

Brookdale Senior Living Inc.  
Form 424B2  
June 10, 2011

**Table of Contents****CALCULATION OF REGISTRATION FEE**

<b>Title Of Each Class Of Securities To Be Registered</b>	<b>Maximum Aggregate Offering Price(1)</b>	<b>Amount of Registration Fee(2)</b>
2.75% Convertible Senior Notes due 2018	\$316,250,000	\$36,716.63

- (1) Includes \$41,250,000 principal amount of the 2.75% Convertible Senior Notes due 2018 that the underwriters have the option to purchase.
- (2) This Calculation of Registration Fee table shall be deemed to update the Calculation of Registration Fee in the Company's Registration Statement on Form S-3 (File No. 333-174766) in accordance with Rules 456(b) and 457(r) under the Securities Act of 1933, as amended.

**Filed Pursuant to Rule 424(b)(2)  
Registration No. 333-174766**

**PROSPECTUS SUPPLEMENT**

**(To prospectus dated June 7, 2011)**

**\$275,000,000**

**BROOKDALE SENIOR LIVING INC.  
2.75% Convertible Senior Notes due 2018**

We are offering \$275 million aggregate principal amount of 2.75% Convertible Senior Notes due 2018, or the notes. We will pay interest on the notes on June 15 and December 15 of each year, beginning December 15, 2011. The notes will mature on June 15, 2018, unless earlier repurchased by us or converted.

Holders may convert their notes at their option prior to the close of business on the second trading day immediately preceding the stated maturity date only under the following circumstances: (1) during any fiscal quarter commencing after the fiscal quarter ending September 30, 2011, if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period, which we refer to as the measurement period, in which the trading price per \$1,000 principal amount of notes for each trading day of that measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on each such day; or (3) upon the occurrence of specified corporate events. On and after March 15, 2018, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time, regardless of the foregoing circumstances. Upon conversion, we will satisfy our conversion obligation by paying or delivering, as the case may be, cash, shares of our common stock or a combination thereof at our election. The initial conversion rate for the notes will be 34.1006 shares of our common stock per \$1,000 principal amount of notes, equivalent to an initial conversion price of approximately \$29.325 per share of common stock. Such conversion rate will be subject to adjustment in certain events but will not be adjusted for accrued interest.

Following certain corporate transactions, we will increase the applicable conversion rate for a holder that elects to convert its notes in connection with such corporate transactions by a number of additional shares of our common stock

as described in this prospectus supplement.

We may not redeem the notes prior to their stated maturity date.

If we undergo a fundamental change, as defined in this prospectus supplement, holders may require us to purchase all or a portion of their notes for cash at a price equal to 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the fundamental change purchase date, as defined herein.

The notes will be our senior unsecured obligations, will be equal in right of payment with our other senior unsecured debt and will be senior in right of payment to our debt that is expressly subordinated to the notes, if any. The notes will also be structurally subordinated to all debt and other liabilities and commitments (including trade payables) of our subsidiaries. The notes will also be effectively subordinated to our secured debt to the extent of the assets securing such debt.

The notes will not be listed on any securities exchange. Our common stock trades on the New York Stock Exchange, or NYSE, under the symbol BKD. On June 8, 2011, the last sales price of the shares as reported on the NYSE was \$23.00 per share.

**Investing in the notes involves risks that are described in the Risk Factors section beginning on page S-12 of this prospectus supplement.**

	Per Note	Total
Public offering price (1)	100%	\$275,000,000
Underwriting discount	2.50%	\$6,875,000
Proceeds, before expenses, to us (1)	97.50%	\$268,125,000
(1) Plus accrued interest from June 14, 2011, if settlement occurs after that date		

We have granted the underwriters the right to purchase up to an additional \$41,250,000 principal amount of the notes within 13 days of the date of this prospectus supplement solely to cover overallocments, if any.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.**

The notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants on or about June 14, 2011.

*Joint Book-Running Managers*

**BofA Merrill Lynch**

**J.P. Morgan**

**RBC Capital Markets**

*Co-Managers*

**CSCA**

**Stifel Nicolaus Weisel**

The date of this prospectus supplement is June 8, 2011.

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We and the underwriters have not authorized anyone to provide you with different information or to make representations as to matters not stated or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus required to be filed with the Securities and Exchange Commission, or SEC. You must not rely on unauthorized information. This prospectus supplement and the accompanying prospectus

may be used only where it is legal to sell these securities. The information in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is only accurate on the respective dates of such documents.

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document is comprised of two parts. The first part is this prospectus supplement, which describes the terms of the offering of the notes and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. The second part is the accompanying prospectus, which provides more general information. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or any document incorporated herein and therein by reference, on the other hand, you should rely on the information in this prospectus supplement.

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements in this prospectus, any accompanying prospectus supplements and the documents incorporated by reference may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Those forward-looking statements are subject to various risks and uncertainties and include all statements that are not historical statements of fact and those regarding our intent, belief or expectations, including, but not limited to, all statements concerning the proposed mortgage loan, the statements relating to the consummation of the acquisition of Horizon Bay Realty, L.L.C. and the transactions with HCP, Inc. and Chartwell Seniors Housing Real Estate Investment Trust (including the anticipated timing thereof), our expectations concerning the future performance of the new communities and the effects of the transactions on our financial results (including our expectations with respect to its return on invested equity), our expectations regarding possible future investment or acquisition opportunities with respect to the managed assets, and our expectations regarding occupancy, revenue, cash flow, expenses, capital expenditures, Program Max opportunities, cost savings, the demand for senior housing, expansion and development activity, acquisition opportunities, asset dispositions and taxes; our belief regarding our growth prospects; our ability to secure financing or repay, replace or extend existing debt at or prior to maturity; our ability to remain in compliance with all of our debt and lease agreements (including the financial covenants contained therein); our expectations regarding liquidity; our plans to deleverage; our expectations regarding financings and refinancings of assets (including the timing thereof); our expectations regarding changes in government reimbursement programs and their effect on our results; our plans to generate growth organically through occupancy improvements, increases in annual rental rates and the achievement of operating efficiencies and cost savings; our plans to expand our offering of ancillary services (therapy, home health and hospice); our plans to expand, redevelop and reposition existing communities; our plans to acquire additional communities, asset portfolios, operating companies and home health agencies; the expected project costs for our expansion, redevelopment and repositioning program; our expected levels of expenditures and reimbursements (and the timing thereof); our expectations for the performance of our entrance fee communities; our ability to anticipate, manage and address industry trends and their effect on our business; our expectations regarding the payment of dividends; and our ability to increase revenues, earnings, Adjusted EBITDA, Cash From Facility Operations, and/or Facility Operating Income (as such terms are defined by incorporation by reference herein). Words such as anticipate(s), expect(s), intend(s), plan(s), target(s), project(s), predict(s), believe(s), may, will, would, could, should, seek(s), estimate(s) and similar intended to identify such forward-looking statements. These statements are based on management's current expectations and beliefs and are subject to a number of factors that could lead to actual results materially different from those described in the forward-looking statements. Although we believe that the assumptions underlying the forward-looking statements are reasonable, we can give no assurance that our expectations will be attained. Factors that could have a material adverse effect on our operations and future prospects or which could cause actual results to differ materially from our expectations include, but are not limited to, the risk that we may not be able to satisfy the closing conditions and successfully complete the transactions; the risk that we may not be able to successfully integrate the new communities into our operations; our inability to extend (or refinance) debt (including our credit and

letter of credit facilities) as it matures; the risk that we may not be able to satisfy the conditions precedent to exercising the extension options associated with certain of our debt agreements; events which adversely affect the ability of seniors to afford our monthly resident fees or entrance fees; the conditions of housing markets in certain geographic areas; our ability to generate

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sufficient cash flow to cover required interest and long-term operating lease payments; the effect of our indebtedness and long-term operating leases on our liquidity; the risk of loss of property pursuant to our mortgage debt and long-term lease obligations; the possibilities that changes in the capital markets, including changes in interest rates and/or credit spreads, or other factors could make financing more expensive or unavailable to us; changes in governmental reimbursement programs; our ability to effectively manage our growth; our ability to maintain consistent quality control; delays in obtaining regulatory approvals; our ability to complete acquisitions and integrate them into our operations; competition for the acquisition of assets; our ability to obtain additional capital on terms acceptable to us; a decrease in the overall demand for senior housing; our vulnerability to economic downturns; acts of nature in certain geographic areas; terminations of our resident agreements and vacancies in the living spaces we lease; increased competition for skilled personnel; increased union activity; departure of our key officers; increases in market interest rates; environmental contamination at any of our facilities; failure to comply with existing environmental laws; an adverse determination or resolution of complaints filed against us; the cost and difficulty of complying with increasing and evolving regulation; and other risks detailed from time to time in our filings with the SEC, press releases and other communications, including those set forth under Risk Factors included elsewhere in this prospectus and in the documents incorporated by reference in this prospectus. Such forward looking statements speak only as of the date of this prospectus. We expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

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**PROSPECTUS SUPPLEMENT SUMMARY**

*This summary highlights information contained elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference. This summary does not contain all of the information you should consider before making your decision to invest in the notes. You should read this entire prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein and therein, carefully before making an investment decision, especially the risks of investing in the notes and our common stock discussed under Risk Factors herein and therein and the consolidated financial statements and notes to those consolidated financial statements incorporated by reference herein and therein.*

*Unless the context suggests otherwise, references in this prospectus supplement to Brookdale, the Company, we, us and our refer to Brookdale Senior Living Inc. and its direct and indirect subsidiaries, except where it is clear that the term refers only to the parent company. References in this prospectus supplement to Fortress refer to Fortress Investment Group LLC and certain of its affiliates.*

***Brookdale Senior Living Inc.***

Brookdale Senior Living Inc. is a leading owner and operator of senior living communities throughout the United States. The Company provides an exceptional living experience through properties that are designed, purpose-built and operated to provide the highest quality service, care and living accommodations for residents. The Company owns, leases and operates retirement centers, assisted living and dementia-care communities and continuing care retirement centers, or CCRCs.

As of March 31, 2011, we were the largest operator of senior living communities in the United States based on total capacity, with 558 communities in 33 states and the ability to serve over 51,000 residents. As of March 31, 2011, we operated in four business segments: retirement centers, assisted living, CCRCs and management services.

As of March 31, 2011, we operated 75 retirement center communities with 14,199 units, 428 assisted living communities with 21,177 units, 36 CCRCs with 12,002 units and 19 communities with 3,784 units where we provide management services for third parties. The majority of our units are located in campus settings or communities containing multiple services, including CCRCs. For the quarter ended March 31, 2011, the weighted average occupancy rate for our owned/leased communities was 87.2%. For the quarter ended March 31, 2011, 44.4% of our revenues were generated from owned communities, 55.4% from leased communities and 0.2% from management fees from communities we operate on behalf of third parties. We generate approximately 79.1% of our revenues from private pay customers.

Our principal executive offices are located at 111 Westwood Place, Suite 400, Brentwood, Tennessee 37027 and our telephone number at that address is (615) 221-2250. Our website address is [www.brookdaleliving.com](http://www.brookdaleliving.com). The information on, or accessible through, our website is not part of this prospectus supplement or the accompanying prospectus and should not be relied upon in connection with making any investment decision with respect to the securities offered by this prospectus supplement and the accompanying prospectus.

***Growth Strategy***

Our primary growth objectives are to grow our revenues, Adjusted EBITDA, Cash From Facility Operations and Facility Operating Income (as such terms are defined by incorporation by reference herein of our Annual Report on Form 10-K for the year ended December 31, 2010 in the section entitled



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Management's Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measures ). Key elements of our strategy to achieve these objectives include:

*Organic growth in our core business, including expense control and the realization of economies of scale.* We plan to grow our existing operations by increasing revenues through a combination of occupancy growth and monthly service fee increases as a result of our competitive strength and growing demand for senior living communities. In addition, we intend to take advantage of our sophisticated operating and marketing expertise to retain existing residents and attract new residents to our communities. We also plan to continue our efforts to achieve cost savings through the realization of additional economies of scale. The size of our business has allowed us to achieve savings in the procurement of goods and services and increased efficiencies with respect to various corporate functions, and we expect that we can achieve additional savings and efficiencies.

