

TFS Financial CORP
Form DEF 14A
January 15, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-12

TFS FINANCIAL CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

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- No fee required.
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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To our Stockholders:

The 2009 annual meeting of stockholders of TFS Financial Corporation (the Company) will be held at the offices of Third Federal Savings and Loan, 7007 Broadway Avenue, Cleveland, Ohio 44105, on Thursday, February 26, 2009, at 9:00 a.m., local time, for the following purposes:

1. To elect three directors, each to hold office for a three-year term and until his successor has been duly elected and appointed;
2. To ratify the selection of Deloitte & Touche LLP as the Company's independent accountants for the Company's fiscal year ending September 30, 2009; and
3. To transact all other business that properly comes before the meeting.

Only stockholders of record at the close of business on December 29, 2008, will be entitled to notice of and to vote at the meeting or any adjournment thereof. Stockholders are urged to complete, date and sign the enclosed proxy card and return it in the enclosed envelope. Alternatively, stockholders may vote via telephone or over the Internet (details are on the proxy card). The principal address of the Company is 7007 Broadway Avenue, Cleveland, Ohio 44105.

By order of the Board of Directors,

Bernard S. Kobak

Secretary

January 15, 2009

YOUR VOTE IS IMPORTANT. PLEASE SIGN, DATE AND RETURN THE PROXY CARD OR

VOTE VIA TELEPHONE OR OVER THE INTERNET.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON FEBRUARY 26, 2009:

This proxy statement and the Company's 2008 annual report to stockholders are also available at <http://www.thirdfederal.com/proxy2009>

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TFS FINANCIAL CORPORATION

7007 Broadway Avenue

Cleveland, Ohio 44105

PROXY STATEMENT

Our Board of Directors is sending you this proxy statement to ask for your vote as a stockholder of TFS Financial Corporation (the Company, we, us or our) on certain matters to be voted on at our upcoming annual meeting of stockholders, which will be held at the offices of Third Federal Savings and Loan, 7007 Broadway Avenue, Cleveland, Ohio 44105, on Thursday, February 26, 2009, at 9:00 a.m., local time. We are mailing this proxy statement and the accompanying notice and proxy card, along with our 2008 Annual Report to Stockholders, on or about January 15, 2009.

ABOUT THE MEETING

What Is the Purpose of the Annual Meeting of Stockholders?

At our annual meeting of stockholders, stockholders will act upon the matters outlined in the accompanying notice of meeting, including the election of three directors and a proposal to ratify the selection of Deloitte & Touche LLP as the Company's independent accountants for the Company's fiscal year ending September 30, 2009. We are not aware of any other matter that will be presented for your vote at the meeting.

Who Is Entitled to Vote?

Only stockholders of record at the close of business on the record date, December 29, 2008, are entitled to receive notice of and to vote the shares of our common stock that they held on the record date at the meeting, or any postponement or adjournment of the meeting. Each outstanding share of common stock entitles its holder as of the record date to cast one vote on each matter acted upon at the meeting. As of the record date, the Company had outstanding 311,518,750 shares of common stock.

What if My Shares Are Held in the Third Federal Savings Associate Stock Ownership Plan or the Third Federal Savings 401(k) Savings Plan?

If you are a participant in the Third Federal Savings Associate Stock Ownership Plan (the ASOP) or the Third Federal Savings 401(k) Savings Plan (the 401(k) Plan) and you own shares of our common stock through those plans, you have received with this proxy statement voting instruction forms with respect to shares you may vote under those plans. Although the trustee or administrator for each plan votes all shares of our common stock held by that plan, each participant may direct the trustee or administrator how to vote the shares of our common stock allocated to his or her plan account. Voting instructions must be provided to the trustee or administrator by February 21, 2009 to be effective. If you own shares of our common stock through either of these plans and do not provide voting instructions to the trustee or administrator by February 21, 2009, the respective trustee or administrator will vote the shares of common stock in accordance with the terms of the respective plans, which provide that the trustee or administrator will vote any shares of our common stock for which it has received no voting instructions in the same proportions as it votes the shares of our common stock for which it has received instructions from plan participants. You also may revoke previously given voting instructions prior to February 21, 2009 by filing with the trustee or administrator either written notice of revocation or a properly completed voting instruction form bearing a later date.

Who Can Attend the Meeting?

Only stockholders as of the record date, or their duly appointed proxies, may attend the meeting. Please note that if you hold your shares in street name (that is, through a broker or other nominee), your name does not appear in the Company's records, and you will need to bring to the annual meeting a copy of your brokerage statement reflecting your ownership of shares of our common stock as of the record date in order to be admitted.

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When and Where Is the Meeting?

The meeting will be held at the offices of Third Federal Savings and Loan, 7007 Broadway Avenue, Cleveland, Ohio 44105, on Thursday, February 26, 2009, at 9:00 a.m., local time. Parking is available in our visitor parking lot, which you can enter from Aetna Avenue.

What Constitutes a Quorum?

The presence at the meeting, either in person or by proxy, of the holders of a majority of the shares of our common stock outstanding on the record date will represent a quorum, permitting the conduct of business at the meeting. Proxies received by the Company but marked as abstentions and broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting for purposes of establishing a quorum. A broker non-vote occurs if your shares are held in street name by a broker or nominee and the broker or nominee reports your shares as non-votes because you did not provide your broker or nominee with voting instructions for your shares.

What Vote is Required to Approve Each Proposal, Assuming that a Quorum Is Present at the Annual Meeting of Stockholders?

Proposal One: Election of Directors. The three nominees for director who receive the greatest number of affirmative votes will be elected directors, and abstentions and broker non-votes will not count either for or against any nominee for director.

Proposal Two: Ratification of the Selection of Deloitte & Touche LLP as the Company's Independent Accountants. The Audit Committee of our Board of Directors plans to reappoint Deloitte & Touche LLP as the Company's independent accountants to audit our financial statements for the fiscal year ending September 30, 2009, subject to the ratification of the appointment by our stockholders as required by our bylaws. See page 33 under Proposal Two: Ratification of the Selection of Deloitte & Touche LLP as the Company's Independent Accountants for additional information. A majority of the votes cast is required for the adoption of this proposal. Abstentions will be treated as cast and will have the same effect as a vote against ratification. Broker non-votes are not considered votes cast either for or against ratification.

How Does Third Federal Savings and Loan Association of Cleveland, MHC Intend to Vote Its Shares?

All stockholder votes will include the vote of Third Federal Savings and Loan Association of Cleveland, MHC, which, as of December 29, 2008, owned 72.91% of our outstanding shares of common stock. **As such, the vote of Third Federal Savings and Loan Association of Cleveland, MHC will be determinative of the outcome of any vote or election. Third Federal Savings and Loan Association of Cleveland, MHC intends to vote for the election of the three nominees for director and for ratification of the selection of Deloitte & Touche LLP, and in accordance with the recommendation of our Board of Directors on any other matter that properly comes before the meeting.**

How Do I Vote?

You may cast your vote in person at the meeting or by any one of the following ways:

By Telephone: You may call the toll-free number printed on your proxy card. Follow the simple instructions and use the personalized control number printed on your proxy card to vote your shares. You will be able to confirm that your vote has been properly recorded. Telephone voting is available 24 hours a day. If you vote by telephone, you should not return a proxy card.

Over the Internet: You may visit the web site printed on your proxy card. Follow the simple instructions and use the personalized control number printed on your proxy card to vote your shares. You will be able to confirm that your vote has been properly recorded. Internet voting is available 24 hours a day. If you vote over the Internet, you should not return a proxy card.

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By Mail: You may mark, sign and date the enclosed proxy card and return it in the enclosed postage-paid envelope.

If you sign, date and return the enclosed proxy card or vote by telephone or via the Internet, the shares of common stock represented by your proxy will be voted as you specify. If you return a signed and dated proxy card, but do not indicate how your shares of common stock should be voted, the shares of common stock represented by your proxy will be voted to elect the directors set forth under the caption Election of Directors and for ratification of the selection of Deloitte & Touche LLP.

Will My Shares Be Voted if I Do Not Provide Instructions to My Broker?

If you are the beneficial owner of shares held in street name by a broker or other nominee, the broker or other nominee, as the record holder of the shares, is required to vote those shares in accordance with your instructions. If you do not provide your broker or other nominee instructions as to how your shares are to be voted, your broker or other nominee will not be able to vote your shares in the election of directors or with respect to the ratification of the Company's independent accountants, and your shares will not be voted with respect to either matter. We urge you to provide instructions to your broker or nominee so that your vote may be counted on these important matters. You should vote your shares by following the instructions provided on the enclosed proxy card and return the proxy card to your broker or other nominee in a timely manner to ensure that your shares are voted on your behalf.

May I Revoke My Proxy or Change My Vote?

You may revoke or change your vote at any time before your proxy has been exercised by filing a written notice of revocation or a duly executed proxy bearing a later date with the Company at the Company's principal address indicated on the attached Notice of Annual Meeting of Stockholders, by submitting another timely, later-dated vote by telephone or Internet or by giving notice of revocation to the Company in open meeting. However, your presence at the annual meeting alone will not be sufficient to revoke your previously granted proxy or vote.

How Will the Proxy Solicitation Be Conducted?

This solicitation of proxies is made by and on behalf of our Board of Directors. The cost of the solicitation of your proxy will be borne by the Company. In addition to solicitation of proxies by mail and electronically, officers and regular associates of the Company may solicit proxies in person, by telephone or facsimile. These officers and associates will not receive any additional compensation for their participation in the solicitation process.

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Our bylaws divide our Board of Directors into three classes of four directors each. Anthony W. Zepp retired as a director effective January 1, 2009 creating a vacancy on the Board of Directors in the class to be elected at the annual meeting. As a result of the retirement of Mr. Zepp, the Board intends to amend the bylaws to reduce the number of directors to 11 from 12. As such, you will be voting on the election of three directors, each of whom would serve a three-year term expiring in 2012 and until his or her successor is elected and appointed.

At the annual meeting of stockholders, unless you specify otherwise, the shares of common stock represented by your proxy will be voted to re-elect Messrs. Asher and Kobak and Ms. Piterans.

If for any reason any of the nominees is unable to serve as a director at the time of the election (which is not expected), the shares of common stock represented by your proxy will be voted for the election of a substitute nominee recommended by our Board of Directors, acting as our nominating committee.

The following table sets forth information regarding the composition of our Board of Directors:

Name	Age	Position(s) Held in	Director Since	Term of Office Expires
		TFS Financial Corporation		
Nominees for Director				
Anthony J. Asher	70	Director	2008	2009
Bernard S. Kobak	80	Secretary and Director	1993	2009
Marianne Piterans	54	Director of Human Resources and Director	2006	2009
Directors Continuing in Office				
Marc A. Stefanski	54	Chairman of the Board, President, Chief Executive Officer and Director	1987	2010
Thomas J. Baird	53	Director	2005	2011
Martin J. Cohen	55	Director	2006	2010
Robert A. Fiala	55	Director	2005	2010
John J. Fitzpatrick	68	Director	2006	2011
James S. Gascoigne	55	Director	1995	2010
William C. Mulligan	55	Director	2007	2011
Paul W. Stefanik	84	Director	1993	2011

Our Board of Directors recommends that stockholders vote FOR the nominees for election set forth above.

Business Experience of Each Nominee for Director

Anthony J. Asher is the Chairman of Weston, Inc., a real estate ownership firm that is one of the largest industrial property owners in the Cleveland, Ohio area, and which Mr. Asher founded in 1971.

Bernard S. Kobak is the Corporate Secretary of Third Federal Savings and Loan, a position he has held since 1960. Mr. Kobak joined Third Federal Savings and Loan in 1958 and has served as Executive Vice President since 1963.

Marianne Piterans is Director of Human Resources, Public Relations, Training, Security and Administrative Services for Third Federal Savings and Loan. Prior to joining Third Federal Savings and Loan in 1992, Ms. Piterans served as Senior Vice President of Society National Bank, where she worked for 20 years.

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Business Experience of Each Continuing Director

Marc A. Stefanski joined Third Federal Savings and Loan in 1982 and was elected Chairman of the Board and Chief Executive Officer in 1988, succeeding his father in these positions. He was elected President of Third Federal Savings and Loan and the Company in 2000. Mr. Stefanski's parents, Ben and Gerome Stefanski, founded Third Federal Savings and Loan in 1938.

Thomas J. Baird is the President of Thomas J. Baird, P.A. and the managing partner of Baird & Roselli, a law firm in North Palm Beach, Florida, which he founded in 1990. His practice areas include city, county and local government law; environmental land use law, including eminent domain; real estate; and constitutional law and litigation.

Martin J. Cohen has been a managing partner of H & M Management Company, a real estate management company, since 1975 and is manager and part owner of nine apartment complexes.

Robert A. Fiala is president of the architecture firm ThenDesign, which he founded in 1989. He is also a member of the Willoughby, Ohio, City Council.

John J. Fitzpatrick, Ph.D. is the founder and a partner of Fitzpatrick Associates dba The Family Business Resource Center and The Business Leadership Center, which he founded in 1989. The company offers a variety of consultation services for executives, organizations and family businesses.

James S. Gascoigne is the founder and managing member of Baywater Capital Partners LTD, Baywater Associates, LTD, and Baywater Realty Company Limited, which own and invest in real estate and financial assets and provide related financial services. He also is the founder and president of Baywater Management Company, a real estate management company. Mr. Gascoigne established the Baywater entities in 1998. He also is the founder and president of Fairfax Investment Company.

William C. Mulligan has served as a managing director of Primus Capital Funds, a private equity firm, since 1987. Mr. Mulligan joined Primus Capital Funds in 1985 from McKinsey & Company, Inc., an international management consulting firm. Mr. Mulligan serves as a director of several private companies and two public companies, Universal Electronics, Inc. and Athersys, Inc.

Paul W. Stefanik worked for Third Federal Savings and Loan for 30 years prior to his retirement in 1993. In 1987, Mr. Stefanik was appointed Executive Vice President of Branch Administration, a position he held until his retirement.

CORPORATE GOVERNANCE

Meetings of the Board of Directors

During the fiscal year ended September 30, 2008, our Board of Directors met 11 times and the board of directors of Third Federal Savings and Loan, which consists of the same directors as our Board of Directors, met 12 times. During the fiscal year ended September 30, 2008 or such period during the fiscal year as an individual may have served as a director, no director attended fewer than 75% of the total number of meetings of our Boards of Directors and the total number of meetings held by all committees on which the director served. The Company anticipates that its directors will attend the annual meeting of stockholders. All directors attended last year's annual meeting of stockholders. Our Board of Directors has established various standing committees, including an Audit Committee, Compensation Committee and Executive Committee. The full Board of Directors acts as the nominating committee.

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Independent Directors

A majority of our Board of Directors and all members of the Audit Committee and Compensation Committee are independent, as affirmatively determined by our Board of Directors consistent with the criteria established by the NASDAQ Stock Market.

Our Board of Directors conducts an annual review of director independence for all current nominees for election as directors and all continuing directors. In connection with this review, our Board of Directors considers all relevant facts and circumstances relating to relationships that each director, his or her immediate family members and their related interests had with the Company and its subsidiaries.

As a result of this review, our Board of Directors affirmatively determined that nominee Mr. Asher and continuing directors Messrs. Baird, Cohen, Fiala, Fitzpatrick, Mulligan and Stefanik are independent. Our Board of Directors determined that Mr. Stefanski, Ms. Piterans and Mr. Kobak are not independent because they are associates of the Company.

Our Board of Directors also determined that Mr. Gascoigne is not independent because of his business relationship with Third Capital, Inc., a wholly owned subsidiary of the Company. Mr. Gascoigne, in addition to his duties as a director of Third Federal Savings and Loan, the Company and Third Federal Savings and Loan Association of Cleveland, MHC, controls Baywater Capital Partners LTD, Baywater Realty Company LTD, Baywater Management Company and Fairfax Investment Company. These entities provide real estate and management services to Hazelmere Investment Group I LTD and Hazelmere of California LP, which are 70% owned by Third Capital, Inc., or have participating economic interests in the cash flows and capital proceeds of the Hazelmere entities. Fairfax Investment Company is the general partner of Hazelmere of California LP. During the fiscal year ended September 30, 2008, the Baywater entities collectively received management fees of \$689,985 from the Hazelmere entities. Third Capital, Inc. received distributions, including cash flows and capital proceeds, totaling \$1,558,824 during the year.

Additionally, while our Board of Directors has determined that Mr. Fiala is independent, in making this determination it considered that an architectural firm owned by Mr. Fiala rendered services to a subsidiary of the Company in an amount less than \$60,000.

Executive Session

The non-management directors of our Board of Directors meet periodically in executive session without management.

Nominating Committee

Our Board of Directors has determined that the Company is a Controlled company, as defined by the NASDAQ Stock Market, because Third Federal Savings and Loan Association of Cleveland, MHC currently owns more than 50% of our common stock. Therefore, the full Board of Directors acts as our nominating committee and met once in this capacity during the fiscal year ended September 30, 2008. In that capacity, our Board of Directors recommended a slate of nominees for election by stockholders at the Company's annual meeting of stockholders.

As set forth in our Policy and Procedures for Stockholder Recommendations for Director Candidates (the Policy), our Board of Directors will consider suggestions forwarded by stockholders to the Secretary of the Company concerning qualified candidates for election as directors. To recommend a prospective nominee for our Board of Directors' consideration, a stockholder may submit the candidate's name, qualifications and other pertinent information required by the Policy to the Company's Secretary at the following address: 7007 Broadway Avenue, Cleveland, Ohio 44105. Our Board of Directors has not established specific minimum

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qualifications that a candidate must have in order to be recommended for election to our Board of Directors. However, in determining qualifications for new directors, our Board of Directors will consider a potential member's qualification as independent under the NASDAQ Stock Market listing standards, as well as his or her age, skill and experience in the context of the needs of the Board of Directors.

