of this Option.

23. English Language. If the Grantee is resident and/or employed outside of the United States, the Grantee acknowledges and agrees that it is his/her express intent that this Award Certificate, the Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Option, be drawn up in English. If the Grantee has received this Award Certificate, the Plan or any other documents related to the Option translated into a language other than English, and if the meaning of the translated version is different from the English version, the meaning of the English version shall control.

24. Section 409A. For the avoidance of doubt, if the Grantee is subject to U.S. income taxation and is a "specified employee" (within the meaning of Section 409A of the U.S. Internal Revenue Code of 1986, as amended (the "Code")) at the time of his or her separation from service, and the Company makes a good faith determination that an amount payable hereunder constitutes deferred compensation (within the meaning of Section 409A of the Code) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A of the Code, then the Company will not pay such amount on the otherwise scheduled settlement date, but will instead pay it, without interest, on the first business day of the seventh month after the Grantee's separation from service or, if earlier, on the Grantee's death.

25. Other. The Company shall not be required to issue any certificate or certificates for shares of Common Stock upon settlement of the Options (i) if the Common Stock is not listed on any national securities exchange, (ii) prior to the completion of any registration or other qualification of such shares of Common Stock under any state or federal law or rulings or regulations of any governmental regulatory body, and (iii) prior to the Company obtaining any consent or approval or other clearance from any governmental agency which the Company shall, in its sole discretion, determine to be necessary or advisable. Shares of Common Stock to be issued in respect of Options will be issued only in compliance with the Securities Act of 1933, as amended (the "Act"), and any other applicable securities laws, and the Grantee shall comply with any requirements imposed by the Committee under such laws. If the Grantee qualifies as an "affiliate" (as that term is defined in Rule 144 ("Rule 144") promulgated under the Act), upon demand by the Company, the Grantee (or any person acting on his or her behalf) shall deliver to the Treasurer at the time of settlement of the Options a written representation that he or she will acquire shares of Common Stock pursuant to the Plan for his or her own account, that he or she is not taking the shares with a view to distribution and that he or she will dispose of the shares of Common Stock only in compliance with Rule 144.

StanleyBlack&Decker

2018 Omnibus Award Plan

Restricted Stock Unit Award

Subject to the terms and conditions set forth in this certificate,

/\$ParticipantName\$/ has been awarded /\$AwardsGranted\$/ Restricted Stock Units as follows:

Grant Date: /\$GrantDate\$/

Vests: as set forth in your Equity Plan account for this Award

Stanley Black & Decker, Inc.

As a member of the Stanley Black & Decker team, your skills and contributions are vital to our Company's and its Shareholders' continued success. This award of restricted stock units provides you with the opportunity to earn significant financial rewards for your efforts and contributions to making Stanley Black & Decker the most successful company it can be.

On behalf of the Board of Directors, Congratulations.

James M. Loree
Chief Executive Officer
Stanley Black & Decker, Inc.

RESTRICTED STOCK UNIT AWARD TERMS

1. Grant of Restricted Stock Units. This certifies that Stanley Black & Decker, Inc. (the "Company") has on the Award Date specified in this Award Certificate granted to the Participant named above an award (the "Award") of that number of Restricted Stock Units indicated in this Award Certificate, subject to certain restrictions and on the terms and conditions contained in this Award Certificate and the 2018 Omnibus Award Plan, as amended from time to time (the "Plan"). A copy of the Plan is available upon request. In the event of any conflict between the terms of the Plan and this Award Certificate, the terms of the Plan shall govern. For purposes of this Award Certificate, if the Participant is not employed by the Company, "Employer" means the Affiliate that employs the Participant.

2. Dividend Equivalents. Amounts equal to the dividends and distributions paid on shares of the Company's Common Stock, \$2.50 par value per share (the "Common Stock"), shall be accrued for the benefit of the Participant to the same extent as if each Restricted Stock Unit then held by Participant was a share of Common Stock and shall vest and be distributed to the Participant in cash as, and to the extent that, the underlying Restricted Stock Unit(s) vest.

3. Vesting. Subject to the terms and conditions of this Award Certificate and the Plan, the Restricted Stock Units shall vest in the amounts and on the dates specified in the Participant's Merrill Lynch (or subsequent record keeper's) account for this Award, provided the Participant remains continuously employed by the Company or an Affiliate until the applicable vesting date.

4. Settlement of Restricted Stock Units. The Restricted Stock Units will be settled as soon as reasonably practicable (but in no event later than 30 days) following the earliest to occur of (i) the applicable originally-scheduled vesting date, (ii) the Participant's termination of employment due to Retirement, (iii) the Participant's termination of employment due to Disability (as defined below), and (iv) the Participant's death, in each case, at which time the applicable Restricted Stock Units shall be cancelled and in exchange therefor the Company shall cause a number of shares of Common Stock equal to the number of the Restricted Stock Units then cancelled to be issued to the Participant in book-entry form. Any shares of Common Stock issued with respect to the Restricted Stock Units shall be fully registered and freely transferable. Notwithstanding the foregoing, the Committee may, in its sole discretion, settle each vested Restricted Stock Unit in the form of: (a) cash, to the extent settlement in shares of Common Stock (a) becomes prohibited under applicable laws, (b) would require the Participant, the Company or the Employer to obtain the approval of any governmental and/or regulatory body in the Participant's country of residence (and country of employment, if different), or (c) is administratively burdensome or (b) shares of Common Stock, but the Company may require the Participant to immediately sell such shares of Common Stock if necessary to comply with applicable laws (in which case, the Participant hereby expressly authorizes the Company to issue sales instructions in relation to such shares of Common Stock on the Participant's behalf).

5. Forfeiture Upon Termination of Employment. If, prior to vesting of the Restricted Stock Units pursuant to Section 3, the Participant ceases to be continuously employed by either the Company or an Affiliate for any reason other than Retirement (as defined below), Disability (as defined below) or death, then the Participant's rights to all of the unvested Restricted Stock Units shall be immediately and irrevocably forfeited and no shares of Common Stock shall be issued in respect thereof. Approved leaves of absence or employment transfers between the Company or an Affiliate (or vice versa) shall not be deemed terminations or interruptions of employment for vesting of the Restricted Stock Units.

6. Death and Disability. Upon the Participant's death or if the Participant's employment is terminated as a result of the Participant's Disability, the Restricted Stock Units shall become immediately vested in full. "Disability" has the meaning provided in Section 22(e)(3) of the Code, or any successor provision.

7. Retirement. Upon the Participant's termination of employment with the Company and each of its Affiliates following the Participant's Retirement, the Restricted Stock Units shall become immediately vested in full. "Retirement" means the Participant's termination of employment with the Company and each of its Affiliates after attaining the age of 55 and completing 10 years of service.

8. Restriction on Transfer. Restricted Stock Units shall not be assignable, alienable, saleable, or transferable. The Award shall be transferable only by will or the laws of descent and distribution. If the Participant purports to make any transfer of the Award, except as aforesaid, the Award and all rights thereunder shall terminate immediately. Notwithstanding the foregoing, the Participant may, in the manner established by the Committee, designate a beneficiary or beneficiaries to receive shares of Common Stock with respect to the Restricted Stock Units upon the death of the Participant.

9. Income Tax Matters.

(a) Regardless of any action the Company or the Employer takes with respect to any or all income tax (including U.S. federal, state and local taxes or non-U.S. taxes), social insurance, payroll tax, payment on account or other tax-related withholding ("Tax-Related Items"), the Participant acknowledges and agrees that the ultimate liability for all Tax-Related Items legally due by the Participant is and remains the Participant's responsibility and that the Company and the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including the grant of the Award, the vesting of the Award, the subsequent sale of any shares of Common Stock acquired pursuant to the Award and (ii) do not commit to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Participant's liability for Tax-Related Items.

(b) Prior to the delivery of shares of Common Stock upon the vesting of the Award, if the Participant's country of residence (and country of employment, if different) requires withholding of Tax-Related Items, the Company may withhold a sufficient number of whole shares of Common Stock otherwise issuable upon the vesting of the Award that have an aggregate Fair Market Value sufficient to pay the Tax-Related Items required to be withheld with respect to the shares of Common Stock. Depending on the withholding method specified in the Plan, the Company may withhold or account for Tax-Related Items by considering applicable statutory withholding rates or other applicable withholding rates, including maximum applicable rates. The cash equivalent of the shares of Common Stock withheld will be used to settle the obligation to withhold the Tax-Related Items. In the event that the withholding of shares of Common Stock becomes prohibited under applicable law or otherwise may trigger adverse consequences to the Company or the Employer, the Company and the Employer may withhold the Tax-Related Items required to be withheld with respect to the shares of Common Stock in cash from the Participant's regular salary and/or wages or any other amounts payable to the Participant, or may require the Participant to personally make payment of the Tax-Related Items required to be withheld. In the event the withholding requirements are not satisfied through the withholding of shares of Common Stock by the Company or through the withholding of cash from the Participant's regular salary and/or wages or other amounts payable to the Participant, no shares of Common Stock will be issued to the Participant (or the Participant's estate) upon vesting or settlement of the Award unless and until satisfactory arrangements (as determined by the Committee) have been made by the Participant with respect to the payment of any Tax-Related Items that the Company or the Employer determines, in its sole discretion, must be withheld or collected with respect to such Award. If the obligation for the Participant's Tax-Related Items is satisfied by withholding a number of shares of Common Stock as described herein, the Participant shall be deemed to have been issued the full number of shares of Common Stock issuable upon vesting, notwithstanding that a number of the shares of Common Stock is held back solely for the purpose of paying the Tax-Related Items due as a result of the vesting or any other aspect of the Award.