*Growth through the continued expansion of our ancillary services programs (including therapy, home health and hospice services).* We plan to grow our revenues by further expanding our Innovative Senior Care program throughout our retirement centers, assisted living, CCRCs and management services segments. This expansion includes expanding the scope of services provided at the communities currently served and the continuing rollout of home health to communities not currently serviced. In addition, we plan to grow our revenues from ancillary services through the maturation of existing clinics. Through the Innovative Senior Care program, we currently provide therapy, home health and other ancillary services, as well as education and wellness programs, to residents of many of our communities. These programs are focused on wellness and physical fitness to allow residents to maintain maximum independence. These services provide many continuing education opportunities for residents and their families through health fairs, seminars, and other consultative interactions. The therapy services we provide include physical, occupational, speech and other specialized therapy and home health services. The home health services we provide include skilled nursing, physical therapy, occupational therapy, speech language pathology, home health aide services as well as social services as needed. In addition to providing these in-house therapy and wellness services at our communities, we also provide these services to other senior living communities that we do not own or operate and to seniors living outside of our communities. These services may be reimbursed under the Medicare program or paid directly by residents from private pay sources and revenues are recognized as services are provided. We also plan to begin offering hospice services in certain locations. We believe that our Innovative Senior Care program is unique in the senior living industry and that we have a significant advantage over our competitors with respect to providing ancillary services because of our established infrastructure and experience. We believe there is a significant opportunity to grow our revenues by continuing to expand the scope of services at communities currently served and continuing the rollout of home health to additional communities, which we believe will increase our revenue per unit in the future. As of March 31, 2011, we offered therapy services to approximately 38,435 of our units and home health services to approximately 27,277 of our units.

*Growth through the expansion, redevelopment and repositioning of existing communities.* Through our Program Max initiative, we intend to grow our revenues and cash flows through the expansion, redevelopment and repositioning of certain of our existing communities where economically advantageous. Certain of our communities with stabilized occupancies and excess demand in their respective markets may benefit from additions and expansions (which additions and expansions may be subject to landlord, lender and other third party consents) offering increased capacity. Additionally, the community, as well as our presence in the market, may benefit from adding a new level of service for residents. Through Program Max, we may also reposition certain communities to meet the evolving needs of our customer. This may include converting space from one level of care to another,

reconfiguration of existing units, or the addition of services that are not currently present.

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*Growth through the acquisition and consolidation of asset portfolios and other senior living companies.* As opportunities arise, we plan to continue to take advantage of the fragmented continuing care, independent living and assisted living sectors by selectively purchasing existing operating companies, asset portfolios, home health agencies and communities. We may also seek to acquire the fee interest in communities that we currently lease or manage. Our acquisition strategy will continue to focus primarily on communities where we can improve service delivery, occupancy rates and cash flow.

***Competitive Strengths***

We believe our nationwide network of senior living communities is well positioned to benefit from the growth and increasing demand in the industry. Some of our most significant competitive strengths are:

*Skilled management team with extensive experience.* Our senior management team has extensive experience in acquiring, operating and managing a broad range of senior living assets, including experience in the senior living, healthcare, hospitality and real estate industries.

*Geographically diverse, high-quality, purpose-built communities.* As of March 31, 2011, we operate a nationwide base of 558 purpose-built communities in 33 states, including 77 communities in nine of the ten most populous standard metropolitan statistical areas

*Ability to provide a broad spectrum of care.* Given our diverse mix of retirement centers, assisted living communities and CCRCs, we are able to meet a wide range of our customers' needs. We believe that we are one of the few companies in the senior living industry with this capability and the only company that does so at scale on a national basis. We believe that our multiple product offerings create marketing synergies and cross-selling opportunities.

*The size of our business allows us to realize cost and operating efficiencies.* We are the largest operator of senior living communities in the United States based on total capacity. The size of our business allows us to realize cost savings and economies of scale in the procurement of goods and services. Our scale also allows us to achieve increased efficiencies with respect to various corporate functions. We intend to utilize our expertise and size to capitalize on economies of scale resulting from our national platform. Our geographic footprint and centralized infrastructure provide us with a significant operational advantage over local and regional operators of senior living communities. In connection with our formation transactions and our acquisitions, we negotiated new contracts for food, insurance and other goods and services. In addition, we have and will continue to consolidate corporate functions such as accounting, finance, human resources, legal, information technology and marketing. We began to realize these savings upon the completion of our formation transactions in September 2005 and have realized additional savings as we continued to consolidate and integrate various corporate functions.

*Significant experience in providing ancillary services.* Through our Innovative Senior Care program, we provide a range of education, wellness, therapy, home health and other ancillary services to residents of certain of our retirement centers, assisted living, and CCRC communities. Having therapy clinics and home health agencies located in our senior living communities to provide needed services to our residents is a distinct competitive difference. We have significant experience in providing these ancillary services and expect to receive additional revenues as we expand our ancillary service offerings to additional communities and to seniors living outside of our communities.



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***Recent Developments***

*Horizon Bay/HCP Transactions*

On June 1, 2011, the Company announced that it has entered into a definitive agreement to acquire 100% of the equity interests in Horizon Bay Realty, L.L.C., or Horizon Bay, the ninth largest operator of senior living communities in the United States. Upon completion of the Horizon Bay transaction, the Company will add to its portfolio 90 communities with over 16,000 units in 19 states.

In connection with the transaction, the Company has entered into definitive agreements and customary guarantees related thereto to restructure Horizon Bay's existing relationship with HCP, Inc., or HCP, relating to 33 communities that Horizon Bay currently leases from HCP. In particular, the Company will (i) form a joint venture with HCP to own and operate 21 communities, and (ii) lease the remaining 12 communities from HCP. The joint venture with HCP will utilize a RIDEA structure with Brookdale acquiring a 10% interest. Brookdale will manage the communities under a ten-year management agreement with 4 five-year renewal options and will retain all ancillary services operations. The 21-community portfolio has a total of 5,070 units (approximately 4,252 independent living, 736 assisted living, and 82 Alzheimer's/dementia care) and is primarily located in Florida, Texas, Illinois and Rhode Island.

Brookdale will lease 12 communities from HCP subject to long term, triple net leases. The leased portfolio has a total of 1,547 units (approximately 588 independent living, 578 assisted living, 225 Alzheimer's/dementia care and 156 skilled nursing units) and is primarily located in Texas and Rhode Island. In addition, Horizon Bay leases an additional community from HCP pursuant to a triple net lease and subleases that community to a third-party operator.

Horizon Bay provides management services to the remaining 57 Horizon Bay communities, which contain approximately 9,548 units, consisting of 5,445 independent living units, 3,011 assisted living units, 567 Alzheimer's/dementia care units and 525 skilled nursing beds in 15 states. Horizon Bay's primary third party management relationships are with Chartwell Seniors Housing Real Estate Investment Trust, or Chartwell, (45 communities, 6,420 units) and AEW Capital Management (three communities and 1,690 units, excluding two additional communities transitioning to Horizon Bay in the near term). As part of the transactions, the Company and Chartwell expect to simplify and restructure Horizon Bay's existing management relationships with Chartwell.

The consummation of the foregoing transactions is subject to the satisfaction of various contingencies and conditions and there can be no assurance that the foregoing transactions with Horizon Bay, HCP or Chartwell will be consummated or, if they are, that they will be consummated on the terms described above.

*Proposed Refinancing Transaction*

We recently entered into a term sheet for an approximately \$417.0 million mortgage loan. We currently are in negotiations regarding this transaction and anticipate closing it in July 2011. Approximately 75% of the proposed loan is expected to bear interest at a fixed rate of approximately 4.11%, with the remaining approximately 25% bearing interest at a variable rate of 30 day LIBOR plus a margin of approximately 187 basis points. The contemplated loan would be secured by mortgages on certain of our communities and would mature in 2018.

We anticipate using a portion of the net proceeds from this offering, together with the proceeds from the proposed loan and cash on hand, to repay approximately \$628.1 million of mortgage debt due in 2012 and \$84.1 million of mortgage debt due in 2013. After giving effect to the application of the net proceeds from this offering and the transactions contemplated by the refinancing term sheet, we would not have any mortgage debt maturities until 2013, other than periodic, scheduled principal amortization.



The consummation of the proposed refinancing is subject to the satisfaction of various contingencies and conditions. There can be no assurance that the refinancing transaction will be consummated or, if it is, that it will be consummated on the terms described above.

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**THE OFFERING**

*The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. Please see the "Description of the Notes" section of this prospectus supplement for a more detailed description of the terms of the notes and the subsections mentioned specifically in this summary for a more complete understanding of the notes.*

<b>Issuer</b>	Brookdale Senior Living Inc.
<b>Securities Offered</b>	\$275,000,000 aggregate principal amount of 2.75% Convertible Senior Notes due 2018. We have granted the underwriters a 13-day option to purchase up to an additional \$41,250,000 principal amount of the notes solely to cover overallotments, if any.
<b>Maturity</b>	The notes will mature on June 15, 2018, subject to earlier repurchase or conversion.
<b>Interest</b>	The notes will bear interest at a rate of 2.75% per year.
<b>Interest Payment Dates</b>	Interest on the notes will be payable semi-annually in arrears on June 15 and December 15 of each year, commencing on December 15, 2011. Interest will accrue from the issue date of the notes.
<b>Ranking</b>	The notes will be our senior unsecured obligations and will rank equal in right of payment to all of our other senior unsecured debt. The notes will be senior in right of payment to any of our debt which is subordinated by its terms to the notes. The notes will also be structurally subordinated to all debt and other liabilities and commitments (including trade payables) of our subsidiaries. The notes will also be effectively subordinated to our secured debt to the extent of the assets securing such debt. As of March 31, 2011, on a consolidated basis we had approximately \$2.5 billion of total indebtedness, substantially all of which is secured by mortgages issued by our subsidiaries.
<b>Conversion Rights</b>	Holder may convert their notes at their option at any time prior to the close of business on the second scheduled trading day immediately preceding the stated maturity date of the notes, in multiples of \$1,000 principal amount, under the following circumstances:  during any fiscal quarter commencing after the fiscal quarter ending September 30, 2011, if the last reported sale price of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter exceeds 130% of the conversion price for the notes on the last day of such preceding fiscal quarter;



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during the five business-day period immediately after any five consecutive trading-day period, which we refer to as the measurement period, in which the trading price per \$1,000 principal amount of notes for each trading day of that measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate for the notes for each such day; or  
upon the occurrence of specified corporate transactions described under Description of the Notes Conversion Rights Conversion upon Specified Corporate Transactions.

In addition, holders may convert their notes at their option at any time beginning on March 15, 2018, and ending on the close of business on the second trading day immediately preceding the stated maturity date for the notes, without regard to the foregoing circumstances.

The initial conversion rate for the notes will be 34.1006 shares of our common stock per \$1,000 principal amount of notes, equivalent to an initial conversion price of approximately \$29.325 per share of common stock. Such conversion rate will be subject to adjustment in certain events but will not be adjusted for accrued interest.

Upon conversion, we will satisfy our conversion obligation by paying or delivering, as the case may be, cash, shares of our common stock or a combination thereof at our election as described under Description of the Notes Conversion Rights Settlement Upon Conversion. We refer to our obligation to pay or deliver these amounts as our conversion obligation. If we satisfy our conversion obligation solely in cash or through payment and delivery of a combination of cash and shares of our common stock, the amount of cash and shares of our common stock, if any, due upon conversion will be based on a daily conversion value (as described herein) calculated on a proportionate basis for each trading day in the 30 trading-day cash settlement averaging period (as described herein). See Description of the Notes Conversion Rights Settlement Upon Conversion.

In addition, following certain corporate transactions, we will increase the conversion rate for a holder who elects to convert in connection with such corporate transactions by a number of additional shares of our common stock as described under Description of the Notes Conversion Rights Conversion Rate Adjustments.

You will not receive any additional cash payment, including any additional interest, upon conversion of a note except in circumstances described in Description of the Notes Conversion Rights General. Instead, interest will be deemed paid by the cash and, if applicable, shares of our common paid or delivered, as the case may be, to you upon conversion of a note.