Under our bylaws, no nomination for director, except one made by the Board of Directors, will be voted upon unless the nomination is made in writing and delivered to the Company's Secretary at least 30 days prior to the date of the annual meeting. Upon delivery, a nomination will be posted in a conspicuous place in each office of the Company. Ballots bearing the names of all persons nominated by the Board of Directors and by stockholders will be provided for use at the annual meeting. If the Board of Directors fails or refuses to act in regard to nominations for directors at least 20 days prior to the annual meeting, nominations for directors may be made at the annual meeting by any holders of shares of common stock entitled to vote, and will be voted upon.

Our Board of Directors has recommended for election each of the nominees identified in Proposal One: Election of Directors on page 4.

A current copy of the Policy and Procedures for Stockholder Recommendations for Director Candidates is available to stockholders on the Company's web site, www.thirdfederal.com, under Investor Relations and a written copy is available to stockholders upon written request to the Company, to the attention of Investor Relations at 7007 Broadway Avenue, Cleveland, Ohio 44105.

Audit Committee

The Audit Committee consists of Messrs. Mulligan (Chairman), Asher, Cohen and Stefanik. The Audit Committee is responsible for providing oversight relating to our financial statements and financial reporting process, systems of internal accounting and financial controls, internal audit function, annual independent audit and the compliance and ethics programs established by management and our Board of Directors. The Audit Committee also serves as our Qualified Legal Compliance Committee. Each member of the Audit Committee is independent in accordance with the listing standards of the NASDAQ Stock Market and under Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended. Our Board of Directors has determined that Mr. Mulligan is an audit committee financial expert as that term is defined by the rules and regulations of the Securities and Exchange Commission. The Audit Committee met five times during the fiscal year ended September 30, 2008.

A current copy of the Audit Committee's charter is available to stockholders on the Company's web site, www.thirdfederal.com, under Investor Relations and a written copy is available to stockholders upon written request to the Company, to the attention of Investor Relations at 7007 Broadway Avenue, Cleveland, Ohio 44105.

Compensation Committee

The members of the Compensation Committee of the Board of Directors (the Committee) are Messrs. Fiala (Chairman), Baird (Vice Chairman), Asher and Fitzpatrick. The Committee held 23 meetings during the fiscal year ended September 30, 2008.

The Committee is responsible for assisting our Board of Directors in overseeing the following primary areas:

Reviewing and approving the goals and objectives relevant to the compensation of the Chief Executive Officer and the Company's other executive officers and ensuring those goals are aligned with the Company's short- and long-term objectives;

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Reviewing, at least annually, the structure and compensation opportunities available under the Company's executive and associate compensation plans in light of the Company's goals and objectives;

Reviewing and approving salary, annual and long-term incentive compensation targets, performance objectives and payments for the executive officers of the Company;

Evaluating, at least annually, the performance of the executive officers in light of the Company's strategic plan and the goals and objectives of the Company's executive compensation plans and establishing future compensation levels based upon this evaluation;

Reviewing and approving grants and awards to the executive officers and other participants under equity-based compensation plans, based on achievement of pre-determined goals and objectives;

Reviewing and approving compensation for members of our Board of Directors and any of its committees; and

Reviewing and approving any employment agreement or severance agreement to be made with any existing or prospective executive officer of the Company.

The Committee engages a compensation consultant to assist in the design of the Company's compensation program and the review of its effectiveness.

A copy of the Committee's charter is available to stockholders on the Company's web site, www.thirdfederal.com, under Investor Relations and a written copy is available to stockholders upon written request to the Company, to the attention of Investor Relations at 7007 Broadway Avenue, Cleveland, Ohio 44105.

Executive Committee

The Executive Committee, which currently consists of Messrs. Stefanski (Chairman), Kobak, Gascoigne and Mulligan, possesses the power of our Board of Directors during intervals between meetings of our Board of Directors in order to address various items, including rate changes and approval of agreements and contracts. The Executive Committee does not possess the power to fill vacancies on our Board of Directors or any Board of Directors committees. The Executive Committee held 35 meetings in fiscal 2008.

Code of Conduct and Code of Ethics

The Company has adopted policies governing the activities of both the Company and Third Federal Savings and Loan, including a code of conduct and a code of ethics for senior financial officers. The code of conduct applies to all associates and directors, and addresses conflicts of interest, the treatment of confidential information, general associate conduct and compliance with applicable laws, rules and regulations. The code of ethics for senior financial officers applies to the Chief Executive Officer, the Chief Financial Officer and the Chief Accounting Officer, and addresses adherence to standards of integrity and professionalism when conducting and reporting the Company's financial affairs. In addition, the codes are designed to deter wrongdoing and to promote honest and ethical conduct, full and accurate disclosure and compliance with all applicable laws, rules and regulations. The codes are posted on the Company's web site, www.thirdfederal.com, under Investor Relations. Any waiver of any provision of either code granted to an executive officer or director may be made only by our Board of Directors. There were no waivers granted during fiscal year 2008.

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REPORT OF THE AUDIT COMMITTEE

The Audit Committee reviews the Company's financial reporting practices on behalf of our Board of Directors. Management is responsible for the financial statements and the reporting process, including the system of internal controls. The Company's independent accountants are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles.

The Audit Committee has:

Reviewed and discussed the audited financial statements of the Company contained in its Annual Report on Form 10-K for the fiscal year ended September 30, 2008 with management;

Discussed with the Company's independent accountants the matters required to be discussed pursuant to Statement of Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T; and

Received the written disclosures and the letter from the Company's independent accountants required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountants' communications with the Audit Committee concerning independence, and has discussed with the independent accountants the independent accountants' independence.

Based on the reviews and discussions described in the preceding bulleted items, the Audit Committee recommended to our Board of Directors that the audited financial statements for the fiscal year ended September 30, 2008 be included in the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission (the "SEC").

Audit Committee

William C. Mulligan, Chairman

Anthony J. Asher

Martin J. Cohen

Paul W. Stefanik

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

The following discussion and analysis should be read in conjunction with the information presented in the compensation and award tables, the footnotes to those tables and the related disclosures appearing later in this proxy statement. The tables and related disclosures contain specific information about the compensation earned or paid during the fiscal year ended September 30, 2008. The Company completed an initial public offering during the second half of fiscal year 2007, and certain of its compensation programs were evaluated during late 2007 and 2008 in light of its new public company status. As part of that evaluation, the Company retained a compensation consultant, Exequity, LLP (the "Compensation Consultant"), to advise on the design of stock-based incentive compensation plans and to review its compensation programs in light of its public company status.

The tables and related disclosures that follow cover the following individuals, whom we refer to as our named executive officers:

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Marc A. Stefanski, President and Chief Executive Officer;

Ralph M. Betters, Chief Information Officer, Third Federal Savings and Loan Association;

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David S. Huffman, Chief Financial Officer;

Marianne Piterans, Director of Human Resources, Third Federal Savings and Loan Association; and

John P. Ringenbach, Chief Operating Officer, Third Federal Savings and Loan Association.

Each of the named executive officers is an officer of the Company and employed by Third Federal Savings and Loan. Of the total compensation paid to each named executive officer, a portion of such compensation is allocated as being paid by the Company while the remainder is allocated as being paid by Third Federal Savings and Loan. All discussion of compensation paid to the named executive officers refers to the combined amount of compensation paid by the Company and Third Federal Savings and Loan.

The compensation and benefits payable to the Company's directors and executive officers are established by or under the supervision of the Committee. During the time period when decisions were made with respect to the compensation described in this discussion and analysis, the Committee consisted of three members, Robert A. Fiala (Chairman), Thomas J. Baird (Vice Chairman) and John J. Fitzpatrick, each of whom is an independent director within the meaning of the listing standards of the NASDAQ Stock Market, a disinterested director within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and a non-employee director within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). Anthony J. Asher was appointed to the Committee on September 25, 2008 and did not participate in Committee meetings prior to that date.

The purposes of the Committee, among others, are to discharge our Board of Directors' responsibilities relating to compensation of the Company's directors and executive officers and to approve and evaluate the director and executive officer compensation plans, policies and programs of the Company. The Committee's charter provides that the Committee will generally meet quarterly or as needed. During fiscal year 2008, the Committee held 23 meetings. The Committee met frequently during the Company's first full fiscal year of being a public company in order to evaluate equity compensation and incentive compensation plan alternatives and to design the plans that were approved by the stockholders on May 29, 2008, as well as to consider fully the equity awards to be granted to officers and other participants in fiscal year 2008. The agenda for each meeting is established by the Chairman of the Committee. The Committee generally invites the Company's Director of Human Resources, and frequently invites other members of senior management and outside advisors, as necessary, to participate in its deliberations. In addition, the Committee meets in executive session without management at each meeting.

Compensation Philosophy and Objectives

In making decisions with respect to compensation for our named executive officers and other executives, the Committee is guided by the following philosophies and objectives:

We must attract, retain and motivate superior associates, including executives, for our flat business structure to be effective. Our flat business structure is intended to provide a framework for effective and prompt decision making, associate job satisfaction, the sharing of resources and the ability to respond quickly to changes in the marketplace.

Our compensation program should be competitive and comprehensive, consist of base salary, annual incentives, long-term incentives and benefits, and support our operating strategy of emphasizing teamwork and personal and professional enhancement through cross-training and efficiency.

Our compensation program should motivate and reward our executives for sustained performance through the use of performance-based cash and equity compensation tied to short, intermediate and long-term goals designed to facilitate the achievement of the Company's business objectives and the enhancement of stockholder value.

Table of Contents***Elements of Our 2008 Compensation Program for Named Executive Officers***

The following elements were included in our compensation program for named executive officers during fiscal year 2008:

Element of Compensation	Associates Covered	Description	Key Objectives Promoted
Annual Compensation Base Salary	All salaried associates	Fixed annual compensation paid in accordance with our regular payroll procedures during the year.	Designed to be market competitive and enable the Company to attract and retain talented associates.
Semi-Annual Performance Based Cash Bonuses	Approximately 955 associates	Variable cash bonuses. Bonuses for the named executive officers are based on performance against pre-established goals over the two semi-annual periods of the fiscal year.	Designed to motivate and reward achievement of short-term financial, operational and strategic business goals.
Long-Term Compensation Stock Options	Approximately 120 associates	Right to purchase common stock at a set price for a period of time after the right vests.	Designed to be market competitive, motivate and reward achievement of stock price growth, and align associates' interests with those of the Company's stockholders. Also designed to retain executives.
Restricted Stock Units	Approximately 120 associates	Units representing a right to receive shares of common stock that vest as a result of continued employment for a stated period of time.	Designed to retain executives, motivate and reward achievement of stock price growth and align associates' interests with those of the Company's stockholders.
Other Compensation Elements			
Third Federal Savings Retirement Plan	Approximately 740 associates	Company funded defined benefit retirement plan provided to associates; the amount of the benefit depends on an associate's years of service with the Company and average annual compensation. The plan was closed to new associates as of December 31, 2002.	Designed to be market competitive and enable the Company to retain talented associates who are eligible to participate.

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Element of	Associates	Description	Key Objectives Promoted
Compensation Third Federal 401(k) Savings Plan	Covered All associates	A 401(k) retirement savings plan that enables associates to defer up to 75% of their compensation with a Company matching contribution of up to 4% of an associate's contributions. The Plan also provides profit sharing contributions as determined by the Board. The Company also makes contributions to the Plan on behalf of associates not participating in the Third Federal Savings Retirement Plan as determined by the Board.	Designed to be market competitive and enable the Company to attract and retain talented associates.
Executive Retirement Benefit Plan	5 executives	A Company funded defined contribution retirement plan that credits a percentage of quarterly compensation to each participant's account. Subject to vesting provisions, the account balance is distributed upon a separation from service.	Designed to enable the Company to attract and retain talented executives.
Benefit Equalization Plan	5 executives	A retirement savings plan that enables executives to defer a portion of their cash compensation and provides Company matches and profit sharing contributions that would have been payable under the 401(k) plan, but for certain limits established by law.	Designed to enable the Company to attract and retain talented executives.
Associate Stock Ownership Plan	All associates	A plan that enables our associates to acquire shares of common stock of the Company.	Designed to help align associates' interests with those of the Company's stockholders.
Other Benefits	All associates	Health, life and disability insurance benefits.	Designed to be market competitive and enable the Company to attract and retain talented associates.

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Element of	Associates	Description	Key Objectives Promoted
Compensation Perquisites	Covered 7 associates	Personal benefits provided to executives, such as financial, retirement and estate planning programs, a personal health management program, and a company car program.	Designed to be market competitive and to facilitate associates' attention to the Company's business.

Compensation Setting Process

On an annual basis, the Committee reviews and recommends compensation levels for executive officers based on the Company's performance, the performance of the executive officers as a group, individual performance and experience and market comparisons.

For fiscal year 2008, the Company retained the Compensation Consultant to assist the Committee in its process of identifying and establishing a comparator group of companies, reviewing the compensation programs of the members of the comparator group and making recommendations and providing advice with respect to the compensation of the Company's executive officers. As previously discussed, the Compensation Consultant also was engaged to advise on the design of incentive compensation plans.

In fiscal year 2008, the Committee decided to review the comparator group utilized in fiscal year 2007, as the comparator group had been established prior to the Company's initial public offering. The Compensation Consultant proposed a group of companies that were of similar asset size and within the same general industry classification as the Company. After reviewing the group and discussing it with the Compensation Consultant, the Committee established a comparator group comprised of publicly traded thrifts and mortgage finance companies with assets between \$5 and \$17 billion. The companies included in the comparator group for fiscal year 2008 were as follows:

- | | |
|-------------------------------------|------------------------------------|
| Accredited Home Lenders | Flagstar Bancorp |
| BankAtlantic Bancorp. | Franklin Bank Corp. |
| BankUnited Financial Corp. | Fremont General Corp. |
| Capitol Federal Financial (MHC) | MAF Bancorp, Inc. |
| Centerline Holding Co. | MGIC Investment Corp. |
| Corus Bankshares, Inc. | NewAlliance Bancshares, Inc. |
| Delta Financial Corp. | Northwest Bancorp, Inc. (MHC) |
| Doral Financial Corp. | People's United Financial |
| Downey Financial Corp. | Provident Financial Services, Inc. |
| FirstFed Financial Corp. | Washington Federal, Inc. |
| First Niagara Financial Group, Inc. | |

The Committee does not benchmark the named executive officers' compensation against this comparator group. For example, the Committee does not set compensation for our executives at a pre-determined level in relation to this group, such as the median level of compensation reported by this group, or by applying a formula to the compensation reported by this group. Instead, as the first step in the compensation setting process, the Committee reviews the compensation data for the comparator group to assess the competitiveness of the Company's compensation programs and its ability to achieve the philosophies and objectives of its compensation programs.

In making determinations on the mix and amount of executive compensation, the Committee reviews all components of executive compensation, including base salary, semi-annual performance-based cash bonuses, long-term incentives, associate benefits, costs of perquisites and any other form of compensation received from the Company. The Committee believes that the total compensation opportunity available to executive officers

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should consist of base salary, performance-based cash bonuses, long-term incentives, retirement and other associate benefits and perquisites, each of which is a common compensation component for executive officers at companies in the comparator group. The Committee has no mandatory policy for the allocation between base salary, semi-annual performance-based cash bonuses, and long-term incentives. For fiscal year 2008, the mix of pay was heavily weighted toward long-term incentives in order to create a strong link between executive pay and long-term stockholder value creation and encourage long-term retention. To motivate and reward current-year performance, a significant percentage of total cash compensation for the Company's executive officers, including the named executive officers, during fiscal year 2008 was allocated to semi-annual performance-based cash bonus awards.

As part of the compensation setting process, the Committee reviews with Mr. Stefanski the compensation data for his direct reports, and considers Mr. Stefanski's recommendations for his direct reports. Mr. Stefanski's review attributes significant weight to how the named executive officers performed as a team, rather than simple individual performance, because of the Company's culture of rewarding teamwork. As a result, internal pay equity plays a significant role in the Committee's analysis of compensation for the named executive officers and its final determination of compensation. In making its final determinations, the Committee was less focused on market pay for each individual executive officer (other than Mr. Stefanski), and more focused on how the aggregate pay of the named executive officers (other than Mr. Stefanski) compared to aggregate market values.

As Chairman and Chief Executive Officer, Mr. Stefanski's compensation is significantly higher than that of the other named executive officers due to his scope of responsibility, his tenure and experience with the Company, his impact on the performance of the Company, and the competitive compensation levels for Chief Executive Officers of comparator companies. Mr. Stefanski also is an integral part of our marketing campaign as spokesman, and his family's name is an important part of our brand image.

Elements of Compensation

The elements of the Company's executive compensation program for fiscal year 2008 consisted of base salary; semi-annual performance-based cash bonuses; stock options; restricted stock units; retirement benefits in the form of a defined benefit pension plan, a qualified defined contribution plan with a profit-sharing component, a supplemental executive retirement plan and non-qualified deferred compensation plans; an associate stock ownership plan; and life insurance, health insurance and other perquisites and personal benefits.