(c) The Participant will pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of the Participant's participation in the Plan or the Participant's acquisition of shares of Common Stock that cannot be satisfied by the means described herein. The Company may refuse to deliver any shares of Common Stock due upon settlement of the Award if the Participant fails to comply with his/her obligations in connection with the Tax-Related Items as described herein. If the Participant is subject to taxation in more than one country, the Participant acknowledges that the Company, the Employer or one or more of their respective Affiliates may be required to withhold or account for Tax-Related Items in more than one country. The Participant hereby

consents to any action reasonably taken by the Company and the Employer to meet the Participant's obligation for Tax-Related Items. By accepting this Award, the Participant expressly consents to the withholding of shares of Common Stock and/or withholding from the Participant's regular salary and/or wages or other amounts payable to the Participant as provided for hereunder. All other Tax-Related Items related to the Award and any shares of Common Stock delivered in payment thereof shall be the Participant's sole responsibility.

10. Legal and Tax Compliance; Cooperation. If the Participant is a resident and/or employed outside of the United States, the Participant agrees, as a condition of the grant of the Award, to repatriate all payments attributable to the shares of Common Stock acquired under the Plan (including, but not limited to, any proceeds derived from the sale of the shares of Common Stock acquired pursuant to the Award) if required by and in accordance with local foreign exchange rules and regulations in the Participant's country of residence (and/or country of employment, if different). In addition, the Participant also agrees to take any and all actions, and consents to any and all actions taken by the Company and its Affiliates, as may be required to allow the Company and its Affiliates to comply with local laws, rules and regulations in the Participant's country of residence (and/or country of employment, if different). Finally, the Participant agrees to take any and all actions as may be required to comply with his/her personal legal and tax obligations under local laws, rules and regulations in his/her country of residence (and/or country of employment, if different).

11. Data Privacy. The Company is located at 1000 Stanley Drive, New Britain Connecticut 06053 U.S.A. and grants Awards to acquire shares of Common Stock under the Plan to employees of the Company and its Affiliates, at its sole discretion. In accepting the Award granted under the Plan, the Participant should carefully review the following information about the Company's data processing practices.

(a) **Data Collection, Processing and Usage.** The Company collects, processes and uses personal data of employees, including name, home address, email address and telephone number, date of birth, social insurance, passport or other identification number, salary, citizenship, job title, any shares of Common Stock or directorships held in the Company, and details of all Awards to acquire shares of Common Stock canceled, vested, or outstanding in the Participant's favor, which the Company receives from the Participant or, if different, the Employer ("Personal Information"). If the Company grants the Participant an Award under the Plan, then the Company will collect the Participant's Personal Information for purposes of allocating shares of Common Stock and implementing, administering and managing the Plan. The Company's legal basis for collecting, processing and using the Participant's Personal Information will be the Company's necessity to execute its contractual obligations under this Award Certificate and to comply with its legal obligations.

(b) **Stock Plan Administration Service Providers.** The Company transfers the Participant's Personal Information as necessary and appropriate to Bank of America Merrill Lynch and its affiliates ("BAML"), an independent service provider based in the United States which assists the Company with the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and share the Participant's data with another company that serves in a similar manner. BAML will open an account for the Participant to receive and trade shares of Common Stock the Participant acquires under the Plan. The Participant will be asked to agree to separate terms and data processing practices with BAML, which is a condition of the Participant's ability to participate in the Plan.

(c) **International Data Transfers.** The Participant's Personal Information may be transferred to or otherwise processed in the United States or other jurisdictions besides the Participant's own. The Participant should note that the Participant's country of residence (and country of employment, if different) may have enacted data privacy laws that are different from those of the recipient country. Such transfers will be made pursuant to Company policies and data protection measures as detailed in the Company's Employee Privacy Policy, available by contacting Participant's local HR manager or Global Privacy Office.

(d) **Data Retention.** The Company will use the Participant's Personal Information as long as is necessary to implement, administer and manage the Participant's participation in the Plan or as required to comply with legal or regulatory obligations, including under tax and security laws. When the Company no longer needs the Participant's Personal Information, the Company will remove it from its systems.

(e) **Voluntariness.** The Participant's participation in the Plan is purely voluntary. If the Participant elects not to participate in the Plan, the Participant's decision would not affect the Participant's salary as an employee of the Employer or the Participant's career; the Participant would merely forfeit the opportunities associated with the Plan.

(f) **Individual Rights.** The Participant may have a number of rights under data privacy laws in the Participant's country of residence (and country of employment, if different). Depending on where the Participant is based, the Participant's rights may include the right to (i) request access or copies of Personal Information the Company processes pursuant to this Award Certificate, (ii) request to rectify incorrect Personal Information, (iii) request to delete Personal Information, (iv) request to restrict Personal Information processing, and/or (v) lodge complaints with competent authorities in the Participant's country of residence (and country of employment, if different). To receive clarification regarding the Participant's rights or to exercise the Participant's rights, the Participant should contact his/her local HR department. A response to the Participant's request will be provided consistent with applicable law.

(g) **SBD Employee Privacy Notice.** All collection and use of the Participant's Personal Information under this Notice is made pursuant to the Company's Employee Privacy Notice (the "Privacy Notice"), which the Participant has previously received. Please see the Privacy Notice for additional information on the Company's policies regarding data retention, data security and other important information.

By accepting the Award as granted under the Plan, the Participant explicitly declares that the Participant has been informed about the collection, processing and use of the Participant's Personal Information by the Company and the transfer of the Participant's Personal Information to the recipients mentioned above, including recipients located in countries that have different data protection rules than in the Participant's country of residence.
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12. Insider Trading/Market Abuse Laws. By participating in the Plan, the Participant agrees to comply with the Company's policy on insider trading (to the extent that it is applicable to the Participant). The Participant further acknowledges that, depending on his/her or his/her broker's country of residence or where the shares of Common Stock are listed, the Participant may be subject to insider trading restrictions and/or market abuse laws which may affect his/her ability to accept, acquire, sell or otherwise dispose of shares of Common Stock, rights to shares of Common Stock (e.g., Award) or rights linked to the value of shares of Common Stock, during such times the Participant is considered to have "inside information" regarding the Company as defined by the laws or regulations in the Participant's country of residence (or country of employment, if different). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Participant places before he/she possessed inside information. Furthermore, the Participant could be prohibited from (a) disclosing the inside information to any third party (other than on a "need to know" basis) and (b) "tipping" third parties or causing them otherwise to buy or sell securities. The Participant understands that third parties include fellow employees. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company's insider trading policy. The Participant acknowledges that it is his/her personal responsibility to comply with any applicable restrictions, and that he/she should consult with his/her personal advisor on this matter.

13. Private Placement. If the Participant is a resident and/or employed outside of the United States, the Participant acknowledges that the grant of the Award is not intended to be a public offering of securities in his/her country of residence (country of employment, if different). The Participant further acknowledges that the Company has not submitted any registration statement, prospectus or other filing with any securities authority other than the U.S. Securities and Exchange Commission with respect to the grant of the Award, unless otherwise required under local law. **No employee of the Company is permitted to advise the Participant on whether the Participant should acquire shares of Common Stock under the Plan or provide the Participant with any legal, tax or financial advice with respect to the grant of the Award. The acquisition of shares of Common Stock involves certain risks, and the Participant should carefully consider all risk factors and tax considerations relevant to the acquisition of shares of Common Stock under the Plan and the disposition of them. Further, the Participant should carefully**

review all of the materials related to the Award and the Plan, and the Participant should consult with his/her personal legal, tax and financial advisors for professional advice in relation to the Participant's personal circumstances.

14. Other. The Company shall not be required to issue any certificate or certificates for shares of Common Stock upon settlement of the Restricted Stock Units (i) if the Common Stock is not listed on any national securities exchange, (ii) prior to the completion of any registration or other qualification of such shares of Common Stock under any state or federal law or rulings or regulations of any governmental regulatory body, and (iii) prior to the Company obtaining any consent or approval or other clearance from any governmental agency which the Company shall, in its sole discretion, determine to be necessary or advisable. Shares of Common Stock to be issued in respect of Restricted Stock Units will be issued only in compliance with the Securities Act of 1933, as amended (the "Act"), and any other applicable securities laws, and the Participant shall comply with any requirements imposed by the Committee under such laws. If the Participant qualifies as an "affiliate" (as that term is defined in Rule 144 ("Rule 144") promulgated under the Act), upon demand by the Company, the Participant (or any person acting on his or her behalf) shall deliver to the Treasurer at the time of settlement of the Restricted Stock Units a written representation that he or she will acquire shares of Common Stock pursuant to the Plan for his or her own account, that he or she is not taking the shares of Common Stock with a view to distribution and that he or she will dispose of the shares of Common Stock only in compliance with Rule 144.

15. No Right to Continued Employment. This Award does not confer on the Participant any right with respect to the continuation of employment with the Company or any Affiliate, nor will it interfere in any way with the right of the Company or any Affiliate to terminate the Participant's employment at any time.

16. Governing Law; Venue. The Plan, this Award Certificate and all determinations made and actions taken pursuant to the Plan or Award Certificate shall be governed by the laws of the State of Connecticut, without giving effect to the conflict of laws principles thereof. Any disputes regarding this Award, the Award Certificate or the Plan shall be brought only in the United States in the state or federal courts of the State of Connecticut.

17. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to the Award or other awards granted to the Participant under the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

18. Binding Effect. The grant of this Award shall be binding and effective only if this Award Certificate is executed by or delivered on behalf of the Company.

19. Capitalized Terms. All capitalized terms used in this Award Certificate which are not defined in this Award Certificate shall have the meanings given them in the Plan unless the context clearly requires otherwise.

20. English Language. If the Participant is resident and/or employed outside of the United States, the Participant acknowledges and agrees that it is his/her express intent that this Award Certificate, the Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Award, be drawn up in English. If the Participant has received this Award Certificate, the Plan or any other documents related to the Award translated into a language other than English, and if the meaning of the translated version is different from the English version, the meaning of the English version shall control.

21. Clawback/Recoupment Policy. Notwithstanding any other provision of this Award Certificate to the contrary, the Participant acknowledges and agrees that all shares of Common Stock acquired pursuant to the Plan shall be and remain subject to any incentive compensation clawback or recoupment policy of the Company currently in effect or as may be adopted by the Company and, in each case, as may be amended from time to time. No such policy adoption or amendment shall require the Participant's prior consent. For purposes of the foregoing, the Participant expressly and explicitly authorizes the Company to issue instructions, on the Participant's behalf, to any brokerage firm and/or third party administrator engaged by the Committee to hold the Participant's shares of Common Stock, and other amounts acquired under the Plan to re-convey, transfer or otherwise return such shares of Common Stock and/or other amounts to the Company.