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<b>Optional Redemption</b>	We may not redeem the notes prior to their stated maturity date.
<b>Fundamental Change</b>	If we undergo a fundamental change (as defined under Description of the Notes Fundamental Change Permits Holders to Require Us to Purchase Notes ), subject to certain conditions, you will have the option to require us to repurchase all or any portion of your notes. The fundamental change purchase price will be 100% of the principal amount of the notes to be repurchased plus any accrued and unpaid interest, including any additional interest, to but excluding the fundamental change purchase date.
<b>Events of Default</b>	For a discussion of events that will permit acceleration of the payment of the principal and accrued interest on the notes, see Description of the Notes Events of Default in this prospectus supplement.
<b>Book-Entry Form</b>	The notes will be issued only in fully registered book-entry form and will be represented by one or more global notes deposited with, or on behalf of, DTC and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances. See Description of the Notes Book-Entry, Delivery and Form.
<b>Convertible Note Hedge and Warrant Transactions</b>	<p>We have entered into privately-negotiated convertible note hedge transactions with one or more financial institutions, which may include the underwriters or their respective affiliates, or the hedge counterparties, which are expected to reduce the potential dilution to our common stock upon any conversion of the notes. We also have entered into warrant transactions with the hedge counterparties with respect to our common stock pursuant to which we may issue shares of our common stock. In connection with these transactions, we expect to use approximately \$27.8 million of the net proceeds of this offering, representing the cost to us of the convertible note hedge transactions, after taking into account the proceeds to us of the warrant transaction. If the underwriters exercise their over-allotment option to purchase additional notes, we expect to use a portion of the net proceeds from the sale of such additional notes to increase the number of shares of our common stock underlying the convertible note hedges and the warrant transactions.</p> <p>In connection with hedging the convertible note hedges and warrant transactions, the hedge counterparties and/or their affiliates may enter into various derivative transactions with respect to our common stock concurrently with, or shortly after, the pricing of the notes, and may enter into, or may unwind various derivative transactions and/or purchase or sell our common stock in secondary market transactions following the pricing of the notes and prior to the maturity of the notes (and are likely to do so</p>



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during any conversion period related to any conversion of the notes). These activities could have the effect of increasing or preventing a decline in, or having a negative effect on, the value of our common stock concurrently with or following the pricing of the notes and could have the effect of increasing or preventing a decline in the value of our common stock during any conversion period related to a conversion of the notes.

The hedge counterparties and/or their affiliates may modify their hedge positions from time to time prior to conversion or maturity of the notes by purchasing and selling shares of our common stock through market transactions or entering into derivative transactions or by purchasing or selling other securities (including the notes) during the conversion period for a conversion of notes, which may have a negative effect on the value of the consideration received upon conversion of those notes. The effect, if any, of any of these transactions and activities on the trading price of our common stock or the notes will depend in part on market conditions and cannot be ascertained at this time, but any of these activities could adversely affect the value of our common stock and the value of the notes and, as a result, the conversion value you will receive upon the conversion of the notes and, under certain circumstances, your ability to convert notes.

**Use of Proceeds**

We estimate that the net proceeds from this offering, after deducting estimated fees and expenses and the underwriters' discounts and commissions, will be approximately \$267.8 million (\$308.1 million if the underwriters exercise in full their over-allotment option). We intend to use (i) a portion of the net proceeds from this offering, together with proceeds from the warrant transaction, to pay the cost of the convertible note hedges and (ii) the remaining proceeds to repay a portion of our outstanding mortgage debt and for general corporate purposes. For more information, see Use of Proceeds.

**No Prior Market**

The notes will be new securities for which there is currently no market. Although the underwriters have informed us that they intend to make a market in the notes, they are not obligated to do so, and may discontinue market-making at any time without notice. Accordingly, we cannot assure you that a liquid market for the notes will develop or be maintained. The notes will not be listed on any securities exchange.

**New York Stock Exchange Symbol for Our Common Stock**

Our common stock is listed on the New York Stock Exchange under the symbol BKD.

**Certain United States Federal Income Tax Considerations**

You should consult your tax advisor with respect to the United States federal income tax consequences of owning the notes and the common stock into which the notes may be converted in light of your own particular situation and with respect to any tax consequences arising under the laws of any state, local, foreign or





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other taxing jurisdiction. See Certain United States Federal Income Tax Considerations.

**Trustee**

American Stock Transfer & Trust Company, LLC.

**Risk Factors**

You should carefully consider all of the information in this prospectus supplement. See Risk Factors beginning on page S-12 in this prospectus supplement, and Part I, Item 1A, Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010, which is incorporated herein by reference. See also Cautionary Statement Concerning Forward-Looking Statements in this prospectus supplement.

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The following table sets forth certain summary consolidated financial information on a historical basis.

The summary consolidated financial information set forth below as of December 31, 2010, 2009 and 2008 and for each of the three years ended December 31, 2010, has been derived from our audited consolidated financial statements. The summary historical financial information set forth below as of March 31, 2011 and 2010, and for the three months ended March 31, 2011 and 2010, has been derived from our unaudited interim consolidated financial statements. The interim results of operations are not necessarily indicative of operations for a full fiscal year.

	<b>For the Three Months Ended March 31,</b>		<b>For the Years Ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>(unaudited)</b>		<b>(in thousands, except per share and other operating data)</b>		
<b>Statement of Operations</b>					
<b>Data:</b>					
Total revenue	\$569,440	\$544,424	\$2,213,264	\$2,023,068	\$1,928,054
Facility operating expense	370,954	355,324	1,437,930	1,302,277	1,261,581
General and administrative expense	33,543	31,952	131,709	134,864	140,919
Facility lease expense	66,315	68,249	270,905	272,096	269,469
Depreciation and amortization	71,782	73,061	292,341	271,935	276,202
Facility lease termination expense			4,608		
(Gain) loss on sale of communities, net			(3,298)	2,043	
Goodwill and asset impairment	14,846		13,075	10,073	220,026
Total operating expense	557,440	528,586	2,147,270	1,993,288	2,168,197
Income (loss) from operations	12,000	15,838	65,994	29,780	(240,143)
Interest income	625	627	2,238	2,354	7,618
Interest expense:					
Debt	(31,561)	(33,280)	(132,641)	(128,869)	(147,389)
Amortization of deferred financing costs and debt discount	(2,704)	(2,596)	(8,963)	(9,505)	(9,707)
Change in fair value of derivatives and amortization	(8)	(2,640)	(4,118)	3,765	(68,146)

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Loss on extinguishment of debt, net	(2,894)	(19)	(1,557)	(1,292)	(3,052)
Equity in earnings (loss) of unconsolidated ventures	266	397	168	440	(861)
Other non-operating (expense) income	817		(1,454)	4,146	1,708
Loss before income taxes	(23,459)	(21,673)	(80,333)	(99,181)	(459,972)
Benefit for income taxes	11,154	7,378	31,432	32,926	86,731
Net loss	(12,305)	(14,295)	\$(48,901)	\$(66,255)	\$(373,241)
Basic and diluted net loss per share	\$(0.10)	\$(0.12)	\$(0.41)	\$(0.60)	\$(3.67)
Weighted average shares of common stock used in computing basic and diluted loss per share	120,792	119,315	120,010	111,288	101,667
Dividends declared per share of common stock	\$	\$	\$	\$	\$0.75
<b>Other Operating Data:</b>					
Total number of communities (at end of period)	558	564	559	565	548
Total units operated (1) (2)	50,394	50,964	50,870	49,536	49,165
Occupancy rate (weighted average) (2)	87.2%	86.6%	87.1%	86.5%	87.6%
Average monthly revenue per unit (2) (3)	\$4,609	\$4,386	\$4,439	\$4,253	\$4,031

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	<b>As of March 31,</b>		<b>As of December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>(unaudited)</b>		<b>(dollars in thousands)</b>		
<b>Balance Sheet Data:</b>					
Cash and cash equivalents	\$36,732	\$65,613	\$81,827	\$66,370	\$53,973
Total assets	\$4,431,268	\$4,638,057	\$4,530,470	\$4,649,879	\$4,449,258
Total debt	\$2,464,287	\$2,614,667	\$2,570,296	\$2,625,526	\$2,552,929
Total stockholders' equity	\$1,052,759	\$1,077,538	\$1,059,997	\$1,086,582	\$960,601

- (1) Total units operated represent the average units operated during the period, excluding equity homes.
- (2) Beginning in 2010, total units operated, occupancy rates and average monthly revenue per unit are reported using an average unit methodology based on a consistent treatment of units across all product lines, as compared to the historical method where occupancy was reported based upon unit calculations that varied by product line. Total units operated, occupancy rates and average monthly revenue per unit for 2009 and 2008 have been recast to conform to the current presentation.
- (3) Average monthly revenue per unit represents the average of the total monthly revenues, excluding amortization of entrance fees, divided by average occupied units.

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**RISK FACTORS**

*The following risk factors, as well as those relating to our business under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2010, which are incorporated herein by reference, should be considered prior to purchasing any of the notes offered for sale pursuant to this prospectus supplement. These risk factors may be amended, supplemented or superseded from time to time by risk factors contained in any reports that we file with the SEC. There may be additional risks that are not presently material or known. If any of the events described below occur, our business, financial condition, results of operations, liquidity or access to the debt or capital markets could be materially adversely affected. The following risks could cause our actual results to differ materially from our historical experience and from any estimates or expectations set forth in forward-looking statements made in or incorporated by reference in this prospectus supplement, the accompanying prospectus or the documents incorporated herein or therein by reference.*

**Risks Related to the Notes and Our Common Stock**

*The notes will be unsecured and rank equal in right of payment with our other senior unsecured debt, will be effectively subordinated to our secured debt (to the extent of the value of the assets securing that debt) and will be structurally subordinated to all debt and other liabilities of our subsidiaries, including trade payables.*

The notes will rank equal in right of payment with our other senior unsecured debt. The notes will not be secured by any of our assets or those of our subsidiaries. As a result, the notes will be effectively subordinated to any of our secured debt to the extent of the value of the assets securing that debt. In any liquidation, dissolution, bankruptcy or other similar proceeding, holders of our secured debt may assert rights against any assets securing that debt and will be entitled to receive full payment of their debt from the proceeds of those assets before those proceeds may be used to pay the holders of the notes. In the event of our insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up, holders of the notes will participate ratably with all holders of our other senior unsecured debt. In that event, because the notes will not be secured by any of our assets, we may not have sufficient assets to pay amounts due on any or all of the notes then outstanding. In addition, if we fail to meet our payments or other obligations under any future secured debt, the holders of that secured debt would be entitled to foreclose on our assets securing that secured debt and liquidate those assets to the exclusion of the holders of the notes.

None of our subsidiaries will guarantee our obligations under, or otherwise become obligated to pay any amounts due on, the notes. Our right to receive assets from any of our subsidiaries upon their liquidation, dissolution, bankruptcy or other similar proceeding, and the right of holders of the notes to participate in those assets, is structurally subordinated to all debt and other liabilities of our subsidiaries, including trade creditors. The ability of our subsidiaries to pay dividends and make other payments to us may be restricted by, among other things, applicable corporate and other laws and regulations as well as agreements to which our subsidiaries are and may become a party. Even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of that subsidiary and any debt of that subsidiary that ranks senior to the intercompany debt held by us.

As of March 31, 2011, on a consolidated basis we had approximately \$2.5 billion of total indebtedness, substantially all of which is secured by mortgages issued by our subsidiaries.

Despite our current consolidated debt levels, we and our subsidiaries may be able to incur substantial additional debt in the future, subject to the restrictions contained in our debt instruments, some of which may be secured debt or additional senior debt. We will not be restricted under the terms of the indenture governing the notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that are not

limited by the terms of the indenture governing the notes that could have the effect of diminishing our ability to make payments on the notes when due.

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*The notes are not protected by restrictive covenants.*

The indenture governing the notes does not contain any financial or operating covenants or restrictions on the payments of dividends, the incurrence of debt or the issuance or repurchase of securities by us or any of our subsidiaries. Because of the absence of any of the foregoing restrictions, we may conduct our businesses in a manner that may cause the market price of our notes and common stock to decline or otherwise restrict or impair our ability to pay amounts due on the notes. In addition, the indenture does not contain covenants or other provisions to afford protection to holders of the notes in the event of a change of control or other events that may adversely affect our financial condition involving us, except upon a fundamental change, as defined and to the extent described in this prospectus supplement.

*The price of our common stock may fluctuate significantly, which could negatively affect us and holders of the notes and may prevent you from being able to convert the notes and may impact the price of the notes, making them more difficult to sell.*

We expect that the market price of the notes will be significantly affected by the market price of our common stock. The market price of our common stock could fluctuate significantly for many reasons, including in response to the risks described in this section, elsewhere in this prospectus supplement and the accompanying prospectus or the documents we have incorporated by reference in this prospectus supplement and the accompanying prospectus or for reasons unrelated to our operations, such as reports by industry analysts, investor perceptions, as well as industry conditions and general financial, economic and political instability. This may result in greater volatility in the market price of the notes than would be expected for nonconvertible debt securities. A decrease in or volatility of the market price of our common stock would likely adversely impact the trading price of the notes and your ability to sell the notes.