Base Salary. The Company defines base salary as a fixed amount of money that associates, including the named executive officers, receive in exchange for sustained performance of job duties and responsibilities over time. Base salary is intended to provide the Company the ability to attract and retain the highest quality professionals in their fields. The Company reviews the base salary of its executive officers annually to determine competitiveness with the comparator group. Based on a comparison of base salaries of the named executive officers to comparable executives of companies in the comparator group, the Company did not increase the base salary of any named executive officer for fiscal year 2008. As a result, the base salary of each named executive officer during fiscal year 2008 was:

Named Executive Officer	Base Salary (\$)
Marc A. Stefanski	900,000
John P. Ringenbach	367,992
Marianne Piterans	306,580
Ralph M. Betteres	288,926
David S. Huffman	276,964

Semi-Annual Performance-Based Cash Bonuses. All of the Company's associates, including the named executive officers, are eligible to receive semi-annual performance-based cash bonuses. This program is intended to provide an incentive for superior performance and payouts that are competitive with the market in terms of

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amount. The Company believes that paying these bonuses on a semi-annual, rather than an annual, basis focuses associates on achieving goals throughout the year by recognizing and rewarding associates concurrently with their performance and contributions.

The Committee has discretion concerning the factors it deems relevant and considers in determining whether a bonus is paid and, if a bonus is paid, the amount of the bonus. Among the factors considered by the Committee are performance by the Company against measures established prior to the beginning of each semi-annual period, including overall bank performance measures. The measures established for fiscal year 2008 are listed in the tables below. The Committee considers performance with respect to all established measures as a group, rather than assigning any specific weighting to each individual measure, and, as discussed below, the Committee believed actual performance with respect to these measures as a group exceeded expectations during both semi-annual periods in fiscal year 2008. The Committee also considers the recommendation of Mr. Stefanski with respect to bonuses for the other executive officers, which recommendation emphasizes how the officers performed as a team, rather than individually.

In determining the performance measures for both semi-annual periods during fiscal year 2008, the Company's President and Chief Executive Officer and its Chief Financial Officer worked with the Chief Operating Officer of Third Federal Savings and Loan to determine the measures that would need to be accomplished in order for the Company to grow as planned during fiscal year 2008 while reducing exposure to interest rate risk. The measures were largely based on Office of Thrift Supervision (OTS) measures and what these executive officers viewed as required to grow the Company's customer base and product offerings. Once these executive officers had determined the measures, they presented them to the Committee for review and approval. By using an interest rate risk measure and OTS measures concerning capital preservation and liquidity, the Committee believes that the bonuses do not create an incentive for the executive officers to cause the Company to take undue risk.

For the periods October 1, 2007 to March 31, 2008 and April 1, 2008 to September 30, 2008, 75% of the bonus was to be based on objective measures and 25% of the bonus was to be based on subjective measures. Certain of the performance measures approved by the Committee and the Company's performance with respect to those measures were as follows (with the first five measures being calculated in accordance with the applicable OTS definition):

October 1, 2007 to March 31, 2008

Measurement	Threshold	Target	Maximum	Actual
Capital Preservation Core	4.00%	5.00%	6.00%	13.16%
Capital Preservation Risk Based	8.00%	10.00%	12.00%	20.30%
Interest Rate Risk Exposure Net Portfolio Value	6.00%	8.00%		11.79%
Interest Rate Risk Sensitivity	4.00% or less	3.75% or less		1.51%
Liquidity Parameters		2.00%		14.24%
Full-Time Associate Staffing		1,000 or less		926

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April 1, 2008 to September 30, 2008

Measurement	Threshold	Target	Maximum	Actual
Capital Preservation Core	4.00%	5.00%	6.00%	12.05%
Capital Preservation Risk Based	8.00%	10.00%	12.00%	17.55%
Interest Rate Risk Exposure Net Portfolio Value	6.00%	8.00%		9.76%
Interest Rate Risk Sensitivity	4.00% or less	3.75% or less		2.36%
Liquidity Parameters		2.00%		8.93%
Full-Time Associate Staffing		1,000 or less		946

The Committee also considered performance measures concerning increases in deposit customers and increases in home equity line of credit customers. The Company performed at the threshold level with respect to increases in deposit customers and in excess of maximum with respect to increases in home equity line of credit customers.

The Committee considered performance at the threshold level with respect to the established measures to be the minimum performance acceptable. The Committee considered performance at the maximum level to be exceptional performance with respect to measures for which a maximum level was set. The performance level with respect to each measure was considered in the Committee's determination of bonuses.

The Committee also considered the Company's Community Reinvestment Act Rating and Safety and Soundness Rating as well as subjective measures concerning expansion of branch offices in Florida, improved branch efficiency in northern Ohio and maintenance of a conclusion of no material weaknesses with respect to the Company's audit. The Committee believed that performance with respect to the subjective measures during this period met or exceeded expectations.

Based on the Company's performance in excess of target with respect to the previously mentioned performance measures (other than increased deposits) during this period and in excess of the maximum with respect to certain measures, the Company's low 3.6% associate turnover for the fiscal year, and with respect to the named executive officers other than Mr. Stefanski, the recommendation of Mr. Stefanski, the named executive officers received a semi-annual cash bonus of 50% of base compensation for each period. The dollar amount of such bonuses was as follows:

Named Executive Officer	Bonus (\$)		
	10/1/2007- 3/31/2008	4/1/2008- 9/30/2008	Total
Marc A. Stefanski	450,000	450,000	900,000
John P. Ringenbach	183,996	183,996	367,992
Marianne Piterans	153,290	153,290	306,580
Ralph Betters	144,463	144,463	288,926
David S. Huffman	138,482	138,482	276,964

Long-Term Incentives. Fiscal year 2008 represented the first year in which we awarded equity grants under the TFS Financial Corporation 2008 Equity Incentive Plan (the 2008 Equity Incentive Plan). The objectives of the equity grants are to:

Link executive compensation and our long-term stock price performance;

Better align key associates with our stockholders' interests; and

Provide opportunity for long-term compensation that is competitive with comparator companies and sufficient to attract and retain executive talent to effectively manage our business objectives.

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In developing our initial grant sizes for long-term incentive awards to named executive officers, the following were considered:

A competitive analysis of initial long-term incentive awards by other mutual banks who have completed a conversion or an initial public offering;

Each executive's role within our Company; and

The cost and share usage associated with the proposed grants.

The mutual banks that completed a conversion or an initial public offering who were included in our competitive analysis and the timing of their conversions or initial public offering are as follows:

Name	Date of Conversion or IPO	Name	Date of Conversion or IPO
Abington Bancorp	12/16/04	Liberty Bancorp	07/24/06
American Bancorp of New Jersey	10/05/05	Lincoln Park Bancorp	12/20/04
Atlantic Coast Federal	10/04/04	Monadnock Community Bancorp	06/29/04
BankFinancial	06/23/05	Naugatuck Valley Financial	09/30/04
Benjamin Franklin Bancorp	04/04/05	Ocean Shore Holding	12/21/04
BV Financial	01/12/05	Partners Trust Financial Group	04/03/02
Cheviot Financial	01/05/04	Peoples United Financial	04/16/07
Citizens Community Bancorp	03/29/04	PSB Holdings	10/04/04
Clifton Savings Bancorp	03/03/04	Rockville Financial	05/23/05
Home Federal Bancorp	1/21/05	Rome Bancorp	10/06/99
Investors Bancorp	10/11/05	SFSB	12/30/04
Kearny Financial	02/23/05	SI Financial Group	09/30/04
Kentucky First Federal Bancorp	03/02/05	TierOne	10/01/02
K-Fed Bancorp	03/30/04	United Community Bancorp	03/30/06
Lake Shore Bancorp	04/03/06	United Financial Bancorp	07/13/05

The long-term incentive awards granted on August 11, 2008 were intended to motivate our executives to create long-term stock price growth; to align the executives' interests with our stockholders' interests; to encourage retention of executives for a long period of time; to recognize and reward our executives for our successful initial public offering; and to reward career contributions to the Company. These initial grants of stock options and restricted stock units represented special grants, rather than annual grants, which we expect to make in the future.

Stock Options. Stock options were included in the special grants to link compensation to stock price appreciation and to support our growth objectives. In order to support retention and reward executives for stock performance over a longer horizon, the options vest 25% annually over a four year period starting on the fourth anniversary of their grant, and remain exercisable until the tenth anniversary of their grant.

Restricted Stock Units. Restricted stock unit awards are designed to support executive retention and increase share ownership, which aligns the recipient's interests with our stockholders' interests. For the special grants, the Committee believed a long vesting period was appropriate and determined that the restricted stock units will vest 10% per year on the third through ninth anniversaries of the date of grant and the final 30% of the units will vest

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on the tenth anniversary of the date of grant. The restricted stock units were granted with dividend equivalents that pay cash to the holder at the same time and to the same extent stockholders receive any dividends.

The Committee made the following grants to the named executive officers on August 11, 2008:

Named Executive Officer	Number of Stock Options	Stock Option Exercise Price	Number of Restricted Stock Units
Marc A. Stefanski	2,530,700	\$ 11.74	701,800
John P. Ringenbach	126,500	\$ 11.74	35,100
Marianne Piterans	126,500	\$ 11.74	35,100
Ralph Betters	126,500	\$ 11.74	35,100
David S. Huffman	126,500	\$ 11.74	35,100

Additional information with respect to the grants to each named executive officer is included under the Grants of Plan-Based Awards Table For Fiscal Year 2008 on page 25.

Stock Option Granting Practices. Historically, we have not made equity grants to our named executive officers. However, in fiscal 2008, stockholders approved the 2008 Equity Incentive Plan, which permits the Committee to grant associates, including the named executive officers, equity awards. Consequently, in August 2008, the Committee granted stock options and restricted stock units to our named executive officers as previously discussed. The exercise price for the stock options was equal to the fair market value of a share of our common stock on the date of grant, which was the closing price of our common stock on NASDAQ on the date of the Board of Directors meeting at which the award was approved. The exercise price for future grants of stock options is expected to be determined in the same manner.

Retirement Benefits. In addition to the 401(k) Plan and the ASOP, with respect to which the Company's contributions on behalf of the named executive officers are included in the Summary Compensation Table on page 23, each of the Company's executive officers, including the named executive officers, is eligible to participate in the retirement plans discussed below. The Committee believes these plans provide financial security that promotes retention.

Retirement Plan. Third Federal Savings and Loan sponsors a defined benefit retirement plan for associates, the Third Federal Savings Retirement Plan (the Retirement Plan), and each of the named executive officers participates in the Retirement Plan. Prior to January 1, 2003, an associate became eligible to participate in the Retirement Plan on the first day of the calendar quarter coinciding with or following the date he had both attained age 21 and been credited with a year of eligibility service. The Retirement Plan has been closed to new associates; however, individuals who were already participants in the Retirement Plan on December 31, 2002 continue to accrue benefits under the terms of the Retirement Plan. Upon normal retirement at age 65, a participant will generally be entitled to a monthly benefit equal to 2% of one-twelfth of the participant's average annual compensation multiplied by the participant's years of benefit service. In the event a participant continues working after reaching age 65, the participant will be eligible to receive his or her monthly normal retirement benefit for any month in which the participant works less than 40 hours. For these purposes, average annual compensation means the average compensation for each calendar year of employment other than years prior to participation in the Retirement Plan and years in which a participant has less than 1,000 hours of employment, that is, average annual compensation generally is based on the participant's average compensation over the participant's career with the Company. Compensation is defined as wages reported on Form W-2, including salary reduction contributions to the 401(k) Plan and flexible benefits plan and excluding certain reimbursements or special amounts such as expense allowances, fringe benefits, moving expenses and welfare benefits. In the event of retirement after age 65, the benefit will be the greater of the normal retirement benefit determined at retirement or the normal retirement benefit determined at age 65, increased by 0.8% for each month of deferral after reaching normal retirement age. The normal form of benefit payment is a monthly payment over the longer of the participant's lifetime or ten years, and, in the event of the participant's death, payment to the participant's

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beneficiary for the remainder of the ten-year term. Additional information with respect to each named executive officer's participation in the Retirement Plan is included under - Pension Benefits on page 26.

Executive Retirement Benefit Plan. During fiscal year 2008, each of the named executive officers participated in a Third Federal Savings and Loan Association MHC and Subsidiaries Executive Retirement Benefit Plan (the Executive Retirement Benefit Plan). Under the Executive Retirement Benefit Plan, at the end of each calendar quarter, the Company credits to the account of the plan participant an amount equal to 15% of the participant's compensation for such quarter (20% in the case of Mr. Stefanski). These percentages were established at the time the plans became effective in January 2006. Prior to the beginning of each plan year, each participant elects the distribution form for the amount credited to his or her account. A participant may elect to receive his or her distribution of benefits in a lump sum or in ten annual installments.

Our Board of Directors may offer investment options from which a participant may select for the purpose of determining the earnings to be credited to the participant's account. If our Board of Directors does not offer investment options or the participant does not elect to participate in the investment options, the participant's account will be credited with earnings at the rate of 10-year Treasury bonds at the end of each calendar quarter. For the fiscal year ended September 30, 2008, the rate credited was 4.04%.

Each participant vests in his or her account after completion of five years of service. If a participant had already completed five years of service as of his or her plan's effective date, January 1, 2006, the participant was immediately fully vested in his or her account. Each of the named executive officers had completed five years of service as of his or her plan's effective date.

The participant's account balance will be distributed to the participant (or the participant's beneficiary) in the form elected by the participant following separation from service due to death, disability, normal retirement or separation of service. If the participant does not elect a form of payment, payment will be made in a lump sum distribution. Third Federal Savings and Loan may, in its discretion, establish rabbi trusts to provide a source of payment of obligations under the plans.

As discussed under - Changes in the Executive Compensation Program for Fiscal Year 2009 on page 21, the Executive Retirement Benefit Plan will not be part of the Company's compensation program for fiscal year 2009.

Additional information with respect to each named executive officer's participation in an Executive Retirement Benefit Plan is included under - Non-Qualified Deferred Compensation on page 27.

Benefit Equalization Plan. Third Federal Savings and Loan maintains the Third Federal Savings and Loan Association MHC and Subsidiaries Benefit Equalization Plan (the Benefit Equalization Plan) for the purpose of providing benefits to certain executive officers, including each of the named executive officers, that would have been payable under the 401(k) Plan but for the limitations under Sections 401(a)(17), 402(g) and 415 of the Code. The named executive officers are the only participants in the Benefit Equalization Plan. Under this plan, a participant may elect to defer up to 15% of his or her compensation, reduced by the maximum amount of compensation that the participant may defer for the current plan year under the terms of the 401(k) Plan. A participant under the plan is eligible to receive a matching contribution with respect to his or her elective deferrals and a profit-sharing contribution in an amount equal to that which he or she would have received under the 401(k) Plan but for the compensation limits, reduced by the profit-sharing contribution allocated to the participant under the 401(k) Plan for such year. A participant is always 100% vested in his or her account under the plan. A participant may elect to receive his or her distribution of benefits in a lump sum or in ten annual installments.

Our Board of Directors may offer investment options from which a participant may select for the purpose of determining the earnings to be credited to the participant's account. If our Board of Directors does not offer investment options or the participant does not elect to participate in the investment options, the participant's account will be credited with earnings at the rate of 10-year Treasury bonds at the end of each calendar quarter. For the fiscal year ended September 30, 2008, the rate credited was 4.04%.

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The participant's account balance will be distributed to the participant (or the participant's beneficiary), in the form elected by the participant, following the participant's death, disability, normal retirement or other separation of service. If the participant does not elect a form of payment, payment will be made in a lump sum. At the request of a participant who has an unforeseeable emergency, the board of directors may, in its discretion, distribute all or a portion of the participant's account. Third Federal Savings and Loan may, but is not required, to establish rabbi trusts to provide a source of payment of obligations under the plan.

Additional information with respect to each named executive officer's participation in the Benefit Equalization Plan is included under *Non-Qualified Deferred Compensation* on page 27.

Other Benefits. Third Federal Savings and Loan sponsors medical and dental insurance plans for its associates, as well as short-term and long-term disability plans and life, accidental death and dismemberment insurance policies. The named executive officers participate in these plans. In addition, Third Federal Savings and Loan provides the following benefits:

Executive Life Insurance Bonus Program. Third Federal Savings and Loan has established an Executive Life Insurance Bonus Program for Messrs. Stefanski, Ringenbach and Betters, whereby the individual executives have acquired insurance policies on their lives and have transferred such policies to life insurance trusts. Third Federal Savings and Loan pays a bonus to the executives annually in amounts sufficient to pay the premiums on the policies. In addition, at year end, Third Federal Savings and Loan provides a tax gross-up to the executives in an amount sufficient to pay the taxes due on the premium payments. The amounts of the bonus and gross-up are included under *All Other Compensation* in the *Summary Compensation Table* on page 23. The death benefits under the insurance policies are as follows: \$6.0 million for Mr. Stefanski and \$1.5 million for each of Messrs. Ringenbach and Betters.

Executive Disability Insurance Bonus Program. Third Federal Savings and Loan has established an Executive Disability Insurance Bonus Program for Messrs. Stefanski, Ringenbach and Betters and Ms. Piterans, whereby the individual executives have acquired individual disability policies and Third Federal Savings and Loan pays bonuses to the executives annually in amounts sufficient to pay the premiums on the policies. In addition, at year-end, Third Federal Savings and Loan provides a tax gross-up to the executives in an amount sufficient to pay any taxes due on the bonuses. The amounts of the bonus and gross-up are included under *All Other Compensation* in the *Summary Compensation Table* on page 23.

Financial, Retirement and Estate Planning Program. Third Federal Savings and Loan sponsors the Financial, Retirement and Estate Planning Program for certain of its executive officers, including the named executive officers, and one additional associate director. Individuals designated by the Board of Directors are eligible to participate in the program during the year in which they are designated and during the two succeeding years. For the year ended September 30, 2008, each of the named executive officers and director Bernard Kobak, who is also a part-time associate, were designated by the Board of Directors to participate in the program, and Messrs. Stefanski, Ringenbach and Kobak participated. Under the program, a participant (or in certain circumstances, his or her surviving spouse) may consult with a financial planning adviser, investment adviser or legal adviser, each of whom may perform such services as are reasonably required, and Third Federal Savings and Loan will pay the fees for those services, up to \$40,000 in any one calendar year. The amount of fees paid by Third Federal Savings and Loan is included under *All Other Compensation* in the *Summary Compensation Table* on page 23.