22. Addendum. Notwithstanding any provisions of this Award Certificate to the contrary, the Award shall be subject to any special terms and conditions for the Participant's country of residence (and country of employment, if different), as are set forth in an applicable Addendum to this Award Certificate. Further, if the Participant transfers residence and/or employment to another country reflected in an Addendum to this Award Certificate, the special terms and conditions for such country will apply to the Participant to the extent the Company determines, in its discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws, rules, and regulations or to facilitate the operation and administration of the Award and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate the Participant's transfer). Any applicable Addendum shall constitute part of this Award Certificate.

23. Additional Requirements; Amendments. The Company reserves the right to impose other requirements on the Award, any shares of Common Stock acquired pursuant to the Award and the Participant's participation in the Plan to the extent the Company determines, in its sole discretion, that such other requirements are necessary or advisable in order to comply with local law, rules and regulations or to facilitate the operation and administration of the Award and the Plan. Such requirements may include (but are not limited to) requiring the Participant to sign any agreements or undertakings that may be necessary to accomplish the foregoing. In addition, the Company reserves the right to amend the terms and conditions reflected in this Award Certificate, without the Participant's consent, either prospectively or retroactively, to the extent that such amendment does not materially affect the Participant's rights under the Award except as otherwise permitted under the Plan or this Award Certificate.

24. Nature of the Grant. In accepting the Award, the Participant hereby acknowledges that:

- (a) the Plan is established voluntarily by the Company, is discretionary in nature and may be terminated, suspended or amended by the Company at any time, to the extent permitted by the Plan;
 - (b) the grant of the Award is voluntary and does not create any contractual or other right to receive future Awards or benefits in lieu of an Award, even if Awards have been granted in the past;
 - (c) all decisions with respect to future Awards or other grants, if any, will be at the sole discretion of the Company;
 - (d) the grant of the Awards and the Participant's participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service contract with the Company, the Employer or any other Affiliate shall not interfere with the ability of the Company, the Employer or any other Affiliate to terminate the Participant's employment relationship (if any);
 - (e) the Participant is voluntarily participating in the Plan;
 - (f) the Award and any shares of Common Stock acquired under the Plan, and the income from and value of same, are not intended to replace any pension rights or compensation;
 - (g) the Award and any shares of Common Stock acquired under the Plan, and the income from and value of same, are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and which are outside the scope of the Participant's employment and the
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Participant's employment contract, if any;

(h) the Award and any shares of Common Stock acquired under the Plan, and the income from and value of same, are not part of normal or expected compensation or salary for any purpose, including, without limitation, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, leave-related payments, holiday top-up, pension or retirement or welfare benefits or similar mandatory payments;

(i) the future value of the underlying shares of Common Stock is unknown, indeterminable and cannot be predicted with certainty and the value of such shares of Common Stock acquired under the Plan may increase or decrease in the future;

(j) no claim or entitlement to compensation or damages shall arise from forfeiture of the Award resulting from termination of the Participant's status as an employee (regardless of the reason for the termination and whether or not the termination is later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any);

(k) on the date of termination of the Participant's status as an employee (regardless of the reason for the termination and whether or not the termination is later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any), the Participant's right to participate in the Plan, if any, will terminate (for purposes of the foregoing, the Committee shall have exclusive discretion to determine the effective date the Participant is no longer an employee);

(l) neither the Company, the Employer nor any other Affiliate shall be liable for any foreign exchange rate fluctuation between the Participant's local currency and the United States Dollar that may affect the value of the shares of Common Stock acquired or sold under the Plan;

(m) in consideration of the grant of the Award, no claim or entitlement to compensation or damages shall arise from termination of the Award or diminution in value of the Award or shares of Common Stock acquired upon vesting of the Award resulting from termination of employment by the Company or the Employer, as applicable (for any reason whatsoever and whether or not in breach of applicable labor laws) and the Participant hereby irrevocably releases the Company, the Employer and any Affiliates from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by acceptance of the Award, the Participant shall be deemed irrevocably to have waived his/her entitlement to pursue such claim; and

(n) in the event of termination of the Participant's employment with the Company (whether or not in breach of local labor laws), the Participant's right to receive the Award and vest in the Award under the Plan, if any, will terminate effective as of the date of termination of his or her active employment as determined in the discretion of the Committee unless otherwise provided in this Award Certificate or the Plan; furthermore, in the event of termination of the Participant's employment (regardless of any contractual or local law requirements), the Participant's right to vest in the Award after such termination, if any, will be measured by the date of termination of the Participant's active employment; the Committee will have the discretion to determine the date of termination of the Participant's active employment for purposes of the Award.

25. Section 409A. For the avoidance of doubt, if the Participant is subject to U.S. income taxation and is a "specified employee" (within the meaning of Section 409A of the U.S. Internal Revenue Code of 1986, as amended (the "Code")) at the time of his or her separation from service, and the Company makes a good faith determination that an amount payable hereunder constitutes deferred compensation (within the meaning of Section 409A of the Code) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A of the Code, then the Company will not pay such amount on the otherwise scheduled settlement date, but will instead pay it, without interest, on the first business day of the seventh month after the Participant's separation from service or, if earlier, on the Participant's death.

26. Acceptance. By electronically accepting the grant of this Award, the Participant affirmatively and expressly acknowledges that he/she has read this Award Certificate, the Addendum to the Award Certificate (as applicable) and the Plan, and specifically accepts and agrees to the provisions therein. The Participant also affirmatively and expressly acknowledges that the Company, in its sole discretion, may amend the terms and conditions reflected in this Award Certificate without the Participant's consent, either prospectively or retroactively, to the extent that such amendment does not materially impair the Participant's rights under the Award, and the Participant agrees to be bound by such amendment regardless of whether notice is given to the Participant of such change.

27. Miscellaneous. All decisions or interpretations of the Committee with respect to any question arising under the Plan or this Award shall be binding, conclusive and final. The waiver by the Company of any provision of this Award shall not operate as or be construed to be a subsequent waiver of the same provision or of any other provision of the Award. The Participant agrees to execute such other agreements, documents or assignments as may be necessary or desirable to effect the purposes of this Award.

StanleyBlack&Decker

2018 Omnibus Award Plan

Restricted Stock Unit Award

Subject to the terms and conditions set forth in this certificate,

/\$ParticipantName\$/ has been awarded /\$AwardsGranted\$/ Restricted Stock Units as follows:

Grant Date: /\$GrantDate\$/

Vests: as set forth in your Equity Plan account for this Award

Stanley Black & Decker, Inc.

As a member of the Stanley Black & Decker team, your skills and contributions are vital to our Company's and its Shareholders' continued success. This award of restricted stock units provides you with the opportunity to earn significant financial rewards for your efforts and contributions to making Stanley Black & Decker the most successful company it can be.

On behalf of the Board of Directors, Congratulations.

James M. Loree
Chief Executive Officer
Stanley Black & Decker, Inc.

RESTRICTED STOCK UNIT AWARD TERMS

1. Grant of Restricted Stock Units. This certifies that Stanley Black & Decker, Inc. (the "Company") has on the Award Date specified in this Award Certificate granted to the Participant named above an award (the "Award") of that number of Restricted Stock Units set forth in this Award Certificate, subject to certain restrictions and on the terms and conditions contained in this Award Certificate and the 2018 Omnibus Award Plan, as amended from time to time (the "Plan"). A copy of the Plan is available upon request. In the event of any conflict between the terms of the Plan and this Award Certificate, the terms of the Plan shall govern. For purposes of this Award Certificate, if the Participant is not employed by the Company, "Employer" means the Affiliate that employs the Participant.

2. Dividend Equivalents. Amounts equal to the dividends and distributions paid on shares of the Company's Common Stock, \$2.50 par value per share (the "Common Stock"), shall be accrued for the benefit of the Participant to the same extent as if each Restricted Stock Unit then held by Participant was a share of Common Stock and shall vest and be distributed to the Participant in cash as the Restricted Stock Units vest.

3. Vesting. Subject to the terms and conditions of this Award Certificate and the Plan, the Restricted Stock Units shall vest in the amounts and on the dates specified in the Participant's Merrill Lynch (or subsequent record keeper's) account for this Award, provided the Participant remains continuously employed by the Company or an Affiliate until the applicable vesting date.

4. Settlement of Restricted Stock Units. Upon vesting of Participant's Restricted Stock Units, the Restricted Stock Units shall be cancelled and in exchange therefor the Company shall cause a number of shares of Common Stock equal to the number of the Restricted Stock Units then cancelled to be issued to the Participant in book-entry form. Any shares of Common Stock issued with respect to the Restricted Stock Units shall be fully registered and freely transferable. Notwithstanding the foregoing, the Committee may, in its sole discretion, settle each vested Restricted Stock Unit in the form of: (a) cash, to the extent settlement in shares of Common Stock (a) becomes prohibited under applicable laws, (b) would require the Participant, the Company or the Employer to obtain the approval of any governmental and/or regulatory body in the Participant's country of residence (and country of employment, if different), or (c) is administratively burdensome or (b) shares of Common Stock, but the Company may require the Participant to immediately sell such shares of Common Stock if necessary to comply with applicable laws (in which case, the Participant hereby expressly authorizes the Company to issue sales instructions in relation to such shares of Common Stock on the Participant's behalf).

5. Forfeiture Upon Termination of Employment. If, prior to vesting of the Restricted Stock Units pursuant to Section 3, the Participant ceases to be continuously employed by either the Company or an Affiliate for any reason other than Disability (as defined below) or death, then the Participant's rights to all of the unvested Restricted Stock Units shall be immediately and irrevocably forfeited and no shares of Common Stock shall be issued in respect thereof. Approved leaves of absence or employment transfers between the Company or an Affiliate (or vice versa) shall not be deemed terminations or interruptions of employment for vesting of the Restricted Stock Units.