*As a holder of notes, you will not be entitled to any rights with respect to our common stock, but you will be subject to all changes made with respect to our common stock.*

If you hold notes, you will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but you will be subject to all changes affecting our common stock. You will have the rights with respect to our common stock only when we deliver shares of common stock, if any, to you upon conversion of your notes. For example, in the event that an amendment is proposed to our amended and restated certificate of incorporation and our amended and restated by-laws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to the date you are deemed to have received common stock, if any, upon conversion, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

*The market price and trading volume of our common stock may be volatile, which could result in rapid and substantial losses for our stockholders.*

The market price of our common stock may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. If the market price of our common stock declines significantly, you may be unable to resell your shares at or above market price. We cannot assure you that the market price of our common stock will not fluctuate or decline significantly in the future. Some of the factors that could negatively affect our share price (and the trading price of the notes) or result in fluctuations in the price or trading volume of our common stock (or the notes) include:



variations in our quarterly operating results;

changes in our earnings estimates;

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the contents of published research reports about us or the senior living industry or the failure of securities analysts to cover our common stock;

additions or departures of key management personnel;

any increased debt we may incur or lease obligations we may enter into in the future;

actions by institutional stockholders;

changes in market valuations of similar companies;

announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;

speculation or reports by the press or investment community with respect to the Company or the senior living industry in general;

increases in market interest rates that may lead purchasers of our shares to demand a higher yield;

changes or proposed changes in laws or regulations affecting the senior living industry or enforcement of these laws and regulations, or announcements relating to these matters; and

general market and economic conditions.

*Future issuances of shares of common stock or sales of additional shares or other securities may depress the trading price of our common stock and the notes.*

Any issuance of equity securities after this offering, including any issuance of shares of our common stock upon conversion of the notes, could dilute the interests of our existing stockholders, including stockholders who have received shares of our common stock upon conversion of their notes, and could substantially decrease the trading price of our common stock and the notes. Sales of our common stock in the public market or sales of any of our other securities could dilute ownership, and even the perception that such sales could occur could cause the market price of our common stock to decline. The market price of our common stock also could decline as a result of sales of shares of our common stock made after this offering or the perception that such sales could occur.

At June 3, 2011, 121,959,031 shares of our common stock were outstanding (excluding unvested restricted shares). All of the shares of our common stock are freely transferable, except for any shares held by our affiliates, as that term is defined in Rule 144 under the Securities Act, or any shares otherwise subject to the limitations of Rule 144.

Pursuant to our Stockholders Agreement, dated as of November 28, 2005, by and among the Company and the stockholders named therein, as amended, supplemented or modified from time to time, or our Stockholders Agreement, Fortress and certain of its affiliates and permitted third-party transferees have the right, in certain circumstances, to require us to register their shares of our common stock under the Securities Act for sale into the public markets. In connection with our obligations under our Stockholders Agreement, we have on file with the SEC an effective registration statement permitting the resale, from time to time, of up to 20,091,326 shares of common stock owned by certain affiliates of Fortress. The shares covered by the registration statement are freely transferable pursuant to the registration statement and by subsequent purchasers that are not our affiliates.



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In addition, as of December 31, 2010, we had registered under the Securities Act an aggregate of 12,100,000 shares for issuance under our Omnibus Stock Incentive Plan, an aggregate of 1,000,000 shares for issuance under our Associate Stock Purchase Plan and an aggregate of 100,000 shares for issuance under our Director Stock Purchase Plan. In accordance with the terms of the Omnibus Stock Incentive Plan, the number of shares available for issuance automatically increases by 400,000 shares on January 1 of each year. Pursuant to the terms of the Associate Stock Purchase Plan, the number of shares available for purchase under the plan automatically increases by 200,000 shares on the first day of each calendar year beginning January 1, 2010. Subject to any restrictions imposed on the shares and options granted under our stock incentive programs, shares registered under these registration statements will be available for sale into the public markets.

*Your ability to transfer the notes may be limited by the absence of an active trading market, and there is no assurance that any active trading market will develop for the notes.*

The notes are a new issue of securities for which there is no established public market. The underwriters have advised us that they intend to make a market in the notes as permitted by applicable laws and regulations; however, they are not obligated to make a market in the notes, and they may discontinue market-making activities at any time without notice. Therefore, an active market for the notes may not develop or, if developed, may not continue. The liquidity of any market for the notes will depend upon the number of holders of the notes, our performance, the market for similar securities, the interest of securities dealers in making a market in the notes and other factors. A liquid trading market may not develop for the notes. If a market develops, the notes could trade at prices that may be lower than the initial offering price of the notes. If an active market does not develop or is not maintained, the price and liquidity of the notes may be adversely affected.

*Any adverse rating of the notes may negatively affect the trading price and liquidity of the notes and the price of our common stock.*

*We do not intend to seek a rating on the notes.* However, if a rating service were to rate the notes and if such rating service were to assign the notes a rating lower than the rating expected by investors or were to lower its rating on the notes below the rating initially assigned to the notes or otherwise announce its intention to put the notes on credit watch, the trading price or liquidity of the notes and the price of our common stock could decline.

*Recent regulatory actions may adversely affect the trading price and liquidity of the notes.*

We expect that many investors in, and potential purchasers of, the notes will employ, or seek to employ, a convertible arbitrage strategy with respect to the notes. Investors that employ a convertible arbitrage strategy with respect to convertible debt instruments typically implement that strategy by selling short the common stock underlying the convertible notes and dynamically adjusting their short position while they hold the notes. Investors may also implement this strategy by entering into swaps on the common stock in lieu of or in addition to short selling the common stock. As a result, any specific rules regulating equity swaps or short selling of securities or other governmental action that interferes with the ability of market participants to effect short sales or equity swaps with respect to our common stock could adversely affect the ability of investors in, or potential purchasers of, the notes to conduct the convertible arbitrage strategy that we believe they will employ, or seek to employ, with respect to the notes. This could, in turn, adversely affect the trading price and liquidity of the notes.

At an open meeting on February 24, 2010, the SEC adopted a new short sale price test through an amendment to Rule 201 of Regulation SHO, or Rule 201. The amendments to Rule 201 became effective on May 10, 2010, and restrict short selling when the price of a covered security has triggered a circuit breaker by falling at least 10% in one day, at which point short sale orders can be displayed or executed only if the order price is above the current national

best bid, subject to certain limited exceptions. Compliance with the amendments to Rule 201 was required by November 10, 2010. Because our common stock is a covered

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security, the new restrictions may interfere with the ability of investors in, and potential purchasers of, the notes, to effect short sales in our common stock and conduct the convertible arbitrage strategy that we believe they will employ, or seek to employ, with respect to the notes.

In addition, on June 10, 2010, the SEC approved a six-month pilot (the circuit breaker pilot) pursuant to which several national securities exchanges and the Financial Industry Regulatory Authority, Inc., or FINRA, adopted rules to halt trading in securities included in the S&P 500 Index if the price of any such security moves 10% or more from a sale in a five-minute period. On September 10, 2010, the SEC approved an expansion of the circuit breaker pilot to include component securities of the Russell 1000 Index and over 300 exchange traded funds. Our common stock is not included in either the S&P 500 Index or the Russell 1000 Index and therefore is not subject to the circuit breaker pilot at this time. However, the SEC could further expand the circuit breaker pilot in the future or adopt other rules that limit trading in response to market volatility. Any such additional regulatory actions may decrease or prevent an increase in the market price or liquidity of our common stock or interfere with the ability of investors in, and potential purchasers of, the notes to effect hedging transactions in or relating to our common stock and conduct the convertible arbitrage strategy that we believe they will employ, or will seek to employ, with respect to the notes.

On July 21, 2010, the United States enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act. This new legislation may require many over-the-counter swaps to be centrally cleared and traded on exchanges or comparable trading facilities. In addition, swap dealers and major market participants may be required to comply with margin and capital requirements as well as public reporting requirements to provide transaction and pricing data on both cleared and uncleared swaps. These requirements could adversely affect the ability of investors in, or potential purchasers of, the notes to implement a convertible arbitrage strategy with respect to the notes (including increasing the costs incurred by such investor in implementing such strategy). This could, in turn, adversely affect the trading price and liquidity of the notes. The legislation will become effective on the later of 360 days following the enactment of the legislation and 60 days after the publication of the final rule. However, it is unclear whether the margin requirements will apply retroactively to existing swap transactions. We cannot predict how this legislation will be implemented by the SEC or the magnitude of the effect that this legislation will have on the trading price or liquidity of the notes.

Although the direction and magnitude of the effect that the amendments to Regulation SHO, the circuit breaker pilot, the implementation of the Dodd-Frank Act and any additional regulations may have on the trading price and the liquidity of the notes will depend on a variety of factors, many of which cannot be determined at this time, past regulatory actions have had a significant impact on the trading prices and liquidity of convertible debt instruments. For example, in September 2008, the SEC issued emergency orders generally prohibiting short sales in the common stock of a variety of financial services companies while Congress worked to provide a comprehensive legislative plan to stabilize the credit and capital markets. The orders made the convertible arbitrage strategy that many convertible debt investors employ difficult to execute and adversely affected both the liquidity and trading price of convertible notes issued by many of the financial services companies subject to the prohibition. Any governmental actions that restrict the ability of investors in, or potential purchasers of, the notes to effect short sales in our common stock or to implement hedging strategies, including the recently adopted amendments to Regulation SHO or the implementation of the Dodd-Frank Act, could similarly adversely affect the trading price and the liquidity of the notes.

*You may be subject to U.S. federal income or withholding taxes if we adjust (or fail to adjust) the conversion rate in certain circumstances, even if you do not receive any cash.*

We will adjust the conversion rate of the notes for stock splits and combinations, stock dividends, cash dividends and certain other events that affect our capital structure. See [Description of the Notes](#) [Conversion Rights](#) [Conversion Rate Adjustments](#). If we adjust (or fail to adjust) the conversion rate in certain circumstances, you may be treated as having received a constructive distribution from us, resulting in taxable income to you for U.S. federal income tax purposes,

even though you would not receive any cash in

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connection with the conversion rate adjustment (or lack thereof) and even though you might not exercise your conversion right. In addition, Non-U.S. Holders of the notes would be deemed to have received a distribution subject to U.S. federal withholding tax requirements. See Certain United States Federal Income Tax Considerations U.S. Holders Constructive Distributions and Certain U.S. Federal Income Tax Considerations Non-U.S. Holders Actual or Constructive Distributions.

*Non-U.S. Holders may be subject to U.S. federal income tax.*

Because we have significant U.S. real property, we believe that we may be a United States real property holding corporation for U.S. federal income tax purposes. As a result, non-U.S. holders of the notes or our common stock may be subject to U.S. federal withholding tax or U.S. federal income tax, or both, in respect of payments in connection with a sale, exchange, redemption, repurchase, conversion or other disposition of notes or common stock if they exceed certain ownership levels. Non-U.S. holders are urged to consult their tax advisors with respect to the U.S. federal income tax consequences of acquiring, owning and disposing of the notes or common stock. See the discussion under the heading Certain U.S. Federal Income Tax Considerations Non-U.S. Holders.

*You may not be able to convert your notes before March 15, 2018, and the value of the notes could be less than the value of the common stock into which your notes could otherwise be converted.*

Prior to March 15, 2018, the notes are convertible only if and during the periods when specified conditions are met. If these conditions for conversion are not met, until such date, you will not be able to convert your notes and you may not be able to receive the value of the common stock into which the notes would otherwise be convertible. In addition, for these and other reasons, the trading price of the notes could be substantially less than the conversion value of the notes.