Personal Health Management Program. Third Federal Savings and Loan also has implemented a personal health management program for the named executive officers that offers participants the opportunity to have annual medical examinations and health risk appraisals on a regular basis.

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Company Car Program. Third Federal Savings and Loan sponsors a company car program under which members of executive management designated by the Chief Executive Officer are provided a new company car and other staff members designated by the Chief Executive Officer receive an assigned company car or have the opportunity to use a company vehicle or receive a gasoline credit card. Messrs. Stefanski and Kobak have each been provided with a company car under the program. The company car program also covers the costs of maintenance and operation of company cars and insurance coverage. The value of the benefits provided under this program is included under All Other Compensation in the Summary Compensation Table on page 23.

Supplemental Executive Split Dollar Life Insurance. Third Federal Savings and Loan maintains supplemental life insurance coverage for the named executive officers through an endorsement split dollar life insurance program. Third Federal Savings and Loan owns each of the policies and endorses a portion of the death benefit to the beneficiaries designated by the executive. These arrangements do not provide a death benefit postretirement. Supplemental life insurance death benefit amounts are determined according to the ranges of salary and bonus compensation of the executives, as follows: \$4.7 million for Mr. Stefanski; \$4.0 million for Mr. Ringenbach; and \$2.0 million for each of Messrs. Betters and Huffman and Ms. Piterans. No other executives currently participate in the endorsement split dollar program. The amount of insurance premiums paid with respect to these policies is included under All Other Compensation in the Summary Compensation Table on page 23.

Changes in the Executive Compensation Program for Fiscal Year 2009

Late in fiscal year 2008, the Committee, with advice from the Compensation Consultant, undertook a review of the most recent executive compensation information reported by companies included in the comparator group in order to establish target cash compensation levels for the named executive officers for fiscal year 2009.

Based on that review, the Committee approved the following base salary for each of the named executive officers during fiscal year 2009:

Named Executive Officer	Base Salary (\$)
Marc A. Stefanski	1,080,000
John P. Ringenbach	463,191
Marianne Piterans	392,568
Ralph M. Betters	372,265
David S. Huffman	358,507

The Committee also determined that the Executive Retirement Benefit Plans will not be part of the Company's executive compensation program for fiscal year 2009. Under those plans, the Company would have credited to the account of the plan participant an amount equal to 15% of the participant's compensation for fiscal year 2009 (20% in the case of Mr. Stefanski).

Finally, the Committee set the target bonus for Mr. Stefanski at 100% of base salary for fiscal year 2009 and the target bonus for the other named executive officers at 75% of base salary for fiscal year 2009, reduced from a target of 100% of base salary for fiscal year 2008.

The bonuses will be paid in accordance with the TFS Financial Corporation Management Incentive Compensation Plan, if the performance measures established by our Board of Directors prior to commencement of the applicable performance period are satisfied. This plan was approved by our stockholders at our special meeting held on May 29, 2008 and has been structured to satisfy the requirements for the performance-based compensation exception to the \$1,000,000 limitation on deductibility of compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended. For fiscal year 2009, the Committee intends to utilize two semi-annual performance periods, as was done in prior years.

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For fiscal year 2009, the Committee began moving toward a more objective bonus program and established net income, subject to certain adjustments, as the performance measure upon which bonuses will be based for the first semi-annual period of fiscal year 2009. Net income will be adjusted to eliminate the effect, positive or negative, of (i) unexpected events outside of the control of the named executive officers relating to interest rate spreads on asset sales, taxes, regulatory assessments and pension or medical coverage charges and (ii) changes in accounting principles. Net income was chosen as the performance measure because of its direct relationship to the creation of stockholder value.

The Company's performance in terms of adjusted net income will be used to create a bonus pool that is split among the named executive officers as set forth below. For the first semi-annual period of fiscal year 2009, no bonus pool will be created, and no bonuses will be paid, if adjusted net income is less than \$10 million. If adjusted net income for the first semi-annual period is equal to or greater than \$10 million, the bonus pool will equal the sum of the following:

- a. 9% of adjusted net income up to \$10 million;
- b. 5% of adjusted net income greater than \$10 million and less than or equal to \$20 million;
- c. 3% of adjusted net income greater than \$20 million and less than or equal to \$30 million; and
- d. 1.5% of adjusted net income in excess of \$30 million.

The Committee may reduce the bonus pool otherwise payable based on credit risk measures, interest rate risk measures and certain other subjective factors. By retaining the ability to reduce the bonus pool based on credit risk measures and interest rate risk measures, the Committee believes that the bonus program will not create an incentive for the executive officers to cause the Company to take undue risk.

The named executive officers will each receive the following percentage of the bonus pool, if any, created based on adjusted net income of the Company during the first semi-annual period of fiscal year 2009:

Name	Percentage (%)
Marc A. Stefanski	40.5
John P. Ringenbach	17.4
Marianne Piterans	14.7
Ralph M. Betters	14.0
David S. Huffman	13.4

The maximum bonus payable to a named executive officer for the first semi-annual period of fiscal year 2009 will be \$1,500,000.

Employment Agreements and Severance Policy

The Company is not party to an employment agreement or severance agreement with any of the named executive officers. The Company has a policy to review severance for its associates, including the named executive officers, on a case-by-case basis. However, the 2008 Equity Incentive Plan provides for acceleration of vesting of awards upon the occurrence of certain terminations or a change in control. See - Potential Payments upon Termination or Change in Control on page 27.

Deductibility of Compensation

The Committee considers Section 162(m) of the Code, which provides certain criteria for the tax deductibility of compensation in excess of \$1.0 million paid to the Company's named executive officers, in determining compensation of the named executive officers. It is the Committee's intent to maximize deductibility of executive compensation while retaining the discretion needed to compensate executive officers in a manner

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commensurate with performance and retention. The Company believes that all compensation paid to named executive officers other than Mr. Stefanski during the fiscal year 2008 was fully deductible. A portion of Mr. Stefanski's performance and insurance-related bonuses as well as dividend equivalents paid by the Company with respect to his restricted stock units and amounts paid by the Company for life insurance, financial planning and tax gross ups were not deductible. The Company expects that a portion of Mr. Stefanski's compensation for fiscal year 2009 will not be deductible.

Stock Ownership Guidelines

While many of the Company's executive officers, including the named executive officers, invested a significant amount of money in the Company's shares during its initial public offering and have acquired shares on the open market and through the 401(k) Plan since the public offering, the Company does not have specific guidelines regarding stock ownership for its executive officers. The Committee believes that shares acquired by the executive officers and the stock option and restricted stock unit awards made in 2008 appropriately align the interests of executive officers with the interests of the Company's stockholders.

Summary Compensation Table

The following table summarizes the compensation earned during fiscal year 2008 and 2007 by each of the Company's named executive officers who served as of September 30, 2008. Additional information concerning compensation is included under - Compensation Disclosure and Analysis.

Summary Compensation Table

Name and Principal Position	Year	Salary \$(1)	Bonus \$(2)	Stock Awards \$(3)	Option Awards \$(4)	Change in Pension Value and Non- qualified Deferred Compensation Earnings \$(5)	All Other Compensation \$(6)	Total (\$)
Marc A. Stefanski, President and Chief Executive Officer	2008	900,000	900,000	179,112	191,007	113,893	426,262	2,710,274
	2007	900,000	900,000			124,758	453,989	2,378,747
John P. Ringenbach, Chief Operating Officer	2008	367,992	367,992	22,893	22,278	79,524	187,059	1,047,738
	2007	367,992	367,992			88,711	188,254	1,012,949
Marianne Piterans, Director of Human Resources	2008	306,580	306,580	9,057	9,548	75,877	92,623	800,266
	2007	306,580	306,580			84,032	93,122	790,315
Ralph M. Betters, Chief Information Officer	2008	288,926	288,926	13,736	13,367	72,268	124,374	801,597
	2007	288,926	288,926			81,558	127,480	786,890
David S. Huffman, Chief Financial Officer	2008	276,964	276,964	11,774	11,457	70,542	78,690	726,390
	2007	276,963	276,964			77,305	79,873	711,105

(1) The amounts reported include amounts deferred under the 401(k) Plan and the Benefits Equalization Plan by Messrs. Stefanski, Ringenbach, Betters and Huffman and Ms. Piterans of \$78,300, \$40,757, \$35,844, \$34,432 and \$34,475, respectively, for the fiscal year ended September 30, 2008, and \$81,473, \$39,606, \$33,281, \$32,324 and \$34,693, respectively, for the fiscal year ended September 30, 2007.

(2) Semi-annual performance-based bonuses paid if performance objectives are satisfied. Additional information with respect to these bonuses is included under - Compensation Discussion and Analysis.

(3) The amounts reported in this column reflect the dollar amount recognized for financial statement purposes for the fiscal year ended September 30, 2008, in accordance with FAS 123(R), of awards pursuant to the 2008 Equity Incentive Plan. Assumptions used in the calculation

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of these amounts are included in footnote 14 to the financial statements included in the Company's Annual Report on Form 10-K, for the year ended September 30, 2008, filed with the SEC on November 26, 2008.

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(4) The amounts reported in this column reflect the dollar amount recognized for financial statement purposes for the fiscal year ended September 30, 2008, in accordance with FAS 123(R), of awards pursuant to the 2008 Equity Incentive Plan. Assumptions used in the calculation of these amounts are included in footnote 14 to the financial statements included in the Company's Annual Report on Form 10-K for the year ended September 30, 2008, filed with the SEC on November 26, 2008.

(5) The amounts reported include the aggregate change in the actuarial present value of the named executive officer's benefit under the Retirement Plan during the fiscal years ended September 30, 2008, and September 30, 2007, respectively, and non-qualified deferred compensation earnings for the fiscal years ended September 30, 2008, and September 30, 2007, respectively, under the named executive officer's Executive Retirement Benefit Plan and the Benefit Equalization Plan.

(6) The following table lists the various components of compensation paid to the named executive officers and comprising All Other Compensation in the Summary Compensation Table above:

All Other Compensation

Name	Year	401(k)	ASOP	Benefit	Executive	Supplemental	Executive	Executive	Tax	Perquisites	Total All
		Plan		Equalization	Retirement	Split Dollar	Life			Disability	
		Company	Company	Plan	Plan	Life	Life	Insurance	Gross-Ups	Other	Other
		Match	Contributions	Contribution	Contribution	Insurance	Bonus	Program	Program	Benefits	Compensation
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Marc A. Stefanski	2008	9,200	12,969	62,800	180,000	6,389	39,000	2,041	76,203	37,660	426,262
	2007	9,000	15,000	62,306	179,990	6,028	39,000	2,041	85,169	55,455	453,989
John P. Ringenbach	2008	9,200	9,511	20,239	55,207	7,462	23,000	4,587	45,353	12,500	187,059
	2007	9,000	11,000	20,439	55,207	6,833	23,000	4,587	39,888	18,300	188,254
Marianne Piterans	2008	9,200	10,375	15,326	45,987	2,789		3,554	5,392		92,623
	2007	9,000	11,000	15,526	46,145	2,635		3,554	5,262		93,122
Ralph M. Betters	2008	9,200	10,375	13,914	43,338	2,961	19,700	3,038	21,848		124,374
	2007	9,000	12,000	14,114	43,347	2,791	19,700	3,038	23,490		127,480
David S. Huffman	2008	9,200	9,511	12,957	41,544	2,961			2,517		78,690
	2007	9,000	11,000	13,157	41,552	2,791			2,373		79,873

(1) These amounts represent bonuses paid to the named executive officers to compensate them for taxes they were required to pay on bonuses paid under the Company's Executive Life Insurance Bonus Program, Executive Disability Insurance Bonus Program, Supplemental Executive Life Insurance Program and all other perquisites and personal benefits.

(2) The following table lists certain perquisites and other personal benefits provided to the named executive officers and comprising Perquisites and Other Personal Benefits in the All Other Compensation Table above:

Name	Year	Financial Retirement Estate Planning (\$)	Personal Use of Company Car (\$)	Home Security (\$)	Corporate Affiliations (\$)	Total Perquisites and Other Personal Benefits
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						(\$)
Marc A. Stefanski	2008	25,000	5,730	3,240	3,690	37,660
	2007	40,661(1)	7,864	3,240	3,690	55,455
John P. Ringenbach	2008	12,500				12,500
	2007	18,300				18,300

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(1) Reflects payments made during the 2007 fiscal year. The plan operates on a calendar year basis.

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The following table summarizes plan-based awards granted during fiscal year 2008:

Grants of Plan-Based Awards for Fiscal Year 2008

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock Or Units(1)	All Other Option Awards: Number of Securities Underlying Options(2)	Exercise Price of Base Awards(3) (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)(4)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Marc A. Stefanski	8/11/2008							701,800			8,239,132
	8/11/2008								2,530,700	11.74	8,022,320
John P. Ringenbach	8/11/2008							35,100			412,074
	8/11/2008								126,500	11.74	401,005
Marianne Piterans	8/11/2008							35,100			412,074
	8/11/2008								126,500	11.74	401,005
Ralph M. Betters	8/11/2008							35,100			412,074
	8/11/2008								126,500	11.74	401,005
David S. Huffman	8/11/2008							35,100			412,074
	8/11/2008								126,500	11.74	401,005

(1) See page 17 for additional information on the terms of these awards.

(2) See page 17 for additional information on the terms of these awards.

(3) Based on the closing price for shares of the Company's common stock on the date of grant, August 11, 2008.

(4) Calculated (a) for option awards, by multiplying the number of options granted by \$3.17, the value of an option calculated in accordance with the Black-Scholes option-pricing model, and (b) for stock awards, by multiplying the number of shares of stock underlying the award by \$11.74, the closing share price for a share of the Company's common stock on the date of grant.

The following table summarizes outstanding option awards and stock awards as of the end of fiscal year 2008:

Outstanding Equity Awards at Fiscal 2008 Year-End

Name	Option Awards					Stock Awards				
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercisable(1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options(#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that have not Vested (#)(2)	Market Value of Shares or Units of Stock that have not vested (\$)(3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights that have not	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights that have	

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							Vested (#)	not Vested (#)
Marc A. Stefanski	0	2,530,700	11.74	8/10/2018	701,800	8,786,536		
John P. Ringenbach	0	126,500	11.74	8/10/2018	35,100	439,452		
Marianne Piterans	0	126,500	11.74	8/10/2018	35,100	439,452		
Ralph M. Betters	0	126,500	11.74	8/10/2018	35,100	439,452		
David S. Huffman	0	126,500	11.74	8/10/2018	35,100	439,452		

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(1) The following table sets forth the vesting schedule for unexercisable stock options:

Date	Stefanski	Ringebach	Piterans	Betters	Huffman
8/11/12	632,675	31,625	31,625	31,625	31,625
8/11/13	632,675	31,625	31,625	31,625	31,625
8/11/14	632,675	31,625	31,625	31,625	31,625
8/11/15	632,675	31,625	31,625	31,625	31,625

(2) The following table sets forth the vesting schedule for restricted stock units not yet vested:

Date	Stefanski	Ringebach	Piterans	Betters	Huffman
8/11/11	70,180	3,510	3,510	3,510	3,510
8/11/12	70,180	3,510	3,510	3,510	3,510
8/11/13	70,180	3,510	3,510	3,510	3,510
8/11/14	70,180	3,510	3,510	3,510	3,510
8/11/15	70,180	3,510	3,510	3,510	3,510
8/11/16	70,180	3,510	3,510	3,510	3,510
8/11/17	70,180	3,510	3,510	3,510	3,510
8/11/18	210,540	10,530	10,530	10,530	10,530

(3) Based on the closing price for a share of Company common stock as of September 30, 2008, of \$12.52 per share.

Pension Benefits

The following table shows the present value of accumulated benefits payable to each named executive officer, including the number of years of service credited, under the Retirement Plan, determined using interest rate and mortality rate assumptions consistent with those used in the Company's financial statements:

Pension Benefits

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit as of September 30, 2008 (\$)	Payments During Last Fiscal Year (\$)
Marc A. Stefanski	Third Federal Savings Retirement Plan	24.667	1,106,525	
John P. Ringebach	Third Federal Savings Retirement Plan	13.583	749,697	
Marianne Piterans	Third Federal Savings Retirement Plan	14.000	727,419	
Ralph M. Betters	Third Federal Savings Retirement Plan	15.333	841,466	
David S. Huffman	Third Federal Savings Retirement Plan	13.917	699,588	

For a discussion of the valuation method and all material assumptions applied in quantifying the present value of the current accrued benefit, please see footnote 13 to the financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2008 filed on November 26, 2008. Additional information concerning this plan is provided under - Compensation Discussion and Analysis.