6. Death and Disability. Upon the Participant's death or if the Participant's employment is terminated as a result of the Participant's Disability, the Restricted Stock Units shall become immediately vested in full. "Disability" has the meaning provided in Section 22(e)(3) of the Code, or any successor provision.

7. Restriction on Transfer. Restricted Stock Units shall not be assignable, alienable, saleable, or transferable. The Award shall be transferable only by will or the laws of descent and distribution. If the Participant purports to make any transfer of the Award, except as aforesaid, the Award and all rights thereunder shall terminate immediately. Notwithstanding the foregoing, the Participant may, in the manner established by the Committee, designate a beneficiary or beneficiaries to receive shares of Common Stock with respect to the Restricted Stock Units upon the death of the Participant.

8. Income Tax Matters.

(a) Regardless of any action the Company or the Employer takes with respect to any or all income tax (including U.S. federal, state and local taxes or non-U.S. taxes), social insurance, payroll tax, payment on account or other tax-related withholding ("Tax-Related Items"), the Participant acknowledges and agrees that the ultimate liability for all Tax-Related Items legally due by the Participant is and remains the Participant's responsibility and that the Company and the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including the grant of the Award, the vesting of the Award, the subsequent sale of any shares of Common Stock acquired pursuant to the Award and (ii) do not commit to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Participant's liability for Tax-Related Items.

(b) Prior to the delivery of shares of Common Stock upon the vesting of the Award, if the Participant's country of residence (and country of employment, if different) requires withholding of Tax-Related Items, the Company may withhold a sufficient number of whole shares of Common Stock otherwise issuable upon the vesting of the Award that have an aggregate Fair Market Value sufficient to pay the Tax-Related Items required to be withheld with respect to the shares of Common Stock. Depending on the withholding method specified in the Plan, the Company may withhold or account for Tax-Related Items by considering applicable statutory withholding rates or other applicable withholding rates, including maximum applicable rates. The cash equivalent of the shares of Common Stock withheld will be used to settle the obligation to withhold the Tax-Related Items. In the event that the withholding of shares of Common Stock becomes prohibited under applicable law or otherwise may trigger adverse consequences to the Company or the Employer, the Company and the Employer may withhold the Tax-Related Items required to be withheld with respect to the shares of Common Stock in cash from the Participant's regular salary and/or wages or any other amounts payable to the Participant, or may require the Participant to personally make payment of the Tax-Related Items required to be withheld. In the event the withholding requirements are not satisfied through the withholding of shares of Common Stock by the Company or through the withholding of cash from the Participant's regular salary and/or wages or other amounts payable to the Participant, no shares of Common Stock will be issued to the Participant (or the Participant's estate) upon vesting or settlement of the Award unless and until satisfactory arrangements (as determined by the Committee) have been made by the Participant with respect to the payment of any Tax-Related Items that the Company or the Employer determines, in its sole discretion, must be withheld or collected with respect to such Award. If the obligation for the Participant's Tax-Related Items is satisfied by withholding a number of shares of Common Stock as described herein, the Participant shall be deemed to have been issued the full number of shares of Common Stock issuable upon vesting, notwithstanding that a number of the shares of Common Stock is held back solely for the purpose of paying the Tax-Related Items due as a result of the vesting or any other aspect of the Award.

(c) The Participant will pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of the Participant's participation in the Plan or the Participant's acquisition of shares of Common Stock that cannot be satisfied by the means described herein. The Company may refuse to deliver any shares of Common Stock due upon settlement of the Award if the Participant fails to comply with his/her obligations in connection with the Tax-Related Items as described herein. If the Participant is subject to taxation in more than one country, the Participant acknowledges that the Company, the Employer or one or more of their respective Affiliates may be required to withhold or account for Tax-Related Items in more than one country. The Participant hereby consents to any action reasonably taken by the Company and the Employer to meet the Participant's obligation for Tax-Related Items. By accepting this Award, the Participant expressly consents to the withholding of shares of Common Stock and/or withholding from the Participant's regular salary and/or wages or other amounts payable to the Participant as provided for hereunder. All other Tax-Related Items related to the Award and any shares of Common Stock delivered in payment thereof shall be the Participant's sole responsibility.

9. Legal and Tax Compliance; Cooperation. If the Participant is a resident and/or employed outside of the United States, the Participant agrees, as a condition of the grant of the Award, to repatriate all payments attributable to the shares of Common Stock acquired under the Plan (including, but not limited to, any proceeds derived from the sale of the shares of Common Stock acquired pursuant to the Award) if required by and in accordance with local foreign exchange rules and regulations in the Participant's country of residence (and/or country of employment, if different). In addition, the Participant also agrees to take any and all actions, and consents to any and all actions taken by the Company and its Affiliates, as may be required to allow the Company and its Affiliates to comply with local laws, rules and regulations in the Participant's country of residence (and/or country of employment, if different). Finally, the Participant agrees to take any and all actions as may be required to comply with his/her personal legal and tax obligations under local laws, rules and regulations in his/her country of residence (and/or country of employment, if different).

10. Data Privacy. The Company is located at 1000 Stanley Drive, New Britain Connecticut 06053 U.S.A. and grants Awards to acquire shares of Common Stock under the Plan to employees of the Company and its Affiliates, at its sole discretion. In accepting the Award granted under the Plan, the Participant should carefully review the following information about the Company's data processing practices.

(a) **Data Collection, Processing and Usage.** The Company collects, processes and uses personal data of employees, including name, home address, email address and telephone number, date of birth, social insurance, passport or other identification number, salary, citizenship, job title, any shares of Common Stock or directorships held in the Company, and details of all Awards to acquire shares of Common Stock canceled, vested, or outstanding in the Participant's favor, which the Company receives from the Participant or, if different, the Employer ("Personal Information"). If the Company grants the Participant an Award under the Plan, then the Company will collect the Participant's Personal Information for purposes of allocating shares of Common Stock and implementing, administering and managing the Plan. The Company's legal basis for collecting, processing and using the Participant's Personal Information will be the Company's necessity to execute its contractual obligations under this Award Certificate and to comply with its legal obligations.

(b) **Stock Plan Administration Service Providers.** The Company transfers the Participant's Personal Information as necessary and appropriate to Bank of America Merrill Lynch and its affiliates ("BAML"), an independent service provider based in the United States which assists the Company with the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and share the Participant's data with another company that serves in a similar manner. BAML will open an account for the Participant to receive and trade shares of Common Stock the Participant acquires under the Plan. The Participant will be asked to agree to separate terms and data processing practices with BAML, which is a condition of the Participant's ability to participate in the Plan.

(c) **International Data Transfers.** The Participant's Personal Information may be transferred to or otherwise processed in the United States or other jurisdictions besides the Participant's own. The Participant should note that the Participant's country of residence (and country of employment, if different) may have enacted data privacy laws that are different from those of the recipient country. Such transfers will be made pursuant to Company policies and data protection measures as detailed in the Company's Employee Privacy Policy, available by contacting Participant's local HR manager or Global Privacy Office.

(d) **Data Retention.** The Company will use the Participant's Personal Information as long as is necessary to implement, administer and manage the Participant's participation in the Plan or as required to comply with legal or regulatory obligations, including under tax and security laws. When the Company no longer needs the Participant's Personal Information, the Company will remove it from its systems.

(e) **Voluntariness.** The Participant's participation in the Plan is purely voluntary. If the Participant elects not to participate in the Plan, the Participant's decision would not affect the Participant's salary as an employee of the Employer or the Participant's career; the Participant would merely forfeit the opportunities associated with the Plan.

(f) **Individual Rights.** The Participant may have a number of rights under data privacy laws in the Participant's country of residence (and country of employment, if different). Depending on where the Participant is based, the Participant's rights may include the right to (i) request access or copies of Personal Information the Company processes pursuant to this Award Certificate, (ii) request to rectify incorrect Personal Information, (iii) request to delete Personal Information, (iv) request to restrict Personal Information processing, and/or (v) lodge complaints with competent authorities in the Participant's country of residence (and country of employment, if different). To receive clarification regarding the Participant's rights or to exercise the Participant's rights, the Participant should contact his/her local HR department. A response to the Participant's request will be provided consistent with applicable law.

(g) **SBD Employee Privacy Notice.** All collection and use of the Participant's Personal Information under this Notice is made pursuant to the Company's Employee Privacy Notice (the "Privacy Notice"), which the Participant has previously received. Please see the Privacy Notice for additional information on the Company's policies regarding data retention, data security and other important information.

By accepting the Award as granted under the Plan, the Participant explicitly declares that the Participant has been informed about the collection, processing and use of the Participant's Personal Information by the Company and the transfer of the Participant's Personal Information to the recipients mentioned above, including recipients located in countries that have different data protection rules than in the Participant's country of residence.
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11. Insider Trading/Market Abuse Laws. By participating in the Plan, the Participant agrees to comply with the Company's policy on insider trading (to the extent that it is applicable to the Participant). The Participant further acknowledges that, depending on his/her or his/her broker's country of residence or where the shares of Common Stock are listed, the Participant may be subject to insider trading restrictions and/or market abuse laws which may affect his/her ability to accept, acquire, sell or otherwise dispose of shares of Common Stock, rights to shares of Common Stock (e.g., Award) or rights linked to the value of shares of Common Stock, during such times the Participant is considered to have "inside information" regarding the Company as defined by the laws or regulations in the Participant's country of residence (or country of employment, if different). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Participant places before he/she possessed inside information. Furthermore, the Participant could be prohibited from (a) disclosing the inside information to any third party (other than on a "need to know" basis) and (b) "tipping" third parties or causing them otherwise to buy or sell securities. The Participant understands that third parties include fellow employees. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company's insider trading policy. The Participant acknowledges that it is his/her personal responsibility to comply with any applicable restrictions, and that he/she should consult with his/her personal advisor on this matter.