*Our ability to settle converted notes in cash, in whole or in part, may have adverse consequences.*

Our ability to settle converted notes in cash, in whole or in part, as described under Description of the Notes Conversion Rights Settlement upon Conversion, may result in holders receiving no shares of common stock upon conversion or fewer shares relative to the conversion value of the notes, reduce our liquidity, delay holders receipt of the consideration due upon conversion and subject holders to the market risks of our shares of common stock before receiving any shares upon conversion. Upon conversion, and unless we settle conversion only in shares, holders will receive cash, or a combination of cash and stock, based on the sum of the daily settlement amounts described in this prospectus supplement for the 30 trading days that begin on, and include, the third trading day after the day the notes are tendered for conversion, subject to certain exceptions in connection with conversions during a period immediately preceding the scheduled maturity date of the relevant notes as described in this prospectus supplement. Other than in connection with certain fundamental changes, and unless we settle conversion only in shares, we will generally deliver the amounts payable upon conversion on the third scheduled trading day after the conversion period, which will generally be at least 35 trading days after the date holders tender their notes for conversion (other than during certain periods immediately prior to maturity). Because the consideration due upon conversion is based in part on the trading price of our common stock during the conversion period, any decrease in the price of our common stock after you tender your notes for conversion may significantly decrease the value of the consideration you receive. In addition, because we must settle at least a portion of our conversion obligation in cash, the conversion of notes may significantly reduce our liquidity.

*The conversion rate of the notes may not be adjusted for all dilutive events.*

The conversion rate of the notes is subject to adjustment for certain events, including, but not limited to, the issuance of stock dividends on our common stock, the issuance of certain rights or warrants, subdivisions, combinations,



distributions of capital stock, indebtedness or assets, cash dividends and certain issuer tender or exchange offers as described under Description of the Notes Conversion Rights

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Conversion Rate Adjustments. Such conversion rate will not be adjusted, however, for other events, such as a third-party tender or exchange offer or an issuance of common stock for cash, that may adversely affect the trading price of the notes or our common stock. In addition, an event that adversely affects the value of the notes may occur, and that event may not result in an adjustment to such conversion rate.

*The convertible note hedges and warrant transactions may affect the value of the notes and the trading price of our common stock.*

In connection with this offering, we have entered into convertible note hedge transactions with one or more financial institutions, which may include the underwriters or their respective affiliates (the hedge counterparties). The convertible note hedge transactions are expected to reduce the potential dilution to our common stock upon conversion of the notes. In the event that the hedge counterparties fail to deliver shares to us as required under the convertible note hedge documents, we may be required to issue additional shares of our common stock in order to meet our share delivery obligations with respect to the converted notes. Separately, we also have entered into warrant transactions with the hedge counterparties. The warrant transactions could separately have a dilutive effect from the issuance of common stock pursuant to the warrants. We intend to use a portion of the net proceeds of this offering and of the warrants to pay the cost of the convertible note hedge transactions. The cost of the convertible note hedge transactions that is not covered by the proceeds from the sale of the warrants will be approximately \$27.8 million (assuming the underwriters do not exercise their option to purchase additional notes). If the underwriters exercise their option to purchase additional notes, we expect to increase the number of shares of common stock underlying the convertible note hedges and the sold warrant transaction with a corresponding increase to the cost of the convertible note hedge transactions that is not covered by the proceeds from the sale of the warrants. These transactions will be accounted for as an adjustment to our stockholders' equity.

In connection with hedging these transactions, the hedge counterparties and/or their affiliates may enter into various derivative transactions with respect to our common stock concurrently with, or shortly after, the pricing of the notes, and may enter into, or may unwind, various derivative transactions and/or purchase or sell our common stock in secondary market transactions following the pricing of the notes and prior to maturity of the notes (and are likely to do so during any conversion period related to any conversion of the notes). These activities could have the effect of increasing or preventing a decline in, or having a negative effect on, the value of our common stock concurrently with or following the pricing of the notes and could have the effect of increasing or preventing a decline in the value of our common stock during any conversion period related to a conversion of the notes.

The hedge counterparties and/or their affiliates may modify their hedge positions from time to time prior to conversion or maturity of the notes by purchasing and selling shares of our common stock through market transactions or entering into derivative transactions or by purchasing or selling other securities (including the notes) that they may wish to use in connection with such hedging. In particular, such hedging modification may occur during the conversion period for a conversion of notes, which may have a negative effect on the value of the consideration received upon conversion of those notes. In addition, we intend to exercise options under the convertible note hedge transactions whenever notes are converted. In order to unwind its hedge position with respect to the options we exercise, the hedge counterparties and/or their affiliates may sell shares of our common stock or other securities in secondary market transactions or unwind various derivative transactions with respect to our common stock during the conversion period for the converted notes. The effect, if any, of any of these transactions and activities on the trading price of our common stock or the notes will depend in part on market conditions and cannot be ascertained at this time, but any of these activities could adversely affect the value of our common stock and the value of the notes, the conversion value you will receive upon conversion of the notes and, under certain circumstances, your ability to convert the notes. The derivative transactions that the hedge counterparties and/or their affiliates expect to enter into to hedge these transactions may include cash-settled equity swaps referenced to our common stock. In certain circumstances after the pricing of the notes, the hedge counterparties and/or their affiliates may have derivative

positions that, when combined with the hedge counterparties and their affiliates ownership of

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our common stock, if any, would give them economic exposure to the return on a significant number of shares of our common stock.

*We may not have the ability to raise the funds necessary to purchase the notes upon a fundamental change.*

Holders may require us to purchase their notes upon a fundamental change as described under Description of the Notes Fundamental Change Permits Holders to Require Us to Purchase Notes. A fundamental change may also constitute an event of default, under our other then-existing indebtedness and result in the effective acceleration of the maturity of such indebtedness. We may not have sufficient financial resources, or be able to arrange financing, to pay the fundamental change purchase price for the notes surrendered by the holders in cash. In addition, the terms of our other indebtedness may limit our ability to pay any fundamental change purchase price. Failure by us to purchase the notes when required will result in an event of default with respect to the notes.

*Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to purchase the notes.*

Upon the occurrence of certain fundamental change transactions described under Description of the Notes, you will have the right to require us to repurchase your notes. However, the fundamental change provisions will only afford protection to holders of notes in the event of certain transactions. For example, we will not be required to repurchase any notes upon the occurrence of certain types of transactions that would otherwise constitute a fundamental change if at least 90% of the consideration, excluding cash payments for fractional shares, in the transaction or event that would otherwise have constituted a fundamental change consists of shares of common stock that are traded on a U.S. national securities exchange or that will be so traded when issued or exchanged in connection with the relevant transaction or event. Furthermore, certain other transactions such as leveraged recapitalizations, refinancings, restructurings or certain acquisitions of other entities by us or our subsidiaries would not constitute a fundamental change requiring us to repurchase the notes or to increase the conversion rate. In the event of any such transaction, the holders would not have the right to require us to repurchase the notes, even though each of these transactions could increase the amount of our indebtedness or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the holders of notes.

*The adjustment to the applicable conversion rate for notes converted in connection with a specified corporate transaction may not adequately compensate you for any lost time value of your notes as a result of such transaction.*

If a specified corporate transaction constituting a make-whole fundamental change, as described under Description of the Notes, occurs, under certain circumstances we will increase the applicable conversion rate by a number of additional shares of our common stock for notes converted in connection with such specified corporate transaction. The increase in the applicable conversion rate will be determined based on the date on which the specified corporate transaction becomes effective and the price paid per share of our common stock in, or the price of our common stock over a five trading-day period immediately preceding the effective date of, such transaction, as described under Description of the Notes Adjustment to Shares Delivered upon Conversion upon Certain Corporate Transactions. The adjustment to the applicable conversion rate for notes converted in connection with a specified corporate transaction may not adequately compensate you for any lost time value of your notes as a result of such transaction. In addition, if the stock price for such transaction (determined as described under Description of the Notes Adjustment to Shares Delivered upon Conversion upon Certain Corporate Transactions ) is greater than \$120.00 per share, or if such price is less than \$23.00 per share (each such price, subject to adjustment), no adjustment will be made to the applicable conversion rate. Our obligation to increase the applicable conversion rate in connection

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with any such specified corporate transaction could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

*The fundamental change provisions may delay or prevent an otherwise beneficial takeover attempt of us.*

The fundamental change purchase rights, which will allow noteholders to require us to purchase all or a portion of their notes upon the occurrence of a fundamental change, as defined in Description of the Notes, and the provisions requiring an increase to the conversion rate for conversions in connection with make whole adjustment events may in certain circumstances delay or prevent a takeover of us and the removal of incumbent management that might otherwise be beneficial to investors.

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**Table of Contents****PRICE RANGE OF OUR COMMON STOCK**

Our common stock is listed for trading on the New York Stock Exchange, or the NYSE, under the symbol BKD. The following table sets forth the quarterly high and low sales prices of our common stock on the NYSE for the periods indicated and dividends during such periods:

	<b>High</b>	<b>Low</b>
Year ended December 31, 2009		
First Quarter	\$ 7.16	\$ 2.50
Second Quarter	\$ 14.87	\$ 4.66
Third Quarter	\$ 20.41	\$ 8.39
Fourth Quarter	\$ 20.69	\$ 15.14
Year ended December 31, 2010		
First Quarter	\$ 22.21	\$ 16.21
Second Quarter	\$ 22.19	\$ 14.84
Third Quarter	\$ 16.44	\$ 12.66
Fourth Quarter	\$ 21.70	\$ 15.93
Year ending December 31, 2011		
First Quarter	\$ 28.23	\$ 20.90
Second Quarter (through June 8, 2011)	\$ 28.30	\$ 21.97

On June 8, 2011, the closing sale price of our common stock as reported on the NYSE was \$23.00 per share, and we had approximately 474 holders of record of our common stock.

**Dividend Policy**

On December 30, 2008, our Board of Directors voted to suspend our quarterly cash dividend indefinitely and no dividends were declared during the last two fiscal years. Although we anticipate that, over the longer-term, we may pay regular quarterly dividends to the holders of our common stock, over the near term we are focused on preserving liquidity and deploying capital in the growth of our business. Accordingly, we do not expect to pay cash dividends on our common stock for the foreseeable future.

Our ability to pay and maintain cash dividends in the future will be based on many factors, including then-existing contractual restrictions or limitations, our ability to execute our growth strategy, our ability to negotiate favorable lease and other contractual terms, anticipated operating expense levels, the level of demand for our units, occupancy rates, entrance fee sales results, the rates we charge, our liquidity position and actual results that may vary substantially from estimates. Some of the factors are beyond our control and a change in any such factor could affect our ability to pay or maintain dividends. We can give no assurance as to our ability to pay or maintain dividends in the future. We also cannot assure you that the level of dividends will be maintained or increase over time or that increases in demand for our units and monthly resident fees will increase our actual cash available for dividends to stockholders. As we have done in the past, we may also pay dividends in the future that exceed our net income for the relevant period as calculated in accordance with U.S. GAAP.

**Table of Contents****CAPITALIZATION**

The following table sets forth our unaudited consolidated capitalization as of March 31, 2011. Our capitalization is presented (i) on an actual basis and (ii) as adjusted to reflect:

(A) our net proceeds of approximately \$267.8 million from the issuance of the notes offered hereby, after deducting the discounts, commissions and estimated expenses payable by us,

(B) the use of approximately \$27.8 million to fund the net costs of the convertible note hedge and warrant transactions described herein, and

(C) our use of approximately \$240.0 million to repay a portion of our outstanding mortgage debt following the completion of this offering.

You should read this table along with our consolidated financial statements and related notes and the other financial information incorporated by reference into this prospectus supplement or the accompanying prospectus.

	<b>As of March 31, 2011</b>	
	<b>Actual</b>	<b>As Adjusted</b>
	<b>(In thousands)</b>	
Cash and cash equivalents	\$ 36,732	\$ 36,732
Other assets, net (deferred financing costs)	\$ 95,776	\$ 101,357
Total debt (current and long-term)	\$ 2,464,287	\$ 2,436,584
Stockholders' equity:		
Common Stock, \$0.01 par value; 200,000,000 shares authorized, actual and as adjusted; 125,670,330 shares issued and 124,459,029 shares outstanding, actual and as adjusted	\$ 1,244	\$ 1,244
Preferred Stock, \$0.01 par value; 50,000,000 shares authorized, actual and as adjusted; no shares issued and outstanding, actual and as adjusted	\$ 1,908,926	\$ 1,942,210
Additional paid-in capital	\$ (29,187)	\$ (29,187)
Treasury stock, at cost	\$ (828,181)	\$ (828,181)
Accumulated deficit	\$ (43)	\$ (43)
Accumulated other comprehensive loss		
Total stockholders' equity	\$ 1,052,759	\$ 1,086,043
Total liabilities and stockholders' equity	\$ 4,431,268	\$ 4,436,849

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**USE OF PROCEEDS**

The net proceeds from the sale of the notes offered hereby are estimated to be approximately \$267.8 million (approximately \$308.1 million if the underwriters exercise in full their over-allotment option to purchase additional notes), after deduction of estimated offering expenses and the underwriters' discounts and commissions.