Table of Contents**Non-Qualified Deferred Compensation**

The following table summarizes contributions and deferrals of compensation during fiscal year 2008 made by each named executive officer under such named executive officer's Executive Retirement Benefit Plan and the Benefit Equalization Plan, which are not tax-qualified:

Non-Qualified Deferred Compensation

Name	Plan Name	Executive Contributions in Fiscal Year	Company Contributions in Fiscal Year	Aggregate Earnings in Fiscal Year 2008	Aggregate Withdrawals / Distributions	Aggregate Balance as of September 30, 2008
		2008 (\$)	2008 (\$)	Year 2008 (\$)	(\$)	2008 (\$)
Marc A. Stefanski	Executive Retirement Benefit Plan		180,000	16,602		519,130
	Benefit Equalization Plan	62,800	62,800	32,768		855,659
	Total	62,800	242,800	49,370		1,374,789
John P. Ringenbach	Executive Retirement Benefit Plan		55,207	4,458		159,117
	Benefit Equalization Plan	20,239	20,239	12,920		330,629
	Total	20,239	75,446	17,378		489,746
Marianne Piterans	Executive Retirement Benefit Plan		45,987	4,235		132,495
	Benefit Equalization Plan	15,326	15,326	9,644		245,961
	Total	15,326	61,313	13,879		378,456
Ralph M. Betters	Executive Retirement Benefit Plan		43,339	3,998		125,003
	Benefit Equalization Plan	13,914	13,914	5,513		143,826
	Total	13,914	57,253	9,511		268,829
David S. Huffman	Executive Retirement Benefit Plan		41,544	3,825		119,651
	Benefit Equalization Plan	12,957	12,957	4,905		128,079

Total	12,957	54,501	8,730	247,730
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All amounts reflected in the Company Contributions in Fiscal Year 2008 and the Aggregate Earnings in Fiscal Year 2008 columns are reported as compensation in the Summary Compensation Table on page 23, and all amounts reflected in the Aggregate Balance as of September 30, 2008 column earned during the fiscal year of the Company's initial public offering were reported in the Summary Compensation Table in the proxy statement for that year.

Potential Payments Upon Termination or Change in Control

The award agreements for stock options and restricted stock units granted under the 2008 Equity Incentive Plan provide for immediate vesting in full of those awards upon termination of the named executive officer's employment as a result of death, disability (as defined by the U.S. Social Security Administration) or retirement

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and upon a change in control of the Company. Any unvested portion of an award is forfeited if the named executive officer's employment is terminated other than as a result of death, disability or retirement. The following table sets forth the value of all unvested awards for which vesting would accelerate assuming a hypothetical termination or change in control occurring on September 30, 2008.

Named Executive Officer	Death (\$)	Disability (\$)	Retirement (\$)	Change in Control (\$)
Marc A. Stefanski				
Stock Options(1)	1,973,946	1,973,946	1,973,946	1,973,946
Restricted Stock Units(2)	8,786,536	8,786,536	8,786,536	8,786,536
All Other Named Executive Officers				
Stock Options(1)	98,670	98,670	98,670	98,670
Restricted Stock Units(2)	439,452	439,452	439,452	439,452

(1) Based on the difference between the closing price for a share of Company common stock on September 30, 2008 of \$12.52, and the option exercise price of \$11.74 per share.

(2) Based on the closing price for a share of Company common stock on September 30, 2008 of \$12.52.

Under the 2008 Equity Incentive Plan, a change in control occurs upon any of the following: (a) any person (other than Third Federal Savings and Loan Association of Cleveland, MHC and certain other parties) becomes the beneficial owner of at least 25% of our common stock; (b) our incumbent directors (as defined below) cease to constitute a majority of the board of directors; (c) a merger or similar transaction involving the Company (other than (i) a merger or similar transaction that results in our common stock continuing to represent at least 50% of the voting power of the entity surviving the transaction, or (ii) a second-step conversion of Third Federal Savings and Loan Association of Cleveland, MHC) is consummated; (d) the Company's stockholders approve a plan of complete liquidation of the Company; (e) a sale, liquidation or other disposition of all or substantially all of the Company's assets is consummated; (f) a party makes a successful tender offer for at least 25% of the shares of our common stock; or (g) a potential change in control occurs and a majority of the Board of Directors and two-thirds of the incumbent directors deem that such event constitutes a change in control. Under the 2008 Equity Incentive Plan, the incumbent directors are defined as directors serving on our Board of Directors as of May 29, 2008 and any successor directors approved (a) by at least two-thirds of the Board of Directors and two-thirds of the incumbent directors, or (b) by a nominating committee the members of which were approved by at least two-thirds of the Board of Directors and two-thirds of the incumbent directors.

A potential change in control occurs upon any of the following: (a) a public announcement by any person of an intention to take actions which, if consummated, would constitute a change in control; (b) one or more transactions result in a change in control within the meaning of the Home Owners' Loan Act, as amended; or (c) a proxy statement soliciting proxies from the Company's stockholders is filed seeking stockholder approval of a plan of reorganization, merger, consolidation or similar transaction involving the Company and another entity, but only if such transaction has not been approved by at least two-thirds of the Board of Directors and two-thirds of the incumbent directors.

Under the award agreements granted under the 2008 Equity Incentive Plan, a named executive officer can retire after any of the following occur: (a) he or she reaches age 75; or (b) he or she reaches age 62 and has completed 15 years of continuous service as an employee or director.

The named executive officers also would receive, upon any termination of employment, benefits under the Retirement Plan, the Executive Retirement Benefit Plan and the Benefit Equalization Plan as set forth under Pension Benefits and - Non-Qualified Deferred Compensation. Upon a change in control, the named executive officers would receive payments under the Executive Retirement Benefit Plan and the Benefit Equalization Plan as set forth under - Non-Qualified Deferred Compensation.

Table of Contents**DIRECTOR COMPENSATION**

Through fiscal year 2008, directors of the Company received \$5,000 or \$5,250 per calendar quarter, depending on their length of service and as determined by our Board of Directors. Members of our Audit Committee and Compensation Committee also received fees of \$700 per Audit Committee or Compensation Committee meeting attended. Directors of Third Federal Savings and Loan received an annual retainer of between \$20,000 and \$31,000, depending on their length of service. All of our directors are also directors of Third Federal Savings and Loan. Mr. Stefanski and Ms. Piterans do not receive fees for their service as directors.

Each director of the Company, other than Mr. Stefanski and Ms. Piterans, was granted 50,000 restricted stock units on August 11, 2008. These restricted stock units vest in equal installments over a five- year period, commencing one year from the date of the grant (August 11, 2009). These restricted stock units will be settled in shares of our common stock upon vesting. The vesting of these restricted stock units accelerates upon death, disability, retirement, or following a change in control (as such terms are defined in the 2008 Equity Incentive Plan or the form of award agreement). For purposes of these awards to the directors, retirement is defined as cessation of board service other than for cause after attaining age 72. The restricted stock units are entitled to dividend equivalent rights. Dividend equivalent rights represent the right to receive cash payments on our dividend payment date equal in value to the amount of any cash dividend paid per share of common stock of the Company, multiplied by the number of shares of stock underlying the restricted stock units.

The following table sets forth the compensation paid to the directors of the Company during fiscal year 2008:

Name	Fees Earned or Paid (\$)(1)	Stock Awards (\$)(2)	All Other Compensation (\$)(3)	Total (\$)
Anthony J. Asher(4)	10,000	53,364	10,000	73,364
Thomas J. Baird	37,100	19,567	21,000	77,667
Martin J. Cohen	23,500	19,567	20,000	63,067
Robert A. Fiala	37,100	19,567	21,000	77,667
John J. Fitzpatrick	36,800	22,577	20,000	79,377
James S. Gascoigne	21,000	19,567	26,831	67,398
Bernard S. Kobak(5)	21,000	587,000	164,588	772,588
William C. Mulligan	21,400	19,567	20,000	60,967
Paul W. Stefanik	24,500	587,000	30,693	642,193
Anthony W. Zepp	24,500	587,000	29,587	641,087

(1) The following table sets forth the year each director was first elected and his annual retainer and committee fees:

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Name	Director Since	Annual Retainer	Committee Fees
Anthony J. Asher	2008	10,000	0
Thomas J. Baird	2005	21,000	16,100
Martin J. Cohen	2006	20,000	3,500
Robert A. Fiala	2005	21,000	16,100
John J. Fitzpatrick	2006	20,000	16,800
James S. Gascoigne	1995	21,000	0
Bernard S. Kobak	1993	21,000	0
William C. Mulligan	2007	20,000	1,400
Paul W. Stefanik	1993	21,000	3,500
Anthony W. Zepp	1983	21,000	3,500

(2) The amounts reported in this column reflect the dollar amount recognized for financial statement purposes for the fiscal year ended September 30, 2008, in accordance with FAS 123(R), of awards pursuant to the 2008 Equity Incentive Plan. Assumptions used in the calculation of these amounts are included in footnote 14 to the financial statements included in the Company's Annual Report on Form 10-K, for the year ended September 30, 2008, filed with the SEC on November 26, 2008.

(3) For directors other than Mr. Kobak, amounts represent fees paid for service on the board of directors of Third Federal Savings and Loan.

(4) Mr. Asher became a director on April 24, 2008. Fees earned by Mr. Asher reflect all fees earned after that date.

(5) Mr. Kobak also is a part-time associate of the Company and receives compensation for his services as a part-time associate. Of the total All Other Compensation, \$30,693 represents fees paid to Mr. Kobak for his services as a director of Third Federal Savings and Loan, \$77,335 represents salary paid to Mr. Kobak for his services to the Company as an associate and \$56,560 represents distributions paid under a SERP.

Beginning in fiscal year 2009, directors of the Company will be paid \$25,000 annually, in monthly installments, and directors of Third Federal Savings and Loan will be paid \$25,000 annually, also in monthly installments. Members of our Audit Committee and Compensation Committee will be paid \$1,000 per Audit Committee or Compensation Committee meeting attended, and committee chairs will be paid an additional \$10,000 annually in quarterly installments.

Table of Contents**REPORT OF THE COMPENSATION COMMITTEE**

The Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Compensation Committee

Robert A. Fiala (Chairman)

Thomas J. Baird (Vice Chairman)

Anthony J. Asher

John J. Fitzpatrick

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table contains certain information regarding the beneficial ownership of the shares of our common stock as of December 29, 2008 (unless otherwise noted), by: (a) the named executive officers; (b) the Company's directors; (c) each other person (and such person's address) who is known by the Company to be the beneficial owner of more than five percent of the Company's outstanding shares of common stock (based on information filed with the SEC); and (d) the Company's executive officers and directors as a group. The persons named in the table, except as otherwise described in the notes below, have sole voting power and sole investment power with respect to all shares of our common stock set forth opposite their respective names.

Name and Address of Beneficial Owner(1)	Number of Shares of Common Stock Beneficially Owned	Percent of Class
Third Federal Savings and Loan Association of Cleveland, MHC, 7007 Broadway Ave., Cleveland, OH 44105	227,119,132	72.91%
Marc A. Stefanski	238,600(2)	*
Anthony J. Asher	12,500(3)	

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Other operating expenses (income), net consist of the following (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net losses (gains) on disposal of assets, restaurant closures and franchisings	\$ 3.3	\$ 0.2	\$ 19.6	\$ (3.2)
Litigation settlements and reserves, net	0.4	(0.1)	2.0	1.8
Net losses (gains) on derivatives		(1.5)		37.3
Net losses (gains) on foreign exchange	4.1	10.8	16.1	45.1
Other, net	0.9		0.5	1.2
Other operating expenses (income), net	\$ 8.7	\$ 9.4	\$ 38.2	\$ 82.2

Net losses (gains) on disposal of assets, restaurant closures and franchisings for the nine months ended September 30, 2016 primarily reflects losses in connection with franchisings in our TH business.

Net losses (gains) on derivatives for the nine months ended September 30, 2015 is primarily due to changes in fair value related to interest rate swaps not designated for hedge accounting. These interest rate swaps were settled during May 2015.

Net losses (gains) on foreign exchange is primarily related to revaluation of foreign denominated assets and liabilities.

Note 17. Variable Interest Entities***VIEs for Which We Are the Primary Beneficiary***

The number of Restaurant VIEs where TH is the restaurants primary beneficiary was as follows:

	September 30, 2016	As of December 31, 2015	September 30, 2015
Number of consolidated Restaurant VIEs	104	141	198

Sales and operating costs and expenses associated with Restaurant VIEs, prior to consolidation adjustments, were as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Sales	\$ 32.4	\$ 54.6	\$ 98.1	\$ 180.2

Operating costs and expenses	\$ 31.3	\$ 53.5	\$ 94.8	\$ 176.6
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The liabilities recognized as a result of consolidating these VIEs do not necessarily represent additional claims on our general assets; rather, they represent claims against the specific assets of the consolidated VIEs. Conversely, assets recognized as a result of consolidating these VIEs do not represent additional assets that could be used to satisfy claims by our creditors as they are not legally included within our general assets.

VIEs for Which We Are Not the Primary Beneficiary

We have investments in certain TH real estate ventures and certain TH and BK master franchisees, which were determined to be VIEs of which we are not the primary beneficiary. We do not consolidate these entities as control is considered to be shared by both TH and the other joint owners in the case of the TH real estate ventures, or control rests with other parties in the case of TH and BK master franchisee VIEs.

Table of Contents**Note 18. Segment Reporting**

Under the *Tim Hortons* brand, we operate in the donut/coffee/tea category of the quick service segment of the restaurant industry. Under the *Burger King* brand, we operate in the fast food hamburger restaurant category of the quick service segment of the restaurant industry. We generate revenue from four sources: (i) sales exclusive to Tim Hortons franchisees related to our supply chain operations, including manufacturing, procurement, warehousing and distribution, as well as sales to retailers; (ii) property revenues from properties we lease or sublease to franchisees; (iii) franchise revenues, consisting primarily of royalties based on a percentage of sales reported by franchise restaurants and franchise fees paid by franchisees; and (iv) sales at Company restaurants.

We have two operating segments: (1) TH, which includes all operations of our *Tim Hortons* brand, and (2) BK, which includes all operations of our *Burger King* brand. We also determined that our two operating segments represent our reportable segments.

Revenues by operating segment and country consist of the following (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues by operating segment:				
TH	\$ 789.9	\$ 737.7	\$ 2,207.5	\$ 2,185.4
BK	285.8	282.0	826.9	809.8
Total revenues	\$ 1,075.7	\$ 1,019.7	\$ 3,034.4	\$ 2,995.2
Revenues by country:				
Canada	\$ 708.8	\$ 658.1	\$ 1,973.0	\$ 1,943.1
United States	249.2	244.3	725.0	726.2
Other	117.7	117.3	336.4	325.9
Total revenues	\$ 1,075.7	\$ 1,019.7	\$ 3,034.4	\$ 2,995.2

Only Canada and the United States represented 10% or more of our total revenues in each period presented.

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Our measure of segment income is Adjusted EBITDA. Adjusted EBITDA represents earnings (net income or loss) before interest, (gain) loss on early extinguishment of debt, taxes, depreciation and amortization, adjusted to exclude the impact of share-based compensation and non-cash incentive compensation expense, other operating expenses (income), net, (income) loss from equity method investments, net of cash distributions received from equity method investments, and all other specifically identified items that management believes are not relevant to management's assessment of operating performance or the performance of an acquired business. Adjusted EBITDA assists management in comparing segment performance by removing the impact of such items, including acquisition accounting impact on cost of sales, TH transaction and restructuring costs, and integration costs. A reconciliation of segment income to net income consists of the following (in millions):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Segment Income:				
TH	\$ 287.1	\$ 244.0	\$ 793.9	\$ 663.3
BK	201.8	196.7	581.9	560.3
Adjusted EBITDA	488.9	440.7	1,375.8	1,223.6
Share-based compensation and non-cash incentive compensation expense	11.8	15.5	31.0	37.5
Acquisition accounting impact on cost of sales		(0.3)		0.5
TH transaction and restructuring costs		24.3		79.7
Integration costs	4.4		10.4	
Impact of equity method investments (a)	0.3	4.7	(7.6)	15.7
Other operating expenses (income), net	8.7	9.4	38.2	82.2
EBITDA	463.7	387.1	1,303.8	1,008.0
Depreciation and amortization	43.2	43.1	128.7	137.8
Income from operations	420.5	344.0	1,175.1	870.2
Interest expense, net	117.3	116.0	349.6	362.3
(Gain) loss on early extinguishment of debt		0.4		40.0
Income tax expense	64.6	44.7	171.0	140.7
Net income	\$ 238.6	\$ 182.9	\$ 654.5	\$ 327.2

- (a) Represents (i) (income) loss from equity method investments and (ii) cash distributions received from our equity method investments. Cash distributions received from our equity method investments are included in segment income.

Note 19. Subsequent Event**Dividends**

On October 4, 2016, we paid a cash dividend of \$0.16 per common share to common shareholders of record on September 6, 2016. On such date, Partnership also made a distribution in respect of each Partnership exchangeable unit in the amount of \$0.16 per Partnership exchangeable unit to holders of record on September 6, 2016. On October 3, 2016, we paid a cash dividend of \$0.98 per Preferred Share, for a total dividend of \$67.5 million, to the holder of the Preferred Shares. The dividend on the Preferred Shares included the amount due for the third calendar quarter of 2016.

On October 24, 2016, our board of directors declared a cash dividend of \$0.17 per common share, which will be paid on January 4, 2017, to common shareholders of record on December 8, 2016. Partnership will also make a distribution in respect of each Partnership exchangeable unit in the amount of \$0.17 per Partnership exchangeable unit, and the record date and payment date for distributions on Partnership exchangeable units are the same as the record date and payment date set forth above. On October 24, 2016, our board of directors declared a cash dividend of \$0.98 per Preferred Share, for a total dividend of \$67.5 million which will be paid to the holder of the Preferred Shares on January 3, 2017. The dividend on the Preferred Shares includes the amount due for the fourth calendar quarter of 2016.

Table of Contents**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

On December 12, 2014, a series of transactions (the *Transactions*) were completed resulting in Burger King Worldwide, Inc., a Delaware corporation (*Burger King Worldwide*), and Tim Hortons Inc., a Canadian corporation (*Tim Hortons*), becoming indirect subsidiaries of Restaurant Brands International Inc., a Canadian corporation (the *Company*), and Restaurant Brands International Limited Partnership, an Ontario limited partnership (*Partnership*).