12. Private Placement. If the Participant is a resident and/or employed outside of the United States, the Participant acknowledges that the grant of the Award is not intended to be a public offering of securities in his/her country of residence (country of employment, if different). The Participant further acknowledges that the Company has not submitted any registration statement, prospectus or other filing with any securities authority other than the U.S. Securities and Exchange Commission with respect to the grant of the Award, unless otherwise required under local law. **No employee of the Company is permitted to advise the Participant on whether the Participant should acquire shares of Common Stock under the Plan or provide the Participant with any legal, tax or financial advice with respect to the grant of the Award. The acquisition of shares of Common Stock involves certain risks, and the Participant should carefully consider all risk factors and tax considerations relevant to the acquisition of shares of Common Stock under the Plan and the disposition of them. Further, the Participant should carefully review all of the materials related to the Award and the Plan, and the Participant should consult with his/her personal legal, tax and financial advisors for professional advice in relation to the Participant's personal circumstances.**

13. Other. The Company shall not be required to issue any certificate or certificates for shares of Common Stock upon settlement of the Restricted Stock Units (i) if the Common Stock is not listed on any national securities exchange, (ii) prior to the completion of any registration or other qualification of such shares of Common Stock

under any state or federal law or rulings or regulations of any governmental regulatory body, and (iii) prior to the Company obtaining any consent or approval or other clearance from any governmental agency which the Company shall, in its sole discretion, determine to be necessary or advisable. Shares of Common Stock to be issued in respect of Restricted Stock Units will be issued only in compliance with the Securities Act of 1933, as amended (the "Act"), and any other applicable securities laws, and the Participant shall comply with any requirements imposed by the Committee under such laws. If the Participant qualifies as an "affiliate" (as that term is defined in Rule 144 ("Rule 144") promulgated under the Act), upon demand by the Company, the Participant (or any person acting on his or her behalf) shall deliver to the Treasurer at the time of settlement of the Restricted Stock Units a written representation that he or she will acquire shares of Common Stock pursuant to the Plan for his or her own account, that he or she is not taking the shares of Common Stock with a view to distribution and that he or she will dispose of the shares of Common Stock only in compliance with Rule 144.

14. No Right to Continued Employment. This Award does not confer on the Participant any right with respect to the continuation of employment with the Company or any Affiliate, nor will it interfere in any way with the right of the Company or any Affiliate to terminate the Participant's employment at any time.

15. Governing Law; Venue. The Plan, this Award Certificate and all determinations made and actions taken pursuant to the Plan or Award Certificate shall be governed by the laws of the State of Connecticut, without giving effect to the conflict of laws principles thereof. Any disputes regarding this Award, the Award Certificate or the Plan shall be brought only in the United States in the state or federal courts of the State of Connecticut.

16. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to the Award or other awards granted to the Participant under the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

17. Binding Effect. The grant of this Award shall be binding and effective only if this Award Certificate is executed by or delivered on behalf of the Company.

18. Capitalized Terms. All capitalized terms used in this Award Certificate which are not defined in this Award Certificate shall have the meanings given them in the Plan unless the context clearly requires otherwise.

19. English Language. If the Participant is resident and/or employed outside of the United States, the Participant acknowledges and agrees that it is his/her express intent that this Award Certificate, the Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Award, be drawn up in English. If the Participant has received this Award Certificate, the Plan or any other documents related to the Award translated into a language other than English, and if the meaning of the translated version is different from the English version, the meaning of the English version shall control.

20. Clawback/Recoupment Policy. Notwithstanding any other provision of this Award Certificate to the contrary, the Participant acknowledges and agrees that all shares of Common Stock acquired pursuant to the Plan shall be and remain subject to any incentive compensation clawback or recoupment policy of the Company currently in effect or as may be adopted by the Company and, in each case, as may be amended from time to time. No such policy adoption or amendment shall require the Participant's prior consent. For purposes of the foregoing, the Participant expressly and explicitly authorizes the Company to issue instructions, on the Participant's behalf, to any brokerage firm and/or third party administrator engaged by the Committee to hold the Participant's shares of Common Stock, and other amounts acquired under the Plan to re-convey, transfer or otherwise return such shares of Common Stock and/or other amounts to the Company.

21. Addendum. Notwithstanding any provisions of this Award Certificate to the contrary, the Award shall be subject to any special terms and conditions for the Participant's country of residence (and country of employment, if different), as are set forth in an applicable Addendum to this Award Certificate. Further, if the Participant transfers residence and/or employment to another country reflected in an Addendum to this Award Certificate, the special terms and conditions for such country will apply to the Participant to the extent the Company determines, in its discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws, rules, and regulations or to facilitate the operation and administration of the Award and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate the Participant's transfer). Any applicable Addendum shall constitute part of this Award Certificate.

22. Additional Requirements; Amendments. The Company reserves the right to impose other requirements on the Award, any shares of Common Stock acquired pursuant to the Award and the Participant's participation in the Plan to the extent the Company determines, in its sole discretion, that such other requirements are necessary or advisable in order to comply with local law, rules and regulations or to facilitate the operation and administration of the Award and the Plan. Such requirements may include (but are not limited to) requiring the Participant to sign any agreements or undertakings that may be necessary to accomplish the foregoing. In addition, the Company reserves the right to amend the terms and conditions reflected in this Award Certificate, without the Participant's consent, either prospectively or retroactively, to the extent that such amendment does not materially affect the Participant's rights under the Award except as otherwise permitted under the Plan or this Award Certificate.

23. Nature of the Grant. In accepting the Award, the Participant hereby acknowledges that:

- (a) the Plan is established voluntarily by the Company, is discretionary in nature and may be terminated, suspended or amended by the Company at any time, to the extent permitted by the Plan;
 - (b) the grant of the Award is voluntary and does not create any contractual or other right to receive future Awards or benefits in lieu of an Award, even if Awards have been granted in the past;
 - (c) all decisions with respect to future Awards or other grants, if any, will be at the sole discretion of the Company;
 - (d) the grant of the Awards and the Participant's participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service contract with the Company, the Employer or any other Affiliate shall not interfere with the ability of the Company, the Employer or any other Affiliate to terminate the Participant's employment relationship (if any);
 - (e) the Participant is voluntarily participating in the Plan;
 - (f) the Award and any shares of Common Stock acquired under the Plan, and the income from and value of same, are not intended to replace any pension rights or compensation;
 - (g) the Award and any shares of Common Stock acquired under the Plan, and the income from and value of same, are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and which are outside the scope of the Participant's employment and the Participant's employment contract, if any;
 - (h) the Award and any shares of Common Stock acquired under the Plan, and the income from and value of same, are not part of normal or expected compensation or salary for any purpose, including, without limitation, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, leave-related payments, holiday top-up, pension or retirement or welfare benefits or similar mandatory payments;
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(i) the future value of the underlying shares of Common Stock is unknown, indeterminable and cannot be predicted with certainty and the value of such shares of Common Stock acquired under the Plan may increase or decrease in the future;

(j) no claim or entitlement to compensation or damages shall arise from forfeiture of the Award resulting from termination of the Participant's status as an employee (regardless of the reason for the termination and whether or not the termination is later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any);

(k) on the date of termination of the Participant's status as an employee (regardless of the reason for the termination and whether or not the termination is later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any), the Participant's right to participate in the Plan, if any, will terminate (for purposes of the foregoing, the Committee shall have exclusive discretion to determine the effective date the Participant is no longer an employee);

(l) neither the Company, the Employer nor any other Affiliate shall be liable for any foreign exchange rate fluctuation between the Participant's local currency and the United States Dollar that may affect the value of the shares of Common Stock acquired or sold under the Plan;

(m) in consideration of the grant of the Award, no claim or entitlement to compensation or damages shall arise from termination of the Award or diminution in value of the Award or shares of Common Stock acquired upon vesting of the Award resulting from termination of employment by the Company or the Employer, as applicable (for any reason whatsoever and whether or not in breach of applicable labor laws) and the Participant hereby irrevocably releases the Company, the Employer and any Affiliates from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by acceptance of the Award, the Participant shall be deemed irrevocably to have waived his/her entitlement to pursue such claim; and

(n) in the event of termination of the Participant's employment with the Company (whether or not in breach of local labor laws), the Participant's right to receive the Award and vest in the Award under the Plan, if any, will terminate effective as of the date of termination of his or her active employment as determined in the discretion of the Committee unless otherwise provided in this Award Certificate or the Plan; furthermore, in the event of termination of the Participant's employment (regardless of any contractual or local law requirements), the Participant's right to vest in the Award after such termination, if any, will be measured by the date of termination of the Participant's active employment; the Committee will have the discretion to determine the date of termination of the Participant's active employment for purposes of the Award.

24. Acceptance. By electronically accepting the grant of this Award, the Participant affirmatively and expressly acknowledges that he/she has read this Award Certificate, the Addendum to the Award Certificate (as applicable) and the Plan, and specifically accepts and agrees to the provisions therein. The Participant also affirmatively and expressly acknowledges that the Company, in its sole discretion, may amend the terms and conditions reflected in this Award Certificate without the Participant's consent, either prospectively or retroactively, to the extent that such amendment does not materially impair the Participant's rights under the Award, and the Participant agrees to be bound by such amendment regardless of whether notice is given to the Participant of such change.

25. Section 409A. For the avoidance of doubt, if the Participant is subject to U.S. income taxation and is a "specified employee" (within the meaning of Section 409A of the U.S. Internal Revenue Code of 1986, as amended (the "Code")) at the time of his or her separation from service, and the Company makes a good faith determination that an amount payable hereunder constitutes deferred compensation (within the meaning of Section 409A of the Code) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A of the Code, then the Company will not pay such amount on the otherwise scheduled settlement date, but will instead pay it, without interest, on the first business day of the seventh month after the Participant's separation from service or, if earlier, on the Participant's death.

26. Miscellaneous. All decisions or interpretations of the Committee with respect to any question arising under the Plan or this Award shall be binding, conclusive and final. The waiver by the Company of any provision of this Award shall not operate as or be construed to be a subsequent waiver of the same provision or of any other provision of the Award. The Participant agrees to execute such other agreements, documents or assignments as may be necessary or desirable to effect the purposes of this Award.

SUBSIDIARIES OF STANLEY BLACK & DECKER, INC.