We intend to use a portion of the net proceeds from this offering and the warrant transaction described below under **Underwriting Description of Convertible Note Hedge and Warrant Transactions** to pay the cost of the convertible note hedges described herein. The cost of the convertible note hedges, after taking into account the proceeds from the sale of the warrants, was approximately \$27.8 million. If the underwriters exercise their over-allotment option to purchase additional notes, we expect to use a portion of the net proceeds from the sale of such additional notes to increase the number of shares underlying the convertible note hedges on a pro rata basis. We intend to use the remaining net proceeds from this offering to repay a portion of our outstanding mortgage debt and for general corporate purposes.

The foregoing represents our intentions based upon our present plans and business conditions. The occurrence of unforeseen events or changed business conditions, however, could result in the application of the proceeds of the offering in a manner other than as described in this prospectus supplement.

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**DESCRIPTION OF THE NOTES**

Set forth below is a description of the terms of our 2.75% Convertible Senior Notes due 2018, or the notes, which are a series of debt securities as described in the accompanying prospectus. This description supplements, and should be read together with, the description of the general terms and provisions of the debt securities set forth in the accompanying prospectus under the caption Description of Debt Securities. This Description of the Notes, however, supersedes the information set forth in the accompanying prospectus thereunder to the extent inconsistent with that information, and the notes will not be subject to certain provisions described in the accompanying prospectus, as specified below.

We will issue the notes under the senior indenture to be entered into upon the closing of this offering and dated as of the closing date between us, as issuer, and American Stock Transfer & Trust Company, LLC, as trustee (which we refer to as the trustee), as supplemented by a supplemental indenture thereto, between the same parties, which is also to be entered into upon the closing of this offering and dated as of the closing date. We refer to the senior indenture, as supplemented by the supplemental indenture, as the indenture. The terms of the notes include those expressly set forth in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended, which we refer to as the Trust Indenture Act.

You may request a copy of the indenture from us. See [Where You Can Find More Information](#).

The following description is a summary of the material provisions of the notes and the indenture and does not purport to be complete. This summary is subject to, and is qualified by reference to, all the provisions of the notes and the indenture, including the definitions of certain terms used in these documents. We urge you to read the indenture because it, and not this description, defines your rights as a holder of the notes.

For purposes of this description, references to the Company, we, our and us refer only to Brookdale Senior Living Inc., and not to its subsidiaries.

**General**

We are offering \$275 million aggregate principal amount of notes (or \$316.25 million if the underwriters exercise their over-allotment option in full). The notes will mature on June 15, 2018, subject to earlier repurchase or conversion.

The notes:

will be our general unsecured senior obligations;

will be issued in denominations of \$2,000 and integral multiples of \$1,000;

will be represented by one or more registered notes in global form, but in limited circumstances may be represented by notes in definitive form as described below under [Book-Entry, Settlement and Clearance](#) ;

will be equal in right of payment with our other unsecured senior indebtedness and senior in right of payment to our indebtedness that is expressly subordinated to the notes, if any;

will be structurally subordinated to all liabilities of our subsidiaries; and

will be effectively subordinated to our secured indebtedness to the extent of the value of the assets securing such indebtedness.

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Subject to fulfillment of certain conditions and during the periods described below, the notes may be converted at an initial conversion rate of 34.1006 shares of our common stock per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$29.325 per share of common stock). The applicable conversion rate is subject to adjustment if certain events occur.

Upon conversion of a note, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination thereof at our election as described below under **Conversion Rights Settlement Upon Conversion**. Holders will not receive any additional cash payment for interest or additional interest, if any, accrued and unpaid to the conversion date except under the circumstances described below under **Conversion Rights General**.

We use the term **note** in this prospectus supplement to refer to each \$1,000 principal amount of notes.

We may from time to time repurchase the notes in open market purchases or negotiated transactions without prior notice to holders.

We may, without the consent of the holders, reopen the indenture and issue additional notes under the indenture with the same terms and with the same CUSIP numbers as the notes offered hereby in an unlimited aggregate principal amount, provided that no such additional notes may be issued unless they will be fungible with the notes offered hereby for U.S. federal income tax and securities law purposes.

The registered holder of a note will be treated as the owner of it for all purposes, and all references herein to holders refer to the registered holders.

Other than restrictions described under **Fundamental Change Permits Holders to Require Us to Purchase Notes** and **Consolidation, Merger and Sale of Assets** below, and except for the provisions set forth under **Conversion Rights Adjustment to Shares Delivered upon Conversion upon Certain Corporate Transactions**, the indenture does not contain any covenants or other provisions designed to afford holders of the notes protection in the event of a highly leveraged transaction involving us or in the event of a decline in our credit rating as a result of a takeover, recapitalization, highly leveraged transaction or similar restructuring involving us that could adversely affect the holders.

### **Payments on the Notes; Paying Agent and Registrar**

Payments in respect of the principal and interest, including additional interest, if any, on global notes registered in the name of The Depository Trust Company or its nominee will be payable to The Depository Trust Company or its nominee, as the case may be, in its capacity as the registered holder under the indenture.

Any certificated notes may be presented for payment at the office or agency designated by us (which will be in the Borough of Brooklyn, New York City). Initially, the corporate trust office of the trustee will serve as such office, as our paying agent and registrar.

We may change the paying agent or registrar without prior notice to the holders of the notes, and we may act as paying agent or registrar.

### **Transfer and Exchange**

A holder may transfer or exchange notes at the office of the registrar in accordance with the indenture. The registrar and the trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents.

No service charge will be imposed by us, the trustee or the registrar for

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any registration of transfer or exchange of notes, but any tax or similar governmental charge required by law or permitted by the indenture because a holder requests any shares to be issued in a name other than such holder's name will be paid by such holder. We are not required to transfer or exchange any note surrendered for repurchase or conversion except for any portion of that note not being repurchased or converted, as the case may be.

### **Interest**

The notes will bear interest at a rate of 2.75% per annum. Interest will accrue from the initial issuance date of the notes, and will be payable semi-annually in arrears on June 15 and December 15 of each year, beginning December 15, 2011.

Interest will be paid to the person in whose name a note is registered at the close of business on June 1 or December 1, as the case may be (whether or not a business day), immediately preceding the relevant interest payment date. Interest on the notes will be computed on the basis of a 360-day year composed of twelve 30-day months. If any interest payment date falls on a date that is not a business day, such payment of interest (or principal in the case of the final maturity date for the notes) will be postponed until the next succeeding business day, and no interest or other amount will be paid as a result of any such postponement.

A business day means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which the banking institutions in New York City are authorized or obligated by law or executive order to close or be closed.

### **Ranking**

The notes will be our general unsecured obligations and will rank senior in right of payment to all future indebtedness that is expressly subordinated in right of payment to the notes, if any. The notes will rank equally in right of payment with all of our existing and future unsecured senior indebtedness. The notes will effectively rank junior to our secured indebtedness to the extent of the assets securing such indebtedness. In the event of our bankruptcy, liquidation, reorganization or other winding up, our assets that secure such secured indebtedness will be available to pay obligations on the notes only after all such secured indebtedness has been repaid in full from such assets. We advise you that there may not be sufficient assets remaining to pay amounts due on any or all notes then outstanding. The indenture will not limit our ability or the ability of our subsidiaries to incur additional indebtedness in the future, including senior secured indebtedness.

The notes will be effectively subordinated in right of payment to all indebtedness and other liabilities and commitments (including trade payables and guarantees of our indebtedness) of our subsidiaries. See Risk Factors Risk Factors Related to the Notes and Our Common Stock The notes will be unsecured and rank equal in right of payment with our other senior unsecured debt, will be effectively subordinated to our secured debt (to the extent of the value of the assets securing that debt) and will be structurally subordinated to all debt and other liabilities of our subsidiaries, including trade payables. As of March 31, 2011, on a consolidated basis we had approximately \$2.5 billion of total indebtedness, substantially all of which is secured by mortgages issued by our subsidiaries.

### **Conversion Rights**

#### *General*

Subject to the conditions described under the headings Conversion Based on Common Stock Price, Conversion Upon Satisfaction of Trading Price Condition, Conversion Upon Specified Corporate Transactions and Conversion During a Specified Period, holders may convert their notes at an initial conversion rate of 34.1006 shares of our common stock per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$29.325 per share of

common stock) at any time prior to the close of business on the second trading day immediately preceding the stated maturity date for the

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notes. Upon conversion of a note, we will satisfy our conversion obligation by paying or delivering, as the case may be, cash, shares of our common stock or a combination thereof at our election, all as set forth below under Settlement Upon Conversion. If we satisfy our conversion obligation solely in cash or through payment and delivery of a combination of cash and shares of our common stock, the amount of cash and shares of our common stock, if any, due upon conversion will be based on a daily conversion value (as defined below under Settlement Upon Conversion ) calculated on a proportionate basis for each trading day in the 30 trading-day cash settlement averaging period (as defined below under Settlement Upon Conversion ). The trustee will initially act as the conversion agent.

The conversion rate and the corresponding conversion price in effect at any given time are referred to as the applicable conversion rate and the applicable conversion price, respectively, and will be subject to adjustment as described below under Conversion Rate Adjustments and Adjustment to Shares Delivered upon Conversion upon Certain Corporate Transactions. The applicable conversion price at any given time will be computed by dividing \$1,000 by the applicable conversion rate at such time. A holder may convert fewer than all of such holder's notes so long as the notes converted are an integral multiple of \$1,000 principal amount.

Upon conversion, a holder will not receive any additional cash payment for accrued and unpaid interest and additional interest, if any, unless such conversion occurs between a regular record date and the interest payment date to which it relates. Except in such case, our settlement of conversions as described below under Settlement Upon Conversion will be deemed to satisfy our obligation to pay:

the principal amount of the note; and

accrued and unpaid interest and additional interest, if any, to, but not including, the conversion date.

As a result, accrued and unpaid interest and additional interest, if any, to, but not including, the conversion date will be deemed to be paid in full rather than cancelled, extinguished or forfeited.

Notwithstanding the preceding paragraph, if notes are converted after 5:00 p.m., New York City time, on a regular record date but prior to 9:00 a.m., New York City time, on the immediately following interest payment date, holders of such notes at 5:00 p.m., New York City time, on the regular record date will receive payment of the interest and additional interest, if any, payable on such notes on the corresponding interest payment date notwithstanding the conversion of such notes at any time after the close of business on the applicable regular record date. Any notes surrendered for conversion by a holder during the period from 5:00 p.m., New York City time, on any regular record date to 9:00 a.m., New York City time, on the immediately following interest payment date, must be accompanied by funds equal to the amount of interest and additional interest, if any, payable on the notes so converted; *provided* that no such payment need be made:

if we have specified a fundamental change purchase date (as defined below) that is after a regular record date and on or prior to the corresponding interest payment date;

to the extent of any overdue interest, if any overdue interest exists at the time of conversion with respect to such note; or

if the notes are surrendered for conversion after 5:00 p.m., New York City time, on the regular record date immediately preceding the maturity date.

If a holder converts notes, we will pay any documentary, stamp or similar issue or transfer tax due on the issuance of any shares of our common stock upon the conversion, unless the tax is due because the holder requests any shares to be issued in a name other than the holder's name, in which case the holder will pay that tax.

If a holder of notes has submitted notes for repurchase upon a fundamental change, the holder may convert those notes only if that holder first withdraws its repurchase election.

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The conversion date with respect to a note means the date on which the holder of the note has complied with all requirements under the indenture to convert a note. Such note will be deemed to have been converted immediately prior to the close of business on the conversion date and the holder will be treated as a shareholder of record of the Company as of the final day of the related cash settlement averaging period (or, if we elect to satisfy our conversion obligation solely in shares of our common stock, on the conversion date).

### *Conversion Based on Common Stock Price*

Holders may surrender notes for conversion in any fiscal quarter after the fiscal quarter ending September 30, 2011 if the last reported sale price of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is equal to or more than 130% of the applicable conversion price for the notes on the last day of such preceding fiscal quarter, which we refer to as the applicable conversion trigger price.

The applicable conversion trigger price immediately following issuance of the notes will be approximately \$38.12, which is 130% of the initial conversion price for the notes.