Results for 2015 have been retrospectively adjusted to reflect the final purchase price allocation for Tim Hortons.

We are the sole general partner of Partnership. As a result of our controlling interest, we consolidate the financial results of Partnership and record noncontrolling interests for the portion of Partnership we do not own in our condensed consolidated financial statements. Net income (loss) attributable to noncontrolling interests on the condensed consolidated statements of operations represent the portion of earnings or loss attributable to the economic interest in Partnership owned by the holders of the noncontrolling interests. As sole general partner, we manage all of Partnership's operations and activities in accordance with the partnership agreement of Partnership (the *partnership agreement*).

You should read the following discussion together with our unaudited condensed consolidated financial statements and the related notes thereto included in Part I, Item 1 *Financial Statements* of this report.

The following discussion includes information regarding future financial performance and plans, targets, aspirations, expectations, and objectives of management, which constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and forward-looking information within the meaning of Canadian securities laws as described in further detail under *Special Note Regarding Forward-Looking Statements* set forth below. Actual results may differ materially from the results discussed in the forward-looking statements. Please refer to the risks and further discussion in the *Special Note Regarding Forward-Looking Statements* below.

We prepare our financial statements in accordance with accounting principles generally accepted in the United States (*U.S. GAAP* or *GAAP*). However, this Management's Discussion and Analysis of Financial Condition and Results of Operations also contains certain non-GAAP financial measures to assist readers in understanding our performance. Non-GAAP financial measures either exclude or include amounts that are not reflected in the most directly comparable measure calculated and presented in accordance with GAAP. Where non-GAAP financial measures are used, we have provided the most directly comparable measures calculated in accordance with U.S. GAAP, a reconciliation to GAAP measures and a discussion of the reasons that management believes this information is useful to it and may be useful to investors.

Operating results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for the fiscal year and our key business measures, as discussed below, may decrease for any future period. Unless the context otherwise requires, all references in this section to *RBI*, *the Company*, *we*, *us*, or *our* are to the Company and its subsidiaries, collectively. Unless otherwise stated, comparable sales growth and sales growth are presented on a system-wide basis, which means that these measures include sales at both restaurants owned by us (*Company restaurants*) and franchise restaurants. Franchise sales represent sales at all franchise restaurants and are revenues to our franchisees. We do not record franchise sales as revenues; however, our franchise revenues include royalties based on franchise sales. System-wide results are driven primarily by our franchise restaurants, as approximately 100% of current Tim Hortons and Burger King system-wide restaurants are franchised.

Overview

We are a Canadian corporation originally formed on August 25, 2014 to serve as the indirect holding company for Tim Hortons and its consolidated subsidiaries and Burger King Worldwide and its consolidated subsidiaries. We are one of the world's largest quick service restaurant (QSR) companies with over 19,000 restaurants in more than 100 countries and U.S. territories as of September 30, 2016 and over 110 years of combined brand heritage. Our *Tim Hortons*® and *Burger King*® brands have similar franchised business models with complementary daypart mixes. Our two iconic brands are managed independently while benefiting from global scale and sharing of best practices.

Tim Hortons restaurants are quick service restaurants with a menu that includes premium blend coffee, tea, espresso-based hot and cold specialty drinks, fresh baked goods, including donuts, Timbits®, bagels, muffins, cookies and pastries, grilled paninis, classic sandwiches, wraps, soups and more. Burger King restaurants are quick service restaurants that feature flame-grilled hamburgers, chicken and other specialty sandwiches, french fries, soft drinks and other affordably-priced food items.

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We generate revenue from four sources: (i) sales exclusive to Tim Hortons franchisees related to our supply chain operations, including manufacturing, procurement, warehousing and distribution, as well as sales to retailers; (ii) property revenues from properties we lease or sublease to franchisees; (iii) franchise revenues, consisting primarily of royalties based on a percentage of sales reported by franchise restaurants and franchise fees paid by franchisees; and (iv) sales at Company restaurants.

As discussed in Note 18 to the accompanying unaudited condensed consolidated financial statements, we have two operating and reportable segments: (1) Tim Hortons (TH) and (2) Burger King (BK).

Tim Hortons third quarter of fiscal year 2015 began June 29, 2015 and ended September 27, 2015. Tim Hortons first nine months of fiscal year 2015 began December 29, 2014 and ended September 27, 2015. The change to a calendar quarter end of September 30 in 2016 did not have a material impact on our results of operations or key financial measures.

Operating Metrics and Key Financial Measures

We evaluate our restaurants and assess our business based on the following operating metrics and key financial measures:

System-wide sales growth refers to the change in sales at all franchise restaurants and Company restaurants in one period from the same period in the prior year.

System-wide sales represent sales at all franchise restaurants and Company restaurants. We do not record franchise sales as revenues; however, our franchise revenues include royalties based on a percentage of franchise sales.

Comparable sales growth refers to the change in restaurant sales in one period from the same prior year period for restaurants that have been opened for thirteen months or longer.

Net restaurant growth (NRG) represents the opening of new restaurants (other than limited service kiosks) during a stated period, net of closures. Commencing in the fourth quarter of 2015, we revised our presentation of NRG to exclude limited service kiosks, with the revision applied retrospectively to the earliest period presented to provide period-to-period comparability.

Adjusted EBITDA, a non-GAAP measure, which represents earnings (net income or loss) before interest, (gain) loss on early extinguishment of debt, taxes, depreciation and amortization, adjusted to exclude specifically identified items that management believes are not relevant to management's assessment of operating performance. See *Non-GAAP Reconciliations*.

System-wide sales growth and comparable sales growth are measured on a constant currency basis, which means the results exclude the effect of foreign currency translation (FX Impact). For system-wide sales growth and comparable sales growth, we calculate the FX Impact by translating prior year results at current year monthly average exchange rates. For items included in our results of operations, we calculate the FX Impact by translating current year results at

prior year monthly average exchange rates. We analyze certain financial measures on a constant currency basis as this helps identify underlying business trends, without distortion from the effects of currency movements.

Recent Events and Factors Affecting Comparability

Integration Costs

In connection with the implementation of initiatives to integrate the back-office processes of TH and BK to enhance efficiencies, we incurred \$4.4 million and \$10.4 million related to these initiatives during the three and nine months ended September 30, 2016, respectively, primarily consisting of professional fees.

Table of Contents***TH Transaction and Restructuring Costs***

In connection with the Transactions and a series of post-closing transactions during 2015 that resulted in changes to our legal and capital structure, we incurred certain non-recurring selling, general and administrative expenses during the three and nine months ended September 30, 2015, respectively, consisting of the following:

Financing, legal and advisory fees, share-based compensation expense due to accelerated vesting of equity awards as a result of the Transactions and integration costs related to a realignment of our global structure to better accommodate the needs of the combined business, totaling \$18.3 million and \$51.5 million during the three and nine months ended September 30, 2015, respectively;

Severance benefits, other compensation costs and training expenses of approximately \$6.0 million and \$26.0 million during the three and nine months ended September 30, 2015, respectively, related to a restructuring plan we implemented following the Transactions, which resulted in work force reductions throughout our TH business; and

Financing, legal and advisory fees totaling \$2.2 million during the nine months ended September 30, 2015, in connection with the issuance of the \$1,250.0 million of 4.625% first lien senior secured notes due January 15, 2022 and entry into a first amendment to our credit agreement in May 2015.

Results of Operations for the Three and Nine Months Ended September 30, 2016 and 2015

Tabular amounts in millions of U.S. dollars unless noted otherwise.

Consolidated

	Three Months Ended		Variance		Nine Months Ended		Variance	
	September 30, 2016	September 30, 2015	\$	%	September 30, 2016	September 30, 2015	\$	%
Revenues:								
Sales	\$ 586.4	\$ 545.9	\$ 40.5	7.4%	\$ 1,635.5	\$ 1,613.2	\$ 22.3	1.4%
Franchise and property revenues	489.3	473.8	15.5	3.3%	1,398.9	1,382.0	16.9	1.2%
Total revenues	1,075.7	1,019.7	56.0	5.5%	3,034.4	2,995.2	39.2	1.3%
Cost of sales	455.0	446.6	(8.4)	(1.9)%	1,279.0	1,354.6	75.6	5.6%
Franchise and property expenses	111.9	114.4	2.5	2.2%	330.2	365.2	35.0	9.6%
Selling, general and administrative expenses	82.2	104.3	22.1	21.2%	228.5	317.3	88.8	28.0%
(Income) loss from equity method	(2.6)	1.0	3.6	NM	(16.6)	5.7	22.3	NM

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investments								
Other operating expenses (income), net	8.7	9.4	0.7	7.4%	38.2	82.2	44.0	53.5%
Total operating costs and expenses	655.2	675.7	20.5	NM	1,859.3	2,125.0	265.7	NM
Income from operations	420.5	344.0	76.5	22.2%	1,175.1	870.2	304.9	35.0%
Interest expense, net	117.3	116.0	(1.3)	(1.1)%	349.6	362.3	12.7	3.5%
(Gain) loss on early extinguishment of debt		0.4	0.4	NM		40.0	40.0	NM
Income before income taxes	303.2	227.6	75.6	33.2%	825.5	467.9	357.6	76.4%
Income tax expense	64.6	44.7	(19.9)	(44.5)%	171.0	140.7	(30.3)	(21.5)%
Net income	238.6	182.9	55.7	30.5%	654.5	327.2	327.3	100.0%
Net income attributable to noncontrolling interests	84.8	65.8	19.0	NM	224.8	71.3	153.5	NM
Preferred shares dividend	67.5	67.5		NM	202.5	203.7	1.2	NM
Net income attributable to common shareholders	\$ 86.3	\$ 49.6	\$ 36.7	74.0%	\$ 227.2	\$ 52.2	\$ 175.0	NM

NM Not meaningful

FX Impact Favorable/(Unfavorable)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015 (a)	2016	2015 (a)
Total revenues	\$ (3.1)	\$ (20.9)	\$ (112.8)	\$ (54.4)
Cost of sales			53.5	
Franchise and property expenses	0.4	1.4	11.3	3.8
Selling, general and administrative expenses	1.3	2.7	4.0	6.0
Income from operations	(2.7)	(16.6)	(42.9)	(52.0)
Net income	(0.2)	(17.0)	(44.9)	(49.1)
Adjusted EBITDA	(1.7)	(18.5)	(49.1)	(48.1)

(a) FX Impact for 2015 is only for BK Segment.

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Key Business Metrics	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
System-wide sales growth				
TH	4.8%	8.2%	6.1%	8.3%
BK	7.0%	11.2%	7.5%	10.8%
System-wide sales				
TH	\$ 1,690.4	\$ 1,600.0	\$ 4,783.0	\$ 4,717.1
BK	\$ 4,776.7	\$ 4,520.6	\$ 13,557.6	\$ 12,950.5
Comparable sales growth				
TH	2.0%	5.3%	3.3%	5.3%
BK	1.7%	6.2%	2.2%	5.9%
System Net Restaurant Growth (NRG)				
TH (b)	28	22	79	86
BK	143	141	240	297
Restaurant count at period end				
TH (b)	4,492	4,344	4,492	4,344
BK	15,243	14,669	15,243	14,669
System	19,735	19,013	19,735	19,013

- (b) Restaurant count excludes 436 and 501 limited service kiosks as of September 30, 2016 and 2015, respectively. NRG excludes limited service kiosks. Commencing in the fourth quarter of 2015, we revised our presentation of restaurant counts to exclude limited service kiosks, with the revision applied retrospectively to the earliest period presented to provide period-to-period comparability.

Comparable Sales Growth

TH global system comparable sales growth of 2.0% and 3.3% during the three and nine months ended September 30, 2016, respectively, reflects new product launches.

BK global system comparable sales growth of 1.7% and 2.2% during the three and nine months ended September 30, 2016, respectively, reflects successful product launches and promotions.

Sales and Cost of Sales

Sales include TH supply chain sales and sales from Company restaurants. TH supply chain sales represent sales of products, supplies and restaurant equipment, other than equipment sales related to initial restaurant establishment or renovations that are shipped directly from our warehouses or by third-party distributors to restaurants or retailers, as well as sales to retailers. Sales from Company restaurants, including sales by our consolidated TH Restaurant VIEs (see Note 2 to the accompanying unaudited condensed consolidated financial statements for additional information on Restaurant VIEs), represent restaurant-level sales to our guests.

Cost of sales includes costs associated with the management of our TH supply chain, including cost of goods, direct labor and depreciation, as well as the cost of goods delivered by third-party distributors to the restaurants for which we manage the supply chain logistics, and for products sold through retailers. Cost of sales also includes food, paper and labor costs of Company restaurants, which are principally costs incurred by our consolidated TH Restaurant VIEs.

During the three months ended September 30, 2016, the increase in sales was driven by an increase in our TH segment of \$40.4 million and a favorable FX Impact of \$0.5 million, partially offset by a decrease in our BK segment of \$0.4 million.

During the nine months ended September 30, 2016, the increase in sales was driven by an increase in our TH segment of \$91.4 million, partially offset by an unfavorable FX Impact of \$67.1 million and a decrease in our BK segment of \$2.0 million.

During the three months ended September 30, 2016, the increase in cost of sales was driven by an increase in our TH segment of \$7.9 million and in our BK segment of \$0.5 million. There was no FX impact.

During the nine months ended September 30, 2016, the decrease in cost of sales was driven by a favorable FX Impact of \$53.5 million and decreases in our TH segment of \$19.9 million and in our BK segment of \$2.2 million.

Table of Contents*Franchise and Property*

Franchise and property revenues consist primarily of royalties earned on franchise sales, rents from real estate leased or subleased to franchisees, franchise fees, revenues derived from equipment packages at establishment of a restaurant and in connection with renewal or renovation, and other revenue. Franchise and property expenses consist primarily of depreciation of properties leased to franchisees, rental expense associated with properties subleased to franchisees, costs of equipment packages sold at establishment of a restaurant and in connection with renewal or renovation, amortization of franchise agreement and bad debt expense (recoveries).

During the three months ended September 30, 2016, the increase in franchise and property revenues was driven by increases in our TH segment of \$11.1 million and in our BK segment of \$8.0 million, partially offset by an unfavorable FX Impact of \$3.6 million.

During the nine months ended September 30, 2016, the increase in franchise and property revenues was driven by increases in our BK segment of \$37.5 million and in our TH segment of \$25.1 million, partially offset by an unfavorable FX Impact of \$45.7 million.

During the three months ended September 30, 2016, the decrease in franchise and property expenses was driven by decreases in our BK segment of \$2.7 million and a favorable FX Impact of \$0.4 million, partially offset by increases in our TH segment of \$0.6 million.

During the nine months ended September 30, 2016, the decrease in franchise and property expenses was driven by decreases in our TH segment of \$19.1 million and in our BK segment of \$4.6 million and a favorable FX Impact of \$11.3 million.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses were comprised of the following:

	Three Months Ended		Variance		Nine Months Ended		Variance	
	September 30, 2016	September 30, 2015	\$	%	September 30, 2016	September 30, 2015	\$	%
			Favorable / (Unfavorable)				Favorable / (Unfavorable)	
Selling expenses	\$ 1.5	\$ 3.0	\$ 1.5	50.0%	\$ 4.3	\$ 11.3	\$ 7.0	61.9%
Management general and administrative expenses	59.0	57.5	(1.5)	(2.6)%	166.9	176.1	9.2	5.2%
Share-based compensation and non-cash incentive compensation expense	11.8	15.5	3.7	23.9%	31.0	37.5	6.5	17.3%
Depreciation and amortization	5.5	4.0	(1.5)	(37.5)%	15.9	12.7	(3.2)	(25.2)%
TH transaction and restructuring costs		24.3	24.3	NM		79.7	79.7	NM
Integration costs	4.4		(4.4)	NM	10.4		(10.4)	NM

Total general and administrative expenses	80.7	101.3	20.6	20.3%	224.2	306.0	81.8	26.7%
Selling, general and administrative expenses	\$ 82.2	\$ 104.3	\$ 22.1	21.2%	\$ 228.5	\$ 317.3	\$ 88.8	28.0%

NM Not meaningful

Selling expenses consist primarily of Company restaurant advertising fund contributions. The decrease in selling expenses for the three and nine months ended September 30, 2016 was primarily a result of a decrease in advertising fund contributions from TH Restaurant VIEs driven by a decrease in the number of Restaurant VIEs from the prior year period.

Management general and administrative expenses (Management G&A) are comprised primarily of salary and employee related costs for our non-restaurant employees, professional fees, information technology systems, and general overhead for our corporate offices. The increase in Management G&A for the three months ended September 30, 2016 was driven primarily by increases in expenses related to new master franchisees, partially offset by favorable FX Impact. The decrease in Management G&A for the nine months ended September 30, 2016 was driven primarily by decreases in salaries and benefits, and by favorable FX Impact.

During the three and nine months ended September 30, 2016, the decrease in share-based compensation and non-cash incentive compensation expense was due primarily to the decrease of \$2.7 million and \$10.4 million related to the remeasurement of liability-classified stock options to fair value for the three and nine months ended September 30, 2015, respectively, and the non-recurrence of \$4.6 million related to a stock option modification during the three and nine months ended September 30, 2015, partially offset by additional share-based awards granted during 2016 and 2015. During 2015, we modified a portion of liability-classified awards that resulted in a change in classification of the awards from liability to equity and as such these modified awards are no longer being revalued after the modification date.

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(Income) loss from equity method investments reflects our share of investee net income or loss, non-cash dilution gains or losses from changes in our ownership interests in equity method investees and basis difference amortization.

The change in (income) loss from equity method investments during the three months ended September 30, 2016 was driven primarily by improved earnings for Carrols Restaurant Group, Inc. The change in (income) loss from equity method investments during the nine months ended September 30, 2016 was driven primarily by improved earnings for Carrols Restaurant Group, Inc. and Pangea Foods (China) Holdings, Ltd.