The following is a list of all active subsidiaries of Stanley Black & Decker, Inc. as of December 28, 2019.

Corporate Name	Jurisdiction of Incorporation/ Organization
<u>Domestic Subsidiaries</u>	<u>United States</u>
3xLogic, Inc.	Delaware
3xLogic Indiana, LLC	Delaware
3xLogic Florida, LLC	Delaware
AeroScout (US) LLC	Delaware
AeroScout LLC	Delaware
ASIA FASTENING (US), INC.	Delaware
B&D Holdings, Inc.	Maryland
BDK FAUCET HOLDINGS INC.	Delaware
BLACK & DECKER (IRELAND) INC.	Delaware
BLACK & DECKER (U.S.) INC.	Maryland
BLACK & DECKER DE PANAMA LLC	Maryland
BLACK & DECKER FUNDING CORPORATION	Delaware
BLACK & DECKER GROUP, LLC	Delaware
BLACK & DECKER HEALTHCARE MANAGEMENT INC.	Maryland
BLACK & DECKER HOLDINGS, LLC	Delaware
BLACK & DECKER INC.	Delaware
BLACK & DECKER INDIA INC.	Maryland
BLACK & DECKER INVESTMENT COMPANY, LLC	Delaware
BLACK & DECKER INVESTMENTS (AUSTRALIA) LIMITED	Maryland
BLACK & DECKER INVESTMENTS LLC	Maryland
BLACK & DECKER MEXFIN LLC	Delaware
BLACK & DECKER PUERTO RICO INC.	Delaware
BLACK & DECKER SHELBYVILLE, LLC	Kentucky
Bostitch-Holding, L.L.C.	Delaware
Bulldog Barrels, LLC	Pennsylvania
CPE Acquisition Co.	Delaware
CRC-EVANS INTERNATIONAL HOLDINGS, INC.	Delaware
CRC-Evans International, Inc.	Delaware
CRC-Evans Pipeline International, Inc.	Delaware
CRC-EVANS WELDING SERVICES, INC.	Delaware
Clarke Security Services Incorporated	Illinois
DEVILBISS AIR POWER COMPANY	Delaware
DIYZ, LLC	Delaware
Doncasters US Holdings Inc.	Delaware
EMHART HARTTUNG INC.	Delaware
EMHART TEKNOLOGIES LLC	Delaware
Hardware City Associates Limited Partnership	Connecticut
I.D.L. Techni-Edge, LLC	Delaware
INFASTECH DECORAH, LLC	Delaware
Infologix - DDMS, Inc.	Delaware
InfoLogix Systems Corporation	Delaware
Infologix, Inc.	Delaware
International Equipment Solutions LLC	Delaware

Corporate Name	Jurisdiction of Incorporation/ Organization
Domestic Subsidiaries (continued)	United States
JRB Attachments, LLC	Delaware
JAFFORD LLC	Maryland
JennCo1, Inc.	Delaware
Jewel Attachments, LLC	Delaware
Kodiak Mfg. Inc.	Tennessee
Microalloying International, Inc.	Delaware
Nelson Stud Welding International, LLC	Delaware
Nelson Stud Welding Inc.	Delaware
NEWFREY LLC	Delaware
Pacom Systems (North America) Inc.	Delaware
Paladin Brands Group, Inc.	Delaware
Paladin Brands Holdings, Inc.	Delaware
Paladin Brands International Holdings, Inc.	Delaware
Pengo Corporation	Delaware
PIH U.S., Inc.	Delaware
PORTER-CABLE ARGENTINA, LLC	Minnesota
RIGHTCO II, LLC	Delaware
SureHand, Inc. f.k.a. SBD Aura, Inc.	Delaware
SBD CAYMAN LLC	Delaware
SBD Insurance, Inc.	Connecticut
SBD LinQ, Inc.	Delaware
SBD MDGP Partnership Holdings LLC	Delaware
SBD Property Holdings, LLC	Delaware
SBD Scala, Inc.	Delaware
SBD UK Canada Holdings, Inc.	Delaware
SecurityCo Solutions, Inc.	Delaware
Speciality Bar Products Company	Pennsylvania
Spiegelberg Manufacturing Inc.	Ohio
SPIRALOCK CORPORATION	Michigan
Stanley Access Technologies LLC	Delaware
Stanley Atlantic Inc.	Delaware
Stanley Black & Decker Cayman Holdings, Inc.	Delaware
Stanley Black & Decker Chile, L.L.C.	Delaware
Stanley Black & Decker Finance 1 LLC	Delaware
Stanley Black & Decker Finance 2 LLC	Delaware
Stanley Canada Holdings, L.L.C.	Delaware
Stanley Convergent Security Solutions, Inc.	Delaware
Stanley Fastening Systems, L.P.	Delaware
Stanley Housing Fund, Inc.	Delaware
Stanley Industrial & Automotive, LLC	Delaware
Stanley Inspection US, L.L.C.	Alabama
Stanley Inspection, L.L.C.	Delaware
Stanley International Holdings, Inc.	Delaware
Stanley Logistics, L.L.C.	Delaware
Stanley Pipeline Inspection, L.L.C.	Delaware
Stanley Safety Corporation, LLC	Delaware
Stanley Security Solutions, Inc.	Indiana
Sweepster Attachments, LLC	Delaware
THE BLACK & DECKER CORPORATION	Maryland
The Farmington River Power Company	Connecticut

Corporate Name	Jurisdiction of Incorporation/ Organization
Domestic Subsidiaries (continued)	
	United States
The Ferry Cap & Set Screw Company	Ohio
TOG Holdings Inc.	Delaware
TOG Manufacturing Company Inc.	Massachusetts
TSI MONITORING LLC	Nevada
TSI SALES & INSTALLATION LLC	Nevada
Zag USA, Inc.	Delaware
International Subsidiaries	
PIPELINE EQUIPMENT AND SERVICES SARL	Algeria
BLACK & DECKER ARGENTINA S.A.	Argentina
Stanley Black & Decker Australia Pty Ltd.	Australia
BLACK & DECKER FINANCE (AUSTRALIA) LTD.	Australia
BLACK & DECKER HOLDINGS (AUSTRALIA) PTY. LTD.	Australia
BLACK & DECKER NO. 4 PTY. LTD.	Australia
Pacom Systems Pty Limited	Australia
Powers Fasteners Australasia Pty Limited	Australia
Powers Rawl Pty. Ltd.	Australia
Rawl Australasia Pty. Ltd.	Australia
Rawlplug Unit Trust	Australia
Stanley Security Solutions Australia Pty Ltd	Australia
Stanley Black & Decker Holdings Australia Pty Ltd	Australia
The Stanley Works Pty. Ltd.	Australia
Black & Decker Distribution Pty. Ltd	Australia
Stanley Black & Decker Austria GmbH	Austria
Stanley Black & Decker (Barbados) SRL	Barbados
A & E SECURITY NV	Belgium
ARGOS-SIGNALSON SECURITY SA	Belgium
Black & Decker Limited BVBA	Belgium
CONNEXCENTER SA	Belgium
Connex Group SA	Belgium
ETAC ALARME SERVICE SECURITY SA	Belgium
ETAC GENT NV	Belgium
Facom Belgie BVBA	Belgium
JMD SECURITE SA	Belgium
Stanley Black & Decker Latin American Holding BVBA	Belgium
Stanley Black & Decker Logistics BVBA	Belgium
Stanley Europe BVBA	Belgium
Stanley Security Belgium BVBA	Belgium
Stanley Security Europe BVBA	Belgium
VAG SECURITY SYSTEMS SPRL	Belgium
BLACK & DECKER DO BRASIL LTDA.	Brazil
CRC-Evans PIH Servios De Tubulao do Brasil Ltda	Brazil
Irwin Industrial Tool Ferramentas do Brasil Ltda.	Brazil
M. HART DO BRASIL LTDA.	Brazil
BDB Ferramentas do Brasil Ltda	Brazil
REFAL INDUSTRIA E COMERCIO DE REBITES E REBITADEIRAS LTDA.	Brazil
SPIRALOCK DO BRASIL, LTDA.	Brazil
3xLogic Holdings, Inc.	Canada
3xLogic Systems Inc.	Canada

Corporate Name	Jurisdiction of Incorporation/ Organization
<u>International Subsidiaries (continued)</u>	
CAMACC Systems Inc.	Canada
CWS Industries (Mfg.) Corp.	Canada
Mac Tools Canada Inc.	Canada
Nelson Stud Welding Canada, Inc.	Canada
First National AlarmCap. Trust	Canada
First National AlarmCap LP/Premiere Societe en Commandite Nationale Alarmcap	Canada
CRC-EVANS CANADA LTD.	Canada
Stanley CLP3	Canada
STANLEY BLACK & DECKER CANADA CORPORATION	Canada
Stanley Technical Services Ltd.	Canada
XMARK Corporation	Canada
WINTECH CORPORATION LIMITED	Cayman Islands
Chiro (Cayman) Holdings Ltd.	Cayman Islands
Besco Investment Group Co. Ltd.	Cayman Islands
JOINTECH CORPORATION, LTD.	Cayman Islands
SBD Manufacturing, Distribution & Global Purchasing Holdings L.P.	Cayman Islands
SBD HOLDINGS CAYMAN, LP	Cayman Islands
MAQUINAS y HERRAMIENTAS BLACK & DECKER de CHILE S.A.	Chile
DISTRIBUIDORA PORTER CABLE LIMITADA	Chile
3xLOGIC Dalian Technology Company Limited	China
BLACK & DECKER (SUZHOU) PRECISION MANUFACTURING CO., LTD.	China
BLACK & DECKER (SUZHOU) POWER TOOLS CO., LTD.	China
BLACK & DECKER SSC CO., LTD.	China
BLACK & DECKER (SUZHOU) CO., LTD.	China
Newell Rubbermaid Products (Shenzhen) Co. Ltd.	China
GUANGZHOU EMHART FASTENING SYSTEM CO., LTD.	China
INFASTECH FASTENING SYSTEMS (WUXI) LIMITED	China
Hefei INTACA Science & Technology Development Co., Ltd.	China
INFASTECH (SHENZHEN) LIMITED	China
Jiangsu Guoqiang Tools Co., Ltd.	China
Powers Shanghai Trading Ltd.	China
Nelson Stud Welding (Tianjin) Company Ltd.	China
Shanghai Emhart Fastening System Co., Ltd.	China
Stanley Black & Decker Precision Manufacturing (Shenzhen) Co., Ltd.	China
The Stanley Works (Shanghai) Co., Ltd.	China
The Stanley Works (Shanghai) Management Co., Ltd.	China
Stanley Works (Wendeng) Tools Co., Ltd.	China
The Stanley Works (Zhongshan) Tool Co., Ltd.	China
The Stanley Works (Langfang) Fastening Systems Co., Ltd.	China
Yong Ru Plastics Industry (Suzhou) Co., Ltd	China
Stanley Black & Decker Colombia Services S.A.S.	Colombia
Black & Decker de Colombia S.A.S.	Colombia
BLACK AND DECKER DE COSTA RICA LIMITADA	Costa Rica
Stanley Black & Decker Czech Republic s.r.o.	Czech Republic
Black & Decker (Czech) s.r.o.	Czech Republic
TUCKER S.R.O.	Czech Republic
EMHART HARTTUNG A/S	Denmark
Stanley Security Denmark ApS	Denmark
BLACK & DECKER DEL ECUADOR S.A.	Ecuador