The last reported sale price of our common stock on any date means the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions for the principal U.S. securities exchange on which our common stock is listed for trading. The last reported sale price will be determined without reference to after-hours or extended market trading. If our common stock is not listed for trading on a U.S. securities exchange on the relevant date, the last reported sale price of our common stock will be the last quoted bid price for our common stock in the over-the-counter market on the relevant date as reported by OTC Markets Group Inc. or a similar organization. If our common stock is not so quoted, the last reported sale price for our common stock will be determined by a U.S. nationally recognized independent investment banking firm selected by us for this purpose.

### *Conversion Upon Satisfaction of Trading Price Condition*

A holder may surrender notes for conversion during the five business-day period immediately after any five consecutive trading-day period, which we refer to as the measurement period, in which the trading price per \$1,000 principal amount of notes (as determined following a request by a holder of the notes in accordance with the procedures described below) for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate for the notes for each such day, subject to compliance with the procedures and conditions described below concerning the trustee's obligation to make a trading price determination, in which event the trading price condition will have been met.

The trading price per \$1,000 principal amount of the notes on any date of determination shall be determined based on the average of the secondary market bid quotations obtained by us for \$5.0 million principal amount of the notes at approximately 3:30 p.m., New York City time, on such determination date from three independent U.S. nationally recognized securities dealers we select; *provided* that if three such bids cannot reasonably be obtained by us, but two such bids are obtained, then the average of the two bids shall be used, and if only one such bid can reasonably be obtained by us, that one bid shall be used. If we cannot reasonably obtain at least one bid for \$5.0 million principal amount of the notes from a U.S. nationally recognized securities dealer, then the trading price per \$1,000 principal amount of notes will be deemed to be less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate.

In connection with any conversion upon satisfaction of the above trading price condition, we shall have no obligation to determine the trading price of the notes unless a holder provides us and the trustee with reasonable evidence that the trading price per \$1,000 principal amount of the notes would be less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate. At such time, we will determine, or instruct the trustee to determine, the trading price of the notes beginning on the next trading day and on each successive trading day until the trading price per \$1,000 principal amount of the

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notes is greater than or equal to 98% of the product of the last reported sale price of our common stock and the applicable conversion rate. If, upon presentation of such reasonable evidence by the holder, we do not make such determination, then the trading price per \$1,000 principal amount of the notes will be deemed to be less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate.

If the trading price condition has been met, we will so notify the holders of the notes, and issue a press release (and make the press release available on our website) announcing the satisfaction of the condition. If, at any point after the trading price condition has been met, the trading price per \$1,000 principal amount of the notes is greater than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate, we will so notify the holders of the notes.

### *Conversion Upon Specified Corporate Transactions*

If we elect to:

distribute to all or substantially all holders of our common stock any rights, options or warrants entitling them for a period of not more than 45 calendar days after the record date for such distribution to subscribe for or purchase shares of our common stock, at a price per share less than the last reported sale price of our common stock on the trading day immediately preceding the declaration date for such distribution; or

distribute to all or substantially all holders of our common stock, assets, debt securities or certain rights to purchase our securities, which distribution has a per share value as determined by our board of directors exceeding 10% of the last reported sale price of our common stock on the trading day immediately preceding the declaration date for such distribution,

we will notify the holders of the notes at least 40 business days prior to the ex-dividend date for such distribution. Once we have given such notice, holders may surrender their notes for conversion at any time from, and including, the date we mail such notice until the earlier of 5:00 p.m., New York City time, on the second trading day immediately prior to the ex-dividend date or the date of our announcement that such distribution will not take place, even if the notes are not otherwise convertible at such time. No holder may exercise this right to convert, and we will not be required to deliver the aforementioned notice, if the holder otherwise may participate in the distribution of cash or common stock without conversion (based upon the conversion rate and upon the same terms as holders of our common stock). The ex-dividend date is the first date on which the shares of our common stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive the issuance, dividend or distribution in question.

In addition, in the event of a fundamental change (as defined below under *Fundamental Change Permits Holders to Require Us to Purchase Notes* but without regard to the exclusion of transactions involving publicly traded securities in the paragraph following clause (4) of that definition) or a make-whole fundamental change (as defined below under *Adjustment to Shares Delivered upon Conversion upon Certain Corporate Transactions*), a holder may surrender notes for conversion at any time from and after the 35th business day prior to the anticipated effective date of such fundamental change or make-whole fundamental change, as the case may be, until the second trading day immediately preceding the fundamental change purchase date corresponding to such fundamental change (or, in the case of a make-whole fundamental change that does not constitute a fundamental change, the 25th trading day immediately following the effective date of such make-whole fundamental change). We must notify holders of the anticipated effective date of the fundamental change or make-whole fundamental change, as the case may be, as soon as practicable after we first determine the anticipated effective date of such fundamental change or make-whole fundamental change, as the case may be. We will use commercially reasonable efforts to make such determination in

time to give such notice no later than 40 business days in advance of such anticipated effective date, and will update our notice promptly if the anticipated effective date subsequently changes. Notwithstanding the foregoing, in no

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event will we be required to provide such notice to the holders and the trustee before the earlier of such time as we publicly disclose or acknowledge the circumstances giving rise to such fundamental change or are required to publicly disclose under applicable law or the rules of any stock exchange on which our equity is then listed the circumstances giving rise to such anticipated fundamental change.

If a holder elects to convert its notes in connection with a make-whole fundamental change, we will increase the applicable conversion rate by a number of additional shares of our common stock as described below under *Adjustment to Shares Delivered upon Conversion upon Certain Corporate Transactions*.

If a fundamental change occurs, a holder may also have the right to require us to repurchase all or a portion of its notes, as described under *Fundamental Change Permits Holders to Require Us to Purchase Notes*.

### *Conversion During a Specified Period*

Notwithstanding anything herein to the contrary, a holder may surrender its notes for conversion beginning on March 15, 2018 (such date, the *Free Convertibility Date* ) until the close of business on the second trading day immediately preceding the stated maturity date for the notes irrespective of the conditions set forth above.

### *Conversion Procedures*

If you hold a beneficial interest in a global note, to convert you must comply with DTC's procedures for converting a beneficial interest in a global note and, if required, pay funds equal to the amount of interest and additional interest, if any, payable on the next interest payment date and all transfer or similar taxes, if any.

If you hold a certificated note, to convert you must:

complete and manually sign the conversion notice on the back of the note, or a facsimile of the conversion notice;

deliver the conversion notice, which is irrevocable, and the note to the conversion agent;

if required, furnish appropriate endorsements and transfer documents;

if required, pay all transfer or similar taxes; and

if required, pay funds equal to interest (including additional interest, if any) payable on the next interest payment date.

If a holder has already delivered a purchase notice as described under *Fundamental Change Permits Holders to Require Us to Purchase Notes* , with respect to a note, the holder may not surrender that note for conversion until the holder has withdrawn the purchase notice in accordance with the indenture.

### *Settlement Upon Conversion*

Upon conversion, we may choose to deliver either cash, shares of our common stock or a combination of cash and shares of our common stock, as described below.

All conversions on or after the *Free Convertibility Date* will be settled in the same relative proportions of cash and/or shares of our common stock, which we refer to as the *settlement method*. If we have not delivered a notice of our

election of settlement method prior to the Free Convertibility Date, we will

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be deemed to have elected to deliver cash and shares of our common stock in respect of our conversion obligation, as described in the third bullet point of the third paragraph below, and the specified dollar amount (as defined below) will be equal to \$1,000.

Prior to the Free Convertibility Date, we will use the same settlement method for all conversions occurring on any given conversion date. Except for any conversions that occur on or after the Free Convertibility Date, we will not have any obligation to use the same settlement method with respect to conversions that occur on different trading days.

In other words, we may choose on one trading day to settle conversions in shares of our common stock only, and choose on another trading day to settle in cash, shares of our common stock or a combination of cash and shares of our common stock. If we elect to do so, we will inform holders so converting through the trustee of the settlement method we have selected (including the specified dollar amount, if applicable) no later than the second business day immediately following the related conversion date. If we do not make such an election, we will be deemed to have elected to deliver cash and shares of our common stock in respect of our conversion obligation, as described in the third bullet point below, and the specified dollar amount will be equal to \$1,000. It is our current intent and policy to settle the principal amount of the notes (or, if less, the amount of our conversion obligation) in cash upon conversion.

Settlement amounts will be computed as follows:

if we elect to satisfy our conversion obligation solely in shares of our common stock, we will deliver to the converting holder a number of shares of our common stock equal to (1) (i) the aggregate principal amount of notes to be converted *divided by* (ii) \$1,000, *multiplied by* (2) the applicable conversion rate on the conversion date;

if we elect to satisfy our conversion obligation solely in cash, we will deliver to the converting holder, in respect of each \$1,000 principal amount of notes being converted, cash in an amount equal to the sum of the daily conversion values for each of the 30 consecutive trading days during the related cash settlement averaging period; and

if we elect to satisfy our conversion obligation through delivery of a combination of cash and shares of our common stock, we will deliver to the converting holder in respect of each \$1,000 principal amount of notes being converted a settlement amount equal to the sum of the daily settlement amounts for each of the 30 consecutive trading days during the related cash settlement averaging period.

The daily settlement amount, for each of the 30 consecutive trading days during the cash settlement averaging period, will consist of:

cash equal to the lesser of (i) a dollar amount per note to be received upon conversion as specified by us in the notice regarding our chosen settlement method (the specified dollar amount), if any, *divided by* 30 (such quotient being referred to as the daily measurement value) and (ii) the daily conversion value for such trading day; and

to the extent the daily conversion value for such trading day exceeds the daily measurement value, a number of shares equal to (i) the difference between the daily conversion value and the daily measurement value, *divided by* (ii) the daily VWAP of our common stock for such trading day.

*Daily conversion value* means, for each of the 30 consecutive trading days during the cash settlement averaging period, one-thirtieth (1/30th) of the product of (i) the applicable conversion rate on such trading day and (ii) the daily VWAP of our common stock on such trading day.





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*Daily VWAP* of our common stock, in respect of any trading day, means the per share volume-weighted average price on the New York Stock Exchange as displayed under the heading *Bloomberg VWAP* on Bloomberg page <BKD.N Equity AQR> (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading until the scheduled close of trading of the primary trading session on such trading day (or if such volume-weighted average price is unavailable, the market value of one share of our common stock on such trading day as determined by our board of directors in a commercially reasonable manner, using a volume-weighted average price method) and will be determined without regard to after-hours trading or any other trading outside of the regular trading session.

*Cash settlement averaging period*, with respect to any note, means the 30 consecutive trading-day period beginning on, and including, the third trading day immediately following the related conversion date, except that *cash settlement averaging period* means with respect to any conversion date occurring during the period beginning on, and including, the Free Convertibility Date and ending at 5:00 p.m., New York City time, on the second trading day immediately prior to the maturity date, the 30 consecutive trading day period beginning on, and including, the 32nd scheduled trading day prior to the maturity date.

*Trading day* means a day during which trading in our common stock generally occurs on the primary exchange or quotation system on which our common stock then trades or is quoted and there is no market disruption event.

*Market disruption event* means (1) a failure by the primary exchange or quotation system on which our common stock trades or is quoted to open for trading during its regular trading session or (2) the occurrence or existence, prior to 1:00 p.m., New York City time, on any trading day for our common stock, of an aggregate one half-hour period of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the stock exchange or otherwise) in our common stock or in any options, contracts or future contracts relating to our common stock.

*Scheduled trading day* means any day that is scheduled to be a trading day.

We generally will deliver the conversion consideration in respect of any notes that you convert by the third trading day immediately following the last trading day of the cash settlement averaging period. However, if:

we elect to satisfy our conversion obligation solely in shares of our common stock; or

prior to the conversion date for any converted notes, our common stock has been replaced by reference property (as defined under *Conversion Rate Adjustments* below) consisting solely of cash (pursuant to the provisions described under *Conversion Rate Adjustments* );

we will deliver the conversion consideration due in respect of conversion on the tenth business day immediately following the relevant conversion date. Notwithstanding the foregoing, if any information required in order to calculate the conversion consideration deliverable will not be available as of the applicable settlement date, we will deliver the additional shares of our common stock resulting from that adjustment on the third trading day after the earliest trading day on which such calculation can be made.

We will not issue fractional shares of our common stock upon conversion of notes. Instead, we will pay cash in lieu of fractional shares based on the daily VWAP of our common stock on the relevant conversion date (if we elect to satisfy our conversion obligation solely in shares of our common stock) or based on the daily VWAP of our common stock on the last trading day of the relevant cash settlement averaging period (in the case of any other settlement method).