Other Operating Expenses (Income), net

Our other operating expenses (income), net were comprised of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net losses (gains) on disposal of assets, restaurant closures and franchisings	\$ 3.3	\$ 0.2	\$ 19.6	\$ (3.2)
Litigation settlements and reserves, net	0.4	(0.1)	2.0	1.8
Net losses (gains) on derivatives		(1.5)		37.3
Net losses (gains) on foreign exchange	4.1	10.8	16.1	45.1
Other, net	0.9		0.5	1.2
Other operating expenses (income), net	\$ 8.7	\$ 9.4	\$ 38.2	\$ 82.2

Net losses (gains) on disposal of assets, restaurant closures and franchisings for the nine months ended September 30, 2016 primarily reflects losses in connection with franchisings in our TH business.

Net losses (gains) on derivatives for the nine months ended September 30, 2015 is primarily due to changes in fair value related to interest rate swaps not designated for hedge accounting. These interest rate swaps were settled during May 2015.

Net losses (gains) on foreign exchange is primarily related to revaluation of foreign denominated assets and liabilities.

Interest Expense, net

Our interest expense, net and weighted average interest rate on our long-term debt were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest expense, net	\$ 117.3	\$ 116.0	\$ 349.6	\$ 362.3
Weighted average interest rate on long-term debt	5.2%	5.1%	5.2%	5.1%

During the three months ended September 30, 2016, there was an increase in interest expense, net compared to the prior year period primarily due to an increase in our weighted average interest rate. During the nine months ended September 30, 2016, interest expense, net decreased compared to the prior year period primarily due to a decrease in outstanding debt as a result of term loan prepayments in May 2015.

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Income Tax Expense

Our effective tax rate was 21.3% and 20.7% for the three and nine months ended September 30, 2016, respectively. The effective tax rate during these periods was primarily a result of the mix of income from multiple tax jurisdictions, partially offset by the favorable impact from intercompany financing.

Our effective tax rate was 19.6% and 30.1% for the three and nine months ended September 30, 2015, respectively. The effective tax rate during these periods was primarily a result of the mix of income from multiple tax jurisdictions and the revaluation of certain monetary assets and liabilities as a result of changes in foreign currency exchange rates, partially offset by the favorable impact from a restructuring of certain legal entities.

Net Income

We reported net income of \$238.6 million for the three months ended September 30, 2016, compared to net income of \$182.9 million for the three months ended September 30, 2015, primarily as a result of an increase in income from operations of \$76.5 million, partially offset by an increase in income tax expense of \$19.9 million. The increase in income from operations was primarily driven by an increase in sales, an increase in franchise and property revenues and a decrease in selling, general and administrative expenses.

We reported net income of \$654.5 million for the nine months ended September 30, 2016, compared to net income of \$327.2 million for the nine months ended September 30, 2015, primarily as a result of an increase in income from operations of \$304.9 million, the non-recurrence of \$40.0 million loss on early extinguishment of debt, and a decrease in interest expense, net of \$12.7 million, partially offset by an increase in income tax expense of \$30.3 million. The increase in income from operations was primarily driven by a decrease in selling, general and administrative expenses, a decrease in cost of sales, a decrease in other operating expenses (income), net, a decrease in franchise and property expenses, an increase in sales and an increase in franchise and property revenues.

Table of Contents**Non-GAAP Reconciliations**

The table below contains information regarding EBITDA and Adjusted EBITDA, which are non-GAAP measures, which do not have a standardized meaning under U.S. GAAP and may differ from similar captioned measures of other companies in our industry. We believe that these non-GAAP measures are useful to investors in assessing our operating performance, as it provides them with the same tools that management uses to evaluate our performance and is responsive to questions we receive from both investors and analysts. By disclosing these non-GAAP measures, we intend to provide investors with a consistent comparison of our operating results and trends for the periods presented. EBITDA is defined as earnings (net income or loss) before interest, (gain) loss on early extinguishment of debt, taxes, and depreciation and amortization and is used by management to measure operating performance of the business. Adjusted EBITDA is defined as EBITDA excluding the non-cash impact of share-based compensation and non-cash incentive compensation expense and (income) loss from equity method investments, net of cash distributions received from equity method investments, as well as other operating expenses (income), net. Other specifically identified costs associated with non-recurring projects are also excluded from Adjusted EBITDA, including acquisition accounting impact on cost of sales, Tim Hortons transaction and restructuring costs and integration costs, each of which is associated with the acquisition of Tim Hortons. Adjusted EBITDA is used by management to measure operating performance of the business, excluding these non-cash and other specifically identified items that management believes are not relevant to management's assessment of operating performance or the performance of an acquired business. Adjusted EBITDA, as defined above, also represents our measure of segment income.

	Three Months Ended		Variance		Nine Months Ended		Variance	
	September 30, 2016	2015	\$	%	September 30, 2016	2015	\$	%
Segment income:			Favorable / (Unfavorable)				Favorable / (Unfavorable)	
TH	\$ 287.1	\$ 244.0	\$ 43.1	17.7%	\$ 793.9	\$ 663.3	\$ 130.6	19.7%
BK	201.8	196.7	5.1	2.6%	581.9	560.3	21.6	3.9%
Adjusted EBITDA	488.9	440.7	48.2	10.9%	1,375.8	1,223.6	152.2	12.4%
Share-based compensation and non-cash incentive compensation expense	11.8	15.5	3.7	23.9%	31.0	37.5	6.5	17.3%
Acquisition accounting impact on cost of sales		(0.3)	(0.3)	NM		0.5	0.5	NM
TH transaction and restructuring costs		24.3	24.3	NM		79.7	79.7	NM
Integration costs	4.4		(4.4)	NM	10.4		(10.4)	NM
Impact of equity method investments (a)	0.3	4.7	4.4	93.6%	(7.6)	15.7	23.3	148.4%
Other operating expenses (income), net	8.7	9.4	0.7	7.4%	38.2	82.2	44.0	53.5%
EBITDA	463.7	387.1	76.6	19.8%	1,303.8	1,008.0	295.8	29.3%
Depreciation and amortization	43.2	43.1	(0.1)	(0.2)%	128.7	137.8	9.1	6.6%

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Income from operations	420.5	344.0	76.5	22.2%	1,175.1	870.2	304.9	35.0%
Interest expense, net	117.3	116.0	(1.3)	(1.1)%	349.6	362.3	12.7	3.5%
(Gain) loss on early extinguishment of debt		0.4	0.4	NM		40.0	40.0	NM
Income tax expense	64.6	44.7	(19.9)	(44.5)%	171.0	140.7	(30.3)	(21.5)%
Net income	\$ 238.6	\$ 182.9	\$ 55.7	30.5%	\$ 654.5	\$ 327.2	\$ 327.3	100.0%

NM Not meaningful

(a) Represents (i) (income) loss from equity method investments and (ii) cash distributions received from our equity method investments. Cash distributions received from our equity method investments are included in segment income.

Adjusted EBITDA for the three and nine months ended September 30, 2016 increased over the prior periods primarily due to increases in segment income in our TH and BK segments.

EBITDA for the three and nine months ended September 30, 2016 increased over the prior year periods primarily due to increases in segment income in our TH and BK segments, the non-recurrence of TH transaction and restructuring costs, favorable results from the impact of equity method investments, a decrease in share-based compensation and non-cash incentive compensation and favorable results from other operating expenses (income), net, partially offset by integration costs recognized in the current period.

Table of Contents**Results of Operations for TH Segment for the Three Months Ended September 30, 2016 and 2015**

	Three Months Ended		Variance		Variance Excluding		
	September 30, 2016	2015	Favorable / (Unfavorable)		FX Impact	FX Impact	
			\$	%	\$	\$	%
Sales and cost of sales (a):							
Sales	\$ 563.0	\$ 522.1	\$ 40.9	7.8%	\$ 0.5	\$ 40.4	7.7%
Cost of sales	434.6	426.7	(7.9)	(1.9)%		(7.9)	(1.9)%
Franchise and property:							
Franchise and property revenues	226.9	215.6	11.3	5.2%	0.2	11.1	5.1%
Franchise and property expenses	79.8	79.2	(0.6)	(0.8)%		(0.6)	(0.8)%
Segment SG&A (b)	17.0	18.5	1.5	8.1%	0.7	0.8	4.3%
Segment depreciation and amortization (c)	25.7	27.3	1.6	5.9%		1.6	5.9%
Segment income (d)	287.1	244.0	43.1	17.7%	1.4	41.7	17.1%

(a) Includes Restaurant VIEs.

(b) Segment selling, general and administrative expenses (Segment SG&A) consists of segment selling expenses and management general and administrative expenses.

(c) Segment depreciation and amortization consists of depreciation and amortization included in cost of sales and franchise and property expenses.

(d) Segment income for the three months ended September 30, 2016 includes \$2.9 million of cash distributions received from equity method investments. Segment income for the three months ended September 30, 2015 excludes (\$0.3) million of acquisition accounting impact on cost of sales and includes \$3.7 million of cash distributions received from equity method investments.

Sales and Cost of Sales

During the three months ended September 30, 2016, the increase in sales was driven primarily by an increase in supply chain sales of \$61.6 million due to system-wide sales growth of 4.8%, an increase in retail sales and favorable FX Impact, partially offset by a decrease in Company restaurant revenue of \$21.2 million driven primarily by the conversion of Restaurant VIEs to franchise restaurants.

During the three months ended September 30, 2016, the increase in cost of sales was driven primarily by an increase in supply chain cost of sales of \$25.3 million driven by an increase in supply chain sales as described above, partially offset by supply chain cost savings derived from effective cost management. This increase was partially offset by a decrease in Company restaurant cost of sales of \$17.4 million primarily due to the conversion of Restaurant VIEs to franchise restaurants.

Franchise and Property

During the three months ended September 30, 2016, the increase in franchise and property revenue was driven by an increase in royalties and property revenues of \$11.9 million primarily due to NRG of 148 restaurants during the trailing twelve-month period, comparable sales growth, new leases and subleases associated with additional

restaurants leased or subleased to franchisees as a result of converting Restaurant VIEs to franchise restaurants and favorable FX Impact. These factors were partially offset by a decrease in franchise fees and other revenue of \$0.8 million.

During the three months ended September 30, 2016, the increase in franchise and property expenses was not meaningful.

Segment SG&A

During the three months ended September 30, 2016, Segment SG&A decreased primarily due to a decrease in selling expenses as a result of a decrease in advertising fund contributions driven by a decrease in the number of Restaurant VIEs from the prior year period and favorable FX Impact.

Segment Income

During the three months ended September 30, 2016, segment income increased primarily due to an increase in sales net of cost of sales and an increase in franchise and property revenues net of expenses.

Table of Contents**Results of Operations for TH Segment for the Nine Months Ended September 30, 2016 and 2015**

	Nine Months Ended		Variance		Variance Excluding		
	September 30,				FX Impact		
	2016	2015	\$	%	\$	\$	%
Sales and cost of sales:							
Sales	\$ 1,565.8	\$ 1,541.2	\$ 24.6	1.6%	\$ (66.8)	\$ 91.4	5.9%
Cost of sales	1,219.7	1,292.8	73.1	5.7%	53.2	19.9	1.5%
Franchise and property:							
Franchise and property revenues	641.7	644.2	(2.5)	(0.4)%	(27.6)	25.1	3.9%
Franchise and property expenses	231.5	260.7	29.2	11.2%	10.1	19.1	7.3%
Segment SG&A	48.3	68.6	20.3	29.6%	1.8	18.5	27.0%
Segment depreciation and amortization	76.9	89.5	12.6	14.1%	3.2	9.4	10.5%
Segment income (e)	793.9	663.3	130.6	19.7%	(32.5)	163.1	24.6%

(e) Segment income for the nine months ended September 30, 2016 includes \$9.0 million of cash distributions received from equity method investments. Segment income for the nine months ended September 30, 2015 excludes \$0.5 million of acquisition accounting impact on cost of sales and includes \$10.0 million of cash distributions received from equity method investments.

Sales and Cost of Sales

During the nine months ended September 30, 2016, the increase in sales was driven primarily by an increase in supply chain sales of \$164.8 million due to system-wide sales growth of 6.1% and an increase in retail sales, partially offset by a decrease in Company restaurant revenue of \$73.4 million driven primarily by the conversion of Restaurant VIEs to franchise restaurants and unfavorable FX Impact.

During the nine months ended September 30, 2016, the decrease in cost of sales was driven primarily by a decrease in Company restaurant cost of sales of \$62.2 million primarily due to the conversion of Restaurant VIEs to franchise restaurants and favorable FX Impact. These decreases were partially offset by an increase in supply chain cost of sales of \$42.3 million driven by an increase in supply chain sales as described above, partially offset by supply chain cost savings derived from effective cost management.

Franchise and Property

During the nine months ended September 30, 2016, the decrease in franchise and property revenue was driven by a decrease in franchise fees and other revenue of \$15.0 million driven by a decrease in sales of equipment packages and unfavorable FX Impact. These factors were partially offset by an increase in royalties and property revenues of \$40.1 million primarily due to NRG of 148 restaurants during the trailing twelve-month period, comparable sales growth, and new leases and subleases associated with additional restaurants leased or subleased to franchisees as a result of converting Restaurant VIEs to franchise restaurants.

During the nine months ended September 30, 2016, the decrease in franchise and property expenses was driven primarily by a decrease in the costs related to sale of equipment packages and favorable FX Impact.

Segment SG&A

During the nine months ended September 30, 2016, Segment SG&A decreased primarily due to a decrease in salaries and benefits, a decrease in selling expenses as a result of a decrease in advertising fund contributions driven by a decrease in the number of Restaurant VIEs from the prior year period and favorable FX Impact.

Segment Income

During the nine months ended September 30, 2016, segment income increased primarily due to an increase in sales net of cost of sales, an increase in franchise and property revenues net of expenses, and a decrease in Segment SG&A, partially offset by unfavorable FX Impact.

Table of Contents**Results of Operations for BK Segment for the Three Months Ended September 30, 2016 and 2015**

	Three Months Ended		Variance		FX Impact		Variance Excluding FX Impact	
	September 30, 2016	September 30, 2015	\$	%	Favorable / (Unfavorable)		\$	%
Sales and cost of sales:								
Sales	\$ 23.4	\$ 23.8	\$(0.4)	(1.7)%	\$		\$ (0.4)	(1.7)%
Cost of sales	20.4	19.9	(0.5)	(2.5)%			(0.5)	(2.5)%
Franchise and property:								
Franchise and property revenues	262.4	258.2	4.2	1.6%	(3.8)		8.0	3.1%
Franchise and property expenses	32.1	35.2	3.1	8.8%	0.4		2.7	7.7%
Segment SG&A	43.5	42.0	(1.5)	(3.6)%	0.3		(1.8)	(4.3)%
Segment depreciation and amortization	12.0	11.8	(0.2)	(1.7)%			(0.2)	(1.7)%
Segment income	201.8	196.7	5.1	2.6%	(3.1)		8.2	4.2%

Franchise and Property

During the three months ended September 30, 2016, the increase in franchise and property revenue was driven primarily by an increase in royalties of \$14.7 million primarily due to NRG of 574 restaurants during the trailing twelve-month period and comparable sales growth, partially offset by a decrease in renewal franchise fees and an unfavorable FX Impact.

During the three months ended September 30, 2016, the decrease in franchise and property expenses was driven primarily by a decrease in rent expense related to leases that were assigned to franchisees during 2015, a decrease in other franchise expenses and favorable FX Impact.

Segment SG&A

During the three months ended September 30, 2016, Segment SG&A increased primarily due to an increase in expenses related to new master franchisees, partially offset by a favorable FX Impact.

Segment Income

During the three months ended September 30, 2016, segment income increased primarily due to an increase in franchise and property revenues net of expenses, partially offset by an increase in Segment SG&A, a decrease in sales net of cost of sales and unfavorable FX Impact.

Results of Operations for BK Segment for the Nine Months Ended September 30, 2016 and 2015

	Nine Months Ended		Variance		FX Impact		Variance Excluding FX Impact	
	September 30, 2016	September 30, 2015	\$	%	Favorable / (Unfavorable)		\$	%

Sales and cost of sales:								
Sales	\$ 69.7	\$ 72.0	\$ (2.3)	(3.2)%	\$ (0.3)	\$ (2.0)	(2.8)%	
Cost of sales	59.3	61.8	2.5	4.0%	0.3	2.2	3.6%	
Franchise and property:								
Franchise and property revenues	757.2	737.8	19.4	2.6%	(18.1)	37.5	5.1%	
Franchise and property expenses	98.7	104.5	5.8	5.6%	1.2	4.6	4.4%	
Segment SG&A	122.9	118.8	(4.1)	(3.5)%	0.2	(4.3)	(3.6)%	
Segment depreciation and amortization	35.9	35.6	(0.3)	(0.8)%	(0.1)	(0.2)	(0.6)%	
Segment income	581.9	560.3	21.6	3.9%	(16.6)	38.2	6.8%	

Franchise and Property

During the nine months ended September 30, 2016, the increase in franchise and property revenue was driven primarily by an increase in royalties of \$44.8 million primarily due to NRG of 574 restaurants during the trailing twelve-month period and comparable sales growth, partially offset by a decrease in renewal franchise fees and an unfavorable FX Impact.

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During the nine months ended September 30, 2016, the decrease in franchise and property expenses was driven primarily by a decrease in rent expense related to leases that were assigned to franchisees during 2015, a decrease in other franchise expenses and favorable FX Impact.

Segment SG&A

During the nine months ended September 30, 2016, Segment SG&A increased primarily due to an increase in salary and benefits, partially offset by a favorable FX Impact.