Corporate Name	Jurisdiction of Incorporation/ Organization
<u>International Subsidiaries (continued)</u>	
Stanley Black & Decker Finland Oy	Finland
Stanley Security Oy	Finland
Stanley Engineered Fastening France SAS	France
BGI Distribution SAS	France
BLACK & DECKER FINANCE SAS	France
Dubuis et Cie SAS	France
Facom Holding SAS	France
Novia SWK SAS	France
Nelson Soudage de Goujons SAS	France
Pro One Finance SAS	France
SOCIETE MINIERE ET COMMERCIALE SAS	France
STANLEY BLACK & DECKER FRANCE SAS	France
Stanley Black & Decker France Services SAS	France
Stanley Black & Decker Manufacturing SAS	France
Stanley Healthcare Solutions France Sàrl	France
Stanley Security France SAS	France
Stanley Tools SAS	France
Stanley Feinwerktechnik GmbH	Germany
Stanley Engineered Fastening Industrial Deutschland GmbH	Germany
B.B.W. BAYRISCHE BOHRERWERKE GmbH	Germany
Black & Decker Holdings GmbH	Germany
BLACK & DECKER INTERNATIONAL HOLDINGS B.V. & CO. KG	Germany
Horst Sprenger GmbH recycling-tools	Germany
Nelson Bolzenschweiß-Technik GmbH & Co. KG	Germany
Nelson Bolzenschweiß-Technik GmbH Verwaltungs GmbH	Germany
Stanley Black & Decker Deutschland GmbH	Germany
Stanley Grundstuecksverwaltungs GmbH	Germany
Stanley Security Deutschland GmbH	Germany
Stanley Security Deutschland Holding GmbH	Germany
TUCKER GmbH	Germany
STANLEY BLACK & DECKER (HELLAS) EPE	Greece
BD Xiamen (Hong Kong) Limited	Hong Kong
Spiralock Global Ventures, Limited	Hong Kong
BLACK & DECKER HONG KONG LIMITED	Hong Kong
AVDEL HOLDINGS (HONG KONG) LIMITED	Hong Kong
BDC INTERNATIONAL LIMITED	Hong Kong
BD Precision (Hong Kong) Limited	Hong Kong
BD Suzhou (Hong Kong) Limited	Hong Kong
BD Suzhou Power Tools (Hong Kong) Limited	Hong Kong
Stanley Black & Decker Limited	Hong Kong
Niscayah Investments Limited	Hong Kong
Niscayah Asia Limited	Hong Kong
INFAS TECH COMPANY LIMITED	Hong Kong
INFAS TECH (CHINA) LIMITED	Hong Kong
HANGTECH LIMITED	Hong Kong
EMHART GUANGZHOU (HONG KONG) LIMITED	Hong Kong
STANLEY BLACK & DECKER HUNGARY KORALTOLT FELELOSSEGU TARSASAG	Hungary
Nelson Stud Welding India Private Limited	India
Stanley Works (India) Private Limited	India

Corporate Name	Jurisdiction of Incorporation/ Organization
International Subsidiaries (continued)	
Stanley Black & Decker India Private Limited	India
Stanley Engineered Fastening India Private Limited	India
STANLEY SECURITY SOLUTIONS INDIA PRIVATE LIMITED	India
PT STANLEY BLACK & DECKER	Indonesia
Stanley Black & Decker International Finance 3 Unlimited Company	Ireland
Stanley Security Limited	Ireland
SBD European Investment Unlimited Company	Ireland
SBD European Security Investment Unlimited Company	Ireland
SBD European Security International Unlimited Company	Ireland
Gamrie Designated Activity Company	Ireland
Baltimore Financial Services Company Unlimited Company	Ireland
Baltimore Insurance Designated Activity Company	Ireland
Belco Investments Company Unlimited Company	Ireland
Black & Decker International Finance 1 Unlimited Company	Ireland
Black & Decker International Finance 3 Designated Activity Company	Ireland
Chesapeake Falls Holdings Company Unlimited Company	Ireland
Stanley Black & Decker International Finance 2 Unlimited Company	Ireland
Stanley Black & Decker International Finance 4 Unlimited Company	Ireland
Stanley Black & Decker International Finance 5 Unlimited Company	Ireland
Stanley Black & Decker Latin American Investment Unlimited Company	Ireland
Stanley Black & Decker Finance Unlimited Company	Ireland
SBD Infastech 1 Unlimited Company	Ireland
SBD Infastech 2 Unlimited Company	Ireland
Stanley Black & Decker Ireland Unlimited Company	Ireland
The Stanley Works Israel Ltd.	Israel
AeroScout Ltd.	Israel
Stanley Engineered Fastening Italy S.r.l.	Italy
DeWALT INDUSTRIAL TOOLS S.p.A.	Italy
Nelson Saldatura Perni S.r.l.	Italy
Stanley Black & Decker Italia S.r.l.	Italy
SWK Utensilerie S.r.l.	Italy
Stanley Black & Decker Italy Production S.r.l.	Italy
NIPPON POP RIVETS & FASTENERS, LTD.	Japan
INFASTECH (KOREA) LIMITED	Korea, Republic of
BLACK & DECKER (OVERSEAS) GmbH	Liechtenstein
BLACK & DECKER ASIA MANUFACTURING HOLDINGS 1 S.à.r.l.	Luxembourg
BLACK & DECKER ASIA MANUFACTURING HOLDINGS 2 S.à.r.l.	Luxembourg
BLACK & DECKER GLOBAL HOLDINGS S.à.r.l.	Luxembourg
BLACK & DECKER INTERNATIONAL HOLDINGS S.A.R.L.	Luxembourg
BLACK & DECKER LUXEMBOURG S.A.R.L.	Luxembourg
BLACK & DECKER TRANSASIA S.à.r.l.	Luxembourg
CHESAPEAKE INVESTMENTS COMPANY S.A.R.L.	Luxembourg
SBD European Security Holdings S.à r.l.	Luxembourg
SBD MDGP Partnership Holdings S.à r.l.	Luxembourg
SBD Niscayah S.à r.l.	Luxembourg
Stanley Black & Decker Holdings S.à r.l.	Luxembourg
Stanley Black & Decker Partnership Japan	Luxembourg
Stanley Black & Decker Partnership Japan Holdings S.à r.l.	Luxembourg
Black & Decker International Finance 3 Designated Activity Company	Luxembourg

Corporate Name	Jurisdiction of Incorporation/ Organization
International Subsidiaries (continued)	
BLACK & DECKER MACAO COMMERCIAL OFFSHORE LIMITED	Macao
Infastech Holdings (Malaysia) Sdn Bhd	Malaysia
BLACK & DECKER ASIA PACIFIC (MALAYSIA) SDN. BHD.	Malaysia
Infastech (Malaysia) Sdn Bhd	Malaysia
Stanley Security Malaysia Sdn. Bhd.	Malaysia
INFASTECH CAMCAR MALAYSIA SDN BHD	Malaysia
Stanley Works (Malaysia) SDN BHD	Malaysia
Infastech (Mauritius) Limited	Mauritius
Herramientas Stanley S.A. de C.V.	Mexico
GRUPO BLACK & DECKER MEXICO, S. DE R.L. DE C.V.	Mexico
DEWALT INDUSTRIAL TOOLS, S.A. DE C.V.	Mexico
Nelson Fastener Systems de Mexico SA de CV	Mexico
BLACK & DECKER DE REYNOSA, S. DE R.L. DE C.V.	Mexico
BLACK AND DECKER, S.A. de C.V.	Mexico
Stanley-Bostitch Servicios S. de R.L. de C.V.	Mexico
Stanley-Bostitch, S.A. de C.V.	Mexico
STANLEY BLACK & DECKER MOROCCO SARL	Morocco
BLACK & DECKER FAR EAST HOLDINGS B.V.	Netherlands
Black & Decker Hardware Holdings B.V.	Netherlands
BLACK & DECKER HOLDINGS B.V.	Netherlands
Chiro Tools Holdings B.V.	Netherlands
CRC-Evans B.V.	Netherlands
ELU B.V.	Netherlands
NSW Fabristeel Netherlands B.V.	Netherlands
Stanley European Holdings B.V.	Netherlands
Stanley European Holdings II B.V.	Netherlands
Stanley Israel Investments B.V.	Netherlands
Stanley Works Holdings B.V.	Netherlands
Stichting Beheer Intellectuele Eigendomsrechten Blick Benelux B.V.	Netherlands
Stanley Engineered Fastening Benelux B.V.	Netherlands
INTERFAST B.V.	Netherlands
Stanley Black & Decker Asian Holdings B.V.	Netherlands
Stanley Black & Decker Netherlands B.V.	Netherlands
Stanley Security Alarmcentrale B.V.	Netherlands
Stanley Security Nederland B.V.	Netherlands
Stanley Security B.V.	Netherlands
Stanley Black & Decker NZ Limited	New Zealand
Stanley Black & Decker Norway AS	Norway
Stanley Security Holding AS	Norway
Stanley Security AS	Norway
PIH Services ME LLC	Oman
POWERS FASTENERS INC.(Panama)	Panama
Stanley Black & Decker CCA, S. de R.L.	Panama
BLACK & DECKER DEL PERU S.A.	Peru
Stanley Black & Decker Polska Sp. z o.o.	Poland
STANLEY ENGINEERED FASTENING EASTERN EUROPE SP.Z O.O.	Poland
Stanley Fastening Systems Poland Sp. z o.o.	Poland
Stanley Security Portugal, Unipessoal, Lda	Portugal
PIH Services ME Ltd.	Qatar
Stanley Black & Decker Romania SRL	Romania

Corporate Name	Jurisdiction of Incorporation/ Organization
<u>International Subsidiaries (continued)</u>	
Stanley Black & Decker Limited Liability Company	Russian Federation
Onglin International Limited	Samoa
Infastehc (Singapore) Pte. Ltd	Singapore
Stanley Security Singapore Pte. Ltd.	Singapore
INFASTECH INTELLECTUAL PROPERTIES PTE. LTD.	Singapore
INFASTECH RECEIVABLES COMPANY PTE. LTD.	Singapore
BLACK & DECKER ASIA PACIFIC PTE. LTD.	Singapore
Aeroscout (Singapore) Pte. Ltd.	Singapore
Stanley Works Asia Pacific Pte. Ltd.	Singapore
VISIOCOM INTERNATIONAL PTE LTD	Singapore
Stanley Black & Decker Slovakia s.r.o.	Slovakia
COOPERHEAT OF AFRICA (PTY) LTD	South Africa
DE-TECT UNIT INSPECTION (PTY) LTD	South Africa
UNIT INSPECTION PROPERTY (PTY) LTD	South Africa
Stanley Inspection South Africa (Pty) Limited	South Africa
Pacom Systems España, S.L.	Spain
STANLEY BLACK & DECKER IBERICA, S.L.	Spain
Stanley Engineered Fastening Spain, S.L.U.	Spain
Stanley Black & Decker Sweden AB	Sweden
Pacom Group AB	Sweden
Niscayah Teknik AB	Sweden
Niscayah Group AB	Sweden
SBD Holding AB	Sweden
Stanley Security Sverige AB	Sweden
Stanley Security Switzerland Sàrl	Switzerland
EMHART GmbH	Switzerland
Stanley Black & Decker Holding GmbH	Switzerland
Stanley Works (Europe) GmbH	Switzerland
Stanley Chiro International Ltd	Taiwan
Stanley Fastening Systems Investment (Taiwan) Co.	Taiwan
Fastener Jamher Taiwan Inc.	Taiwan
Besco Pneumatic Corporation	Taiwan
EMHART TEKNOLOGIES (THAILAND) LTD.	Thailand
Stanley Works Limited	Thailand
Stanley Black & Decker Turkey Alet Uretim, Sanayi ve Ticaret Limited Sirketi	Turkey
Stanley Black & Decker Middle East Trading FZE	United Arab Emirates
Stanley Black & Decker MEA FZE	United Arab Emirates
Alkhaja Pimex LLC	United Arab Emirates
Aven Tools Limited	United Kingdom
Avdel Holding Limited	United Kingdom
Avdel UK Limited	United Kingdom
Bandhart	United Kingdom
Bandhart Overseas	United Kingdom
Black & Decker International Finance (UK) Limited	United Kingdom
Black & Decker Europe	United Kingdom
Black & Decker International	United Kingdom
Black & Decker Finance	United Kingdom
Stanley Black & Decker UK Limited	United Kingdom
Black & Decker International Finance Holdings (UK) Limited	United Kingdom
Black & Decker	United Kingdom

Corporate Name	Jurisdiction of Incorporation/ Organization
International Subsidiaries (continued)	
Dewalt Industrial Power Tool Company Ltd.	United Kingdom
ELU Power Tools Ltd	United Kingdom
CRC-Evans Offshore Limited	United Kingdom
Contract Fire Systems Ltd	United Kingdom
PIH Holdings Limited	United Kingdom
PIH Services Limited	United Kingdom
Pipeline Induction Heat Limited	United Kingdom
Niscayah Holdings Limited	United Kingdom
Emhart International Limited	United Kingdom
Emhart International Holdings Limited	United Kingdom
Stanley Security Solutions - Europe Limited	United Kingdom
Stanley Security Solutions Limited	United Kingdom
SWK (UK) Limited	United Kingdom
SWK (U.K.) Holding Limited	United Kingdom
Universal Inspection Systems Limited	United Kingdom
Tucker Fasteners Limited	United Kingdom
The Stanley Works Limited	United Kingdom
Stanley Security Solutions (NI) Limited	United Kingdom
Stanley UK Acquisition Company Limited	United Kingdom
Stanley U.K. Holding Ltd.	United Kingdom
Stanley UK Services Limited	United Kingdom
Stanley Black & Decker International Finance 1 Limited	United Kingdom
Stanley Black & Decker International Finance 2 Limited	United Kingdom
Stanley Black & Decker International Finance 3 Limited	United Kingdom
Stanley Black & Decker International Finance 4 Limited	United Kingdom
Stanley Black & Decker International Finance L.P.	United Kingdom
Stanley Black & Decker Finance Limited	United Kingdom
Stanley Black & Decker UK Group Limited	United Kingdom
Christie Intruder Alarms Limited	United Kingdom
Southern Monitoring Services Limited	United Kingdom
INFASTECH/TRI-STAR LIMITED	Virgin Islands, British
BESCO INVESTMENT HOLDINGS Ltd.	Virgin Islands, British
PIH Services ME Ltd.	Virgin Islands, British
Stanley Works China Investments Limited	Virgin Islands, British

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- Registration Statement (Form S-8 No. 2-93025)
- Registration Statement (Form S-8 No. 2-96778)
- Registration Statement (Form S-8 No. 2-97283)
- Registration Statement (Form S-8 No. 33-16669)
- Registration Statement (Form S-8 No. 33-55663)
- Registration Statement (Form S-8 No. 33-62565)
- Registration Statement (Form S-8 No. 33-62575)
- Registration Statement (Form S-8 No. 333-42346)
- Registration Statement (Form S-8 No. 333-42582)
- Registration Statement (Form S-8 No. 333-64326)
- Registration Statement (Form S-8 No. 333-162956)
- Registration Statement (Form S-4 No. 333-163509)
- Registration Statement (Form S-8 No. 333-165454)
- Registration Statement (Form S-8 No. 333-179699)
- Registration Statement (Form S-8 No. 333-190267)
- Registration Statement (Form S-8 No. 333-219984)
- Registration Statement (Form S-3 No. 333-221127)

of our reports dated February 21, 2020 with respect to the consolidated financial statements and schedule of Stanley Black & Decker, Inc. and the effectiveness of internal control over financial reporting of Stanley Black & Decker, Inc. included in this Annual Report (Form 10-K) of Stanley Black & Decker, Inc. for the year ended December 28, 2019.

/s/ Ernst & Young, LLP

Hartford, Connecticut
February 21, 2020

POWER OF ATTORNEY

We, the undersigned officers and directors of Stanley Black & Decker, Inc., a Connecticut corporation (the "Corporation"), hereby severally constitute Janet M. Link and Yun Jung Choi our true and lawful attorneys with full power of substitution, to sign for us and in our names in the capacities indicated below, the Annual Report on Form 10-K for the year ended December 28, 2019 of the Corporation filed herewith (the "Form 10-K"), and any and all amendments thereof, and generally to do all such things in our name and on our behalf in our capacities as officers and directors to enable the Corporation to comply with the annual filing requirements under the Securities Act of 1934, as amended, including, all requirements of the Securities and Exchange Commission, and all requirements of any other applicable law or regulation, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to such Form 10-K and any and all amendments thereto.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ James M. Loree</u> James M. Loree	President and Chief Executive Officer, Director	February 21, 2020
<u>/s/ Andrea J. Ayers</u> Andrea J. Ayers	Director	February 21, 2020
<u>/s/ George W. Buckley</u> George W. Buckley	Director	February 21, 2020
<u>/s/ Patrick D. Campbell</u> Patrick D. Campbell	Director	February 21, 2020
<u>/s/ Carlos M. Cardoso</u> Carlos M. Cardoso	Director	February 21, 2020
<u>/s/ Robert B. Coutts</u> Robert B. Coutts	Director	February 21, 2020
<u>/s/ Debra A. Crew</u> Debra A. Crew	Director	February 21, 2020
<u>/s/ Michael D. Hankin</u> Michael D. Hankin	Director	February 21, 2020
<u>/s/ Dmitri L. Stockton</u> Dmitri L. Stockton	Director	February 21, 2020

CERTIFICATIONS

I, James M. Loree, certify that:

1. I have reviewed this Annual Report on Form 10-K of Stanley Black & Decker, Inc. and subsidiaries;
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 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 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 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 21, 2020

/s/ James M. Loree

James M. Loree

President and Chief Executive Officer

CERTIFICATIONS

I, Donald Allan Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of Stanley Black & Decker, Inc. and subsidiaries;
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 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 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 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 21, 2020

/s/ Donald Allan Jr.

Donald Allan Jr.

Executive Vice President and Chief Financial Officer

STANLEY BLACK & DECKER, INC.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Stanley Black & Decker, Inc. (the "Company") on Form 10-K for the period ending December 28, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James M. Loree, President and Chief Executive Officer, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James M. Loree

James M. Loree

President and Chief Executive Officer

February 21, 2020

STANLEY BLACK & DECKER, INC.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Stanley Black & Decker, Inc. (the "Company") on Form 10-K for the period ending December 28, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald Allan Jr., Executive Vice President and Chief Financial Officer, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Donald Allan Jr.

Donald Allan Jr.

Executive Vice President and Chief Financial Officer

February 21, 2020