Segment Income

During the nine months ended September 30, 2016, segment income increased primarily due to an increase in franchise and property revenues net of expenses, partially offset by an increase in Segment SG&A and unfavorable FX Impact.

Liquidity and Capital Resources

Our primary sources of liquidity are cash on hand, cash generated by operations and borrowings available under our Revolving Credit Facility (as defined below). We have used, and may in the future use, our liquidity to make required interest and/or principal payments, to pay Preferred Share (as defined below) dividends, to repurchase our common shares, to repurchase Class B exchangeable limited partnership units (Partnership exchangeable units), to voluntarily prepay and repurchase our or one of our affiliate s outstanding debt, to fund our investing activities and to pay dividends on our common shares and distributions on the Partnership exchangeable units. As a result of our borrowings, we are highly leveraged. Our liquidity requirements are significant, primarily due to debt service and the cash dividend requirements of our Preferred Shares.

At September 30, 2016, we had cash and cash equivalents of \$1,274.4 million and working capital of \$687.3 million. In addition, at September 30, 2016, we had borrowing availability of \$498.5 million under our Revolving Credit Facility. Based on our current level of operations and available cash, we believe our cash flow from operations, combined with availability under our Revolving Credit Facility, will provide sufficient liquidity to fund our current obligations, Preferred Share dividends, debt service requirements and capital spending over the next twelve months.

At September 30, 2016, approximately 13% of our consolidated cash and cash equivalents balances were held in tax jurisdictions other than Canada and the U.S. Undistributed earnings of our foreign subsidiaries for periods prior to the Transactions are considered indefinitely reinvested for U.S. income tax purposes. Subsequent to the Transactions, we record a deferred tax liability for earnings of foreign subsidiaries with U.S. parent companies when such amounts are not considered permanently reinvested and would be subject to tax in the U.S. upon repatriation of cash.

On August 2, 2016, our board of directors approved a share repurchase authorization wherein RBI may purchase up to \$300 million of our common shares over the next 5 years. Repurchases under the Company s new authorization will be made in the open market or through privately negotiated transactions. In connection with the share repurchase authorization, on August 4, 2016 we announced that the Toronto Stock Exchange (the TSX) had accepted the notice of our intention to commence a normal course issuer bid. Under this normal course issuer bid, we are permitted to repurchase up to 18,085,962 common shares for the one-year period commencing on August 8, 2016 and ending on August 7, 2017, or earlier if we complete the repurchases prior to such date. Purchases under the normal course issuer bid will be made through the facilities of the TSX, the New York Stock Exchange (the NYSE) and/or other exchanges and alternative Canadian or foreign trading systems, if eligible, or by such other means as may be permitted by the TSX and/or the NYSE under applicable law. Shareholders may obtain a copy of the notice, free of charge, by

contacting the Company.

Debt Instruments and Debt Service Requirements

Our long-term debt is comprised primarily of borrowings under our 2015 Amended Credit Agreement, amounts outstanding under our 2015 Senior Notes, 2014 Senior Notes and Tim Hortons Notes (each as defined below), and obligations under capital leases. For further information about our long-term debt, see Note 10 to the accompanying unaudited condensed consolidated financial statements included in this report.

2015 Amended Credit Agreement

As of September 30, 2016, there was \$5,059.0 million outstanding principal amount of secured term loans (the Term Loan Facility) under our credit agreement dated May 22, 2015 (the 2015 Amended Credit Agreement). As of September 30, 2016, the interest rate was 3.75% on our Term Loan Facility. Based on the amounts outstanding under the Term Loan Facility and the three-month LIBOR rate as of September 30, 2016, subject to a floor of 1.00%, required debt service for the next twelve months is estimated to be approximately \$192.1 million in interest payments and \$34.3 million in principal payments. In addition, as of September 30, 2016, net cash settlements that we expect to pay on our \$2,500.0 million interest rate swap are estimated to be approximately \$19.3 million for the next twelve months.

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As of September 30, 2016, we had no amounts outstanding under the revolving credit facility available under the 2015 Amended Credit Agreement (the *Revolving Credit Facility*). Funds available under the Revolving Credit Facility for future borrowings may be used to repay other debt, finance debt or share repurchases, acquisitions, capital expenditures and other general corporate purposes. We have a \$125.0 million letter of credit sublimit as part of the Revolving Credit Facility, which reduces our borrowing capacity under this facility by the cumulative amount of outstanding letters of credit. As of September 30, 2016, we had \$1.5 million of letters of credit issued against the Revolving Credit Facility and our borrowing availability was \$498.5 million.

2015 Senior Notes

Two of our subsidiaries (the *Borrowers*) are parties to an indenture dated May 22, 2015 (the *2015 Senior Notes Indenture*) in connection with the issuance of \$1,250.0 million of 4.625% first lien senior secured notes due January 15, 2022 (the *2015 Senior Notes*). The 2015 Senior Notes bear interest at a rate of 4.625% per annum and are payable semi-annually on January 15 and July 15 of each year. At September 30, 2016, we had outstanding \$1,250.0 million of 2015 Senior Notes. No principal payments are due until maturity. Based on the amount outstanding at September 30, 2016, required debt service for the next twelve months on the 2015 Senior Notes is \$57.8 million in interest payments.

2014 Senior Notes

The Borrowers are parties to an indenture dated October 8, 2014 (the *2014 Senior Notes Indenture*) in connection with the issuance of \$2,250.0 million of 6.00% second lien senior secured notes due April 1, 2022 (the *2014 Senior Notes*). The 2014 Senior Notes bear interest at a rate of 6.00% per annum, payable semi-annually on April 1 and October 1 of each year. At September 30, 2016, we had outstanding \$2,250.0 million of 2014 Senior Notes. No principal payments are due until maturity. Based on the amount outstanding at September 30, 2016, required debt service for the next twelve months on the 2014 Senior Notes is \$135.0 million in interest payments.

Tim Hortons Notes

At September 30, 2016, we had notes outstanding with the following carrying values and terms: (i) C\$48.0 million of 4.20% Senior Unsecured Notes, Series 1, due June 1, 2017, (ii) C\$2.6 million of 4.52% Senior Unsecured Notes, Series 2, due December 1, 2023 and (iii) C\$3.9 million of 2.85% Senior Unsecured Notes, Series 3, due April 1, 2019 (collectively, the *Tim Hortons Notes*). No principal payments are due until maturity. Based on the amounts outstanding at September 30, 2016, required debt service for the next twelve months on the Tim Hortons Notes is C\$2.2 million in interest payments and C\$48.0 million in principal payments.

As of September 30, 2016, we were in compliance with all covenants of the 2015 Amended Credit Agreement, the 2015 Senior Notes Indenture, the 2014 Senior Notes Indenture and the indenture governing the Tim Hortons Notes, and there were no limitations on our ability to draw on our Revolving Credit Facility.

Preferred Shares

In connection with the Transactions, Berkshire Hathaway Inc. (*Berkshire*) and the Company entered into a Securities Purchase Agreement (the *Security Purchase Agreement*) pursuant to which National Indemnity Company, a wholly owned subsidiary of Berkshire, purchased for an aggregate purchase price of \$3,000.0 million, (a) 68.5 million Class A 9.0% cumulative compounding perpetual voting preferred shares of the Company (the *Preferred Shares*) and (b) a warrant (the *Warrant*) to purchase common shares of the Company, at an exercise price of \$0.01 per common share of the Company, representing 1.75% of the fully-diluted common shares of the Company as of the closing of the

Transactions, including the common shares of the Company issuable upon the exercise of the Warrant, upon the terms and subject to the conditions set forth therein. On December 15, 2014, National Indemnity Company exercised the Warrant in full and received 8,438,225 common shares of the Company. Our articles provide that the maximum number of Preferred Shares that we are authorized to issue is limited to 68,530,939 Preferred Shares, which is the number of Preferred Shares issued to National Indemnity Company in connection with the Transactions.

Dividend Entitlements

The holders of the Preferred Shares are entitled to receive, as and when declared by our board of directors, cumulative cash dividends at an annual rate of 9.0% on the amount of the purchase price per Preferred Share, payable quarterly in arrears (regular quarterly dividends). Such dividends accrue daily on a cumulative basis, whether or not declared by our board of directors. If any such dividend or make-whole dividend is not paid in full on the scheduled payment date or the required payment date, as applicable

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(the unpaid portion, past due dividends), additional cash dividends (additional dividends) shall accrue daily on a cumulative basis on past due dividends at an annual rate of 9.0%, compounded quarterly, whether or not such additional dividends are declared by our board of directors, until the date the same are declared by our board of directors and paid in cash to the holders of the Preferred Shares. While our board of directors has declared, and we have paid, regular quarterly dividends on our Preferred Shares every quarter since the three months ended March 31, 2015, the board can elect not to declare such dividends in the future and, in such event, additional dividends will accrue on any past due dividends as set forth above.

Redemption

The Preferred Shares may be redeemed at our option, in whole or in part, at any time on and after the third anniversary of their original issuance on the closing date of the Transactions. After the tenth anniversary of the original issue date, holders of not less than a majority of the outstanding Preferred Shares may cause us to redeem the Preferred Shares at a 109.9% premium, or a redemption price of \$48.109657 per Preferred Share, plus accrued and unpaid dividends and unpaid make-whole dividends. Holders of Preferred Shares also hold a contingently exercisable option to cause us to redeem their Preferred Shares at the redemption price in the event of a change in control.

Cash Dividends

On April 4, 2016, we paid a dividend of \$0.14 per common share and Partnership made a distribution in respect of each Partnership exchangeable unit in the amount of \$0.14 per Partnership exchangeable unit. On April 1, 2016, we paid a dividend of \$0.98 per Preferred Share, for a total of \$67.5 million, which included the amount due for the first calendar quarter of 2016.

On July 6, 2016, we paid a dividend of \$0.15 per common share and Partnership made a distribution in respect of each Partnership exchangeable unit in the amount of \$0.15 per Partnership exchangeable unit. On July 5, 2016, we paid a dividend of \$0.98 per Preferred Share, for a total of \$67.5 million, which included the amount due for the second calendar quarter of 2016.

On October 4, 2016, we paid a dividend of \$0.16 per common share and Partnership made a distribution in respect of each Partnership exchangeable unit in the amount of \$0.16 per Partnership exchangeable unit. On October 3, 2016, we paid a dividend of \$0.98 per Preferred Share, for a total of \$67.5 million, which included the amount due for the third calendar quarter of 2016.

On October 24, 2016, our board of directors declared a cash dividend of \$0.17 per common share, which will be paid on January 4, 2017, to common shareholders of record on December 8, 2016. Partnership will also make a distribution in respect of each Partnership exchangeable unit in the amount of \$0.17 per Partnership exchangeable unit, and the record date and payment date for distributions on Partnership exchangeable units are the same as the record date and payment date set forth above. On October 24, 2016, our board of directors declared a cash dividend of \$0.98 per Preferred Share, for a total dividend of \$67.5 million which will be paid to the holder of the Preferred Shares on January 3, 2017. The dividend on the Preferred Shares includes the amount due for the fourth calendar quarter of 2016.

No dividend may be declared or paid on common shares of the Company until a dividend is declared or paid on the Preferred Shares. In addition, if holders of at least a majority of the outstanding Preferred Shares have delivered a notice to exercise their right to have the Company redeem the Preferred Shares, no dividend may be declared or paid on our common shares (except that dividends declared on our common shares prior to the date of such delivery may be paid) unless on the date of such declaration or payment all Preferred Shares subject to such notice have been

redeemed in full.

In addition, because we are a holding company, our ability to pay cash dividends on our common shares may be limited by restrictions under our debt agreements. Although we do not have a dividend policy, our board of directors may, subject to compliance with the covenants contained in our debt agreements and other considerations, determine to pay dividends in the future. We expect to pay all dividends from cash generated from our operations.

Outstanding Security Data

As of October 20, 2016, we had outstanding 234,111,128 common shares, 68,530,939 Preferred Shares and one special voting share. The special voting share is held by a trustee, entitling the trustee to that number of votes on matters on which holders of common shares are entitled to vote equal to the number of Partnership exchangeable units outstanding. The trustee is required to cast such votes in accordance with voting instructions provided by holders of Partnership exchangeable units. At any shareholder meeting of RBI, holders of our common shares vote together as a single class with the Preferred Shares and the special voting share, except as otherwise provided by law. For information on share-based compensation and our outstanding equity awards, see Note 19 to our audited consolidated financial statements in Part II, Item 8 of our Annual Report filed with the SEC and Canadian securities regulatory authorities on February 26, 2016.

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There were 227,049,533 Partnership exchangeable units outstanding as of October 20, 2016. Since December 12, 2015, the holders of Partnership exchangeable units have had the right to require Partnership to exchange all or any portion of such holder's Partnership exchangeable units for our common shares at a ratio of one common share for each Partnership exchangeable unit, subject to our right as the general partner of Partnership, at our sole discretion, to determine to settle any such exchange for a cash payment in lieu of issuing our common shares.

Comparative Cash Flows

Operating Activities

Cash provided by operating activities was \$919.0 million during the nine months ended September 30, 2016, compared to \$950.4 million during the same period in the prior year. The decrease in cash provided by operating activities was driven by the reclassification of restricted cash to cash and cash equivalents during 2015 and changes in working capital, partially offset by an increase in net income, excluding non-cash adjustments.

Investing Activities

Cash provided by investing activities was \$19.3 million for the nine months ended September 30, 2016, compared to cash used for investing activities of \$40.0 million during the same period in the prior year. The change in investing activities was driven primarily by a decrease in capital expenditures, partially offset by a decrease in proceeds from the settlement of derivative instruments.

Financing Activities

Cash used for financing activities was \$436.3 million for the nine months ended September 30, 2016, compared to \$1,680.9 million during the same period in the prior year. The decrease in cash used for financing activities was driven primarily by the repayment of a portion of the Term Loan Facility, the redemption of a portion of the Tim Hortons Notes and payments of financing costs, partially offset by proceeds from the offering of the 2015 Senior Notes in the prior year and higher dividend payments in the current year.

Critical Accounting Policies and Estimates

This discussion and analysis of financial condition and results of operations is based on our unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires our management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as related disclosures of contingent assets and liabilities. We evaluate our estimates on an ongoing basis and we base our estimates on historical experience and various other assumptions we deem reasonable to the situation. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Volatile credit, equity, foreign currency and energy markets, and declines in consumer spending have increased and may continue to create uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in our estimates could materially impact our results of operations and financial condition in any particular period. For a complete discussion of our critical and significant accounting policies and estimates, please see Management's Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K filed with the SEC and Canadian securities regulatory authorities on February 26, 2016.

New Accounting Pronouncements

See Note 3 *New Accounting Pronouncements*, in the notes to the accompanying unaudited condensed consolidated financial statements.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

There were no material changes during the three months ended September 30, 2016 to the disclosures made in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC and Canadian securities regulatory authorities on February 26, 2016.

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation was conducted under the supervision and with the participation of management, including the Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and Exchange Act Rules 15d-15(e)) as of September 30, 2016. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of such date.

Internal Control Over Financial Reporting

The Company's management, including the CEO and CFO, confirm that there were no changes in the Company's internal control over financial reporting during the three months ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Special Note Regarding Forward-Looking Statements

Certain information contained in this report, including information regarding future financial performance and plans, targets, aspirations, expectations, and objectives of management, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and forward-looking information within the meaning of Canadian securities laws. We refer to all of these as forward-looking statements. Forward-looking statements are forward-looking in nature and, accordingly, are subject to risks and uncertainties. These forward-looking statements can generally be identified by the use of words such as believe , anticipate , expect , intend , estimate , plan , continue , will , may , could , would , target , potential and other similar expressions and include, without limitation, statements regarding our expectations or beliefs regarding (i) our future financial obligations, including annual debt service requirements, capital expenditures and dividend payments, our ability to meet such obligations and the source of funds used to satisfy such obligations; and (ii) certain accounting and tax matters.

These forward looking statements represent management's expectations as of the date hereof. These forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. However, these forward-looking statements are subject to a number of risks and uncertainties and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results, level of activity, performance or achievements to differ materially from those expressed or implied by these forward-looking statements include, among other things, risks related to: (1) our substantial indebtedness, which could adversely affect our financial condition and prevent us from fulfilling our obligations; (2) significant and rapid fluctuations in interest rates and in the currency exchange markets and the effectiveness of our hedging activity; (3) the ability of our credit facilities and derivatives counterparties to fulfill their commitments and/or obligations; and (4) changes in applicable tax laws or interpretations thereof.

We operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. Finally, our future results will depend upon various other risks and uncertainties, including, but not limited to, those detailed in the section entitled Item 1A - Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC and Canadian securities regulatory authorities on February 26, 2016, as well as other materials that we from time to time file with, or furnish to, the SEC or file with Canadian securities regulatory authorities. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements in this section and elsewhere in this report. Other than as required under securities laws, we do not assume a duty to update these forward-looking statements, whether as a result of new information, subsequent events or circumstances, changes in expectations or otherwise.

Table of Contents**Part II Other Information****Item 6. Exhibits**

The exhibits listed in the accompanying index are filed as part of this report.

Exhibit Number	Description
10.37	Form of Restaurant Brands International Inc. Board Member Stock Option Award Agreement
31.1	Certification of Chief Executive Officer of Restaurant Brands International Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer of Restaurant Brands International Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer of Restaurant Brands International Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer of Restaurant Brands International Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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SIGNATURES

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

RESTAURANT BRANDS INTERNATIONAL INC.

(Registrant)

Date: October 24, 2016

By: /s/ Joshua Kobza

Name: Joshua Kobza, principal financial officer

Title: Chief Financial Officer

(principal financial officer)

(duly authorized officer)

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101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document