**Table of Contents***Exchange in Lieu of Conversion*

When a holder surrenders its notes for conversion, we may, at our election (an exchange election), direct the conversion agent to surrender, on or prior to the second business day following the conversion date, such notes to a financial institution designated by us for exchange in lieu of conversion. In order to accept any notes surrendered for conversion, the designated institution must agree to timely deliver, in exchange for such notes, the shares of our common stock, cash or any combination thereof that would otherwise be due upon conversion as described above under Settlement Upon Conversion (the conversion consideration). If we make an exchange election, we will, by the close of business on the second business day following the relevant conversion date, notify the holder surrendering its notes for conversion that we have made the exchange election and we will notify the designated financial institution of the method of settlement we have elected with respect to such conversion and the relevant deadline for delivery of the conversion consideration.

Any notes exchanged by the designated institution will remain outstanding. If the designated institution agrees to accept any notes for exchange but does not timely deliver the related conversion consideration, or if such designated financial institution does not accept the notes for exchange, we will deliver the relevant conversion consideration as if we had not made an exchange election.

Our designation of an institution to which the notes may be submitted for exchange does not require the institution to accept any notes.

*Conversion Rate Adjustments*

The applicable conversion rate will be adjusted as described below, except that we will not make any adjustments to the conversion rate if holders of the notes participate (as a result of holding the notes, and at the same time as common stock holders participate) in any of the transactions described below as if such holders of the notes held a number of shares of our common stock equal to the applicable conversion rate, *multiplied by* the principal amount (expressed in thousands) of notes held by such holder, without having to convert their notes.

- (1) If we issue solely shares of our common stock as a dividend or distribution on all or substantially all of our shares of our common stock, or if we effect a share split or share combination of our common stock, the applicable conversion rate will be adjusted based on the following formula:

$$CR = CR_0 \times \frac{OS}{OS_0}$$

where,

- $CR_0$  = the applicable conversion rate in effect immediately prior to the open of business on the ex-dividend date for such dividend or distribution, or immediately prior to the open of business on the business day immediately following the effective date of such share split or share combination, as the case may be;
- $CR$  = the applicable conversion rate in effect immediately after the open of business on the ex-dividend date for such dividend or distribution, or immediately after the open of business on the business day immediately following the effective date of such share split or share combination, as the case may be;
- $OS_0$  =

the number of shares of our common stock outstanding immediately prior to such dividend, distribution, share split or share combination, as the case may be; and  
OS = the number of shares of our common stock outstanding immediately after such dividend, distribution, share split or share combination, as the case may be.

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- (2) If we distribute to all or substantially all holders of our common stock any rights, options or warrants entitling them for a period of not more than 45 calendar days from the record date for such distribution to subscribe for or purchase shares of our common stock, at a price per share less than the average of the last reported sale prices of our common stock for the 10 consecutive trading-day period ending on, and including, the trading day immediately preceding the declaration date for such distribution, the applicable conversion rate will be increased based on the following formula (provided that the applicable conversion rate will be readjusted to the extent that such rights, options or warrants are not exercised prior to their expiration or are not distributed):

$$CR = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where,

- $CR_0$  = the applicable conversion rate in effect immediately prior to the open of business on the ex-dividend date for such distribution;
- $CR$  = the applicable conversion rate in effect immediately after the open of business on the ex-dividend date for such distribution;
- $OS_0$  = the number of shares of our common stock outstanding immediately prior to the open of business on the ex-dividend date for such distribution;
- $X$  = the total number of shares of our common stock issuable pursuant to such rights, options or warrants; and
- $Y$  = the number of shares of our common stock equal to the aggregate price payable to exercise such rights, options or warrants *divided by* the average of the last reported sale prices of our common stock over the 10 consecutive trading-day period ending on, and including, the trading day immediately preceding the ex-dividend date for such distribution.

For purposes of this clause (2), in determining whether any rights, options or warrants entitle the holders to subscribe for or purchase our common stock at less than the average of the last reported sale prices of our common stock for each trading day in the applicable 10 consecutive trading-day period, there shall be taken into account any consideration we receive for such rights, options or warrants and any amount payable on exercise thereof, with the value of such consideration if other than cash, to be determined by our board of directors.

- (3) If we distribute shares of our capital stock, evidences of our indebtedness or other assets or property of ours to all or substantially all holders of our common stock, excluding
- dividends or distributions (including share splits) referred to in clause (1) or (2) above;
- dividends or distributions paid exclusively in cash and covered by clause (4) below; and
- spin-offs to which the provisions set forth below in this clause (3) shall apply, then the applicable conversion rate will be increased based on the following formula:

$$CR = CR_0 \times \frac{SP_0}{SP_0 + FMV}$$



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where,

- $CR_0$  = the applicable conversion rate in effect immediately prior to the open of business on the ex-dividend date for such distribution;
- $CR$  = the applicable conversion rate in effect immediately after the open of business on the ex-dividend date for such distribution;
- $SP_0$  = the average of the last reported sale prices of our common stock over the 10 consecutive trading-day period ending on, and including, the trading day immediately preceding the ex-dividend date for such distribution; and
- $FMV$  = the fair market value (as determined by our board of directors) of the shares of capital stock, evidences of indebtedness, assets or property distributed with respect to each outstanding share of our common stock as of the open of business on the ex-dividend date for such distribution.

If the then fair market value of the portion of the shares of capital stock, evidences of indebtedness or other assets or property so distributed applicable to one share of common stock is equal to or greater than the average of the last reported sales prices of the common stock over the 10 consecutive trading-day period ending on the trading day immediately preceding the ex-dividend date for such distribution, in lieu of the foregoing adjustment, adequate provisions shall be made so that each holder of a note shall have the right to receive on conversion in respect of each note held by such holder, in addition to the number of shares of common stock to which such holder is entitled to receive, the amount and kind of securities and assets such holder would have received had such holder already owned a number of shares of common stock equal to the applicable conversion rate immediately prior to the record date for the distribution of the securities or assets.

With respect to an adjustment pursuant to this clause (3) where there has been a payment of a dividend or other distribution on our common stock of shares of capital stock of any class or series, or similar equity interest, of or relating to a subsidiary or other business unit, which we refer to as a spin-off, the applicable conversion rate will be increased based on the following formula:

$$CR = CR_0 \frac{FMV + MP_0}{MP_0}$$

where,

- $CR_0$  = the applicable conversion rate in effect immediately prior to the open of business on the ex-dividend date for the spin-off;
- $CR$  = the applicable conversion rate in effect immediately after the open of business on the ex-dividend date for the spin-off;
- $FMV$  = the average of the last reported sale prices of the capital stock or similar equity interest distributed to holders of our common stock applicable to one share of our common stock over the first 10 consecutive trading-day period immediately following, and including, the ex-dividend date for the spin-off (such period, the valuation period); and
- $MP_0$  = the average of the last reported sale prices of our common stock over the valuation period.

The adjustment to the applicable conversion rate under the preceding paragraph of this clause (3) will be made immediately after the open of business on the day after the last day of the valuation period, but will be given effect as of the open of business on the ex-dividend date for the spin-off. If the ex-dividend date for the spin-off is less than 10 trading days prior to, and including, the end of the cash settlement averaging period in respect of any conversion, references within this clause (3) to 10 trading days shall be deemed replaced, for purposes of calculating the affected daily conversion rates in respect of that conversion, with such lesser number of trading days as have elapsed from, and including, the ex-dividend date for the spin-off

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to, and including, the last trading day of such cash settlement averaging period. For purposes of determining the applicable conversion rate, in respect of any conversion during the 10 trading days commencing on the ex-dividend date for any spin-off, references within the portion of this clause (3) related to spin-offs to 10 trading days shall be deemed replaced with such lesser number of trading days as have elapsed from, and including, the ex-dividend date for such spin-off to, but excluding, the relevant conversion date.

- (4) If we make or pay any cash dividend or distribution to all, or substantially all, holders of our outstanding common stock, the applicable conversion rate will be increased based on the following formula:

$$CR = CR_0 \times \frac{SP_0}{SP_0} \times C$$

where,

- $CR_0$  = the applicable conversion rate in effect immediately prior to the open of business on the ex-dividend date for such distribution;  
 $CR$  = the applicable conversion rate in effect immediately after the open of business on the ex-dividend date for such distribution;  
 $SP_0$  = the average of the last reported sale prices of our common stock over the 10 consecutive trading-day period ending on, and including, the trading day immediately preceding the ex-dividend date for such distribution; and  
 $C$  = the amount in cash per share we pay or distribute to holders of our common stock.

- (5) If (a) we or any of our subsidiaries makes a payment in respect of a tender offer or exchange offer for our common stock and (b) the cash and value of any other consideration included in the payment per share of common stock exceeds the average of the last reported sale prices of our common stock over the 10 consecutive trading-day period commencing on, and including, the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer (the expiration date), the applicable conversion rate will be increased based on the following formula:

$$CR = CR_0 \times \frac{AC + (SP \times OS)}{OS_0 \times SP}$$

where,

- $CR_0$  = the applicable conversion rate in effect immediately prior to the open of business on the trading day next succeeding the expiration date;  
 $CR$  = the applicable conversion rate in effect immediately after the open of business on the trading day next succeeding the expiration date;  
 $AC$  = the aggregate value of all cash and any other consideration (as determined by our board of directors) paid or payable for shares purchased in such tender or exchange offer;  
 $OS_0$  = the number of shares of our common stock outstanding immediately prior to the time (the expiration time) such tender or exchange offer expires (prior to giving effect to such tender offer or exchange offer);  
 $OS$  =

the number of shares of our common stock outstanding immediately after the expiration time (after giving effect to such tender offer or exchange offer); and

SP = the average of the last reported sale prices of our common stock over the 10 consecutive trading-day period commencing on, and including, the trading day next succeeding the expiration date.

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The adjustment to the applicable conversion rate under the preceding paragraph of this clause (5) will be given effect at the open of business on the trading day next succeeding the expiration date. If the trading day next succeeding the expiration date is less than 10 trading days prior to, and including, the end of the cash settlement averaging period in respect of any conversion, references within this clause (5) to 10 trading days shall be deemed replaced, for purposes of calculating the affected daily conversion rates in respect of that conversion, with such lesser number of trading days as have elapsed from, and including, the trading day next succeeding the expiration date to, and including, the last trading day of such cash settlement averaging period. For purposes of determining the applicable conversion rate, in respect of any conversion during the 10 trading days commencing on the trading day next succeeding the expiration date, references within this clause (5) to 10 trading days shall be deemed replaced with such lesser number of trading days as have elapsed from, and including, the trading day next succeeding the expiration date to, but excluding, the relevant conversion date. As described in Risk Factors Risks Relating to the Notes and our Common Stock The conversion price of the notes may not be adjusted for all dilutive events, the adjustment to the applicable conversion rate under the preceding paragraph of this clause (5) will not occur for other events, such as a third-party tender or exchange offer or an issuance of common stock for cash, that may adversely affect the trading price of the notes or our common stock.

If:

we elect to satisfy our conversion obligation through delivery of a combination of cash and common stock, and shares of common stock are deliverable to settle the daily settlement amount for a given trading day within the cash settlement averaging period applicable to notes that you have converted;

any distribution or transaction described in clauses (1) to (5) above has not yet resulted in an adjustment to the applicable conversion rate on the trading day in question; and

the shares you will receive in respect of such trading day are not entitled to participate in the relevant distribution or transaction (because they were not held on a related record date or otherwise);

then we will adjust the number of shares that we deliver to you in respect of the relevant trading day to reflect the relevant distribution or transaction.

If:

we elect to satisfy our conversion obligation solely in shares of common stock;

any distribution or transaction described in clauses (1) to (5) above made prior to the settlement date has not yet resulted in an adjustment to the applicable conversion rate on the conversion date; and

the shares you will receive on settlement are not entitled to participate in the relevant distribution or transaction (because they were not held on a related record date or otherwise);

then we will adjust the number of shares that we deliver to you in respect of the relevant trading day to reflect the relevant distribution or transaction.

Notwithstanding the foregoing, if (i) a conversion rate adjustment pursuant to any of the foregoing becomes effective on any ex-date as described above and (ii) a holder converting its notes on or after such ex-date and on or prior to the close of business on the related record date would be treated as the record holder of shares of our common stock as of the related conversion date as described under Conversion Procedures based on an adjusted conversion rate for such ex-date, then, notwithstanding the foregoing



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conversion rate adjustment provisions, the conversion rate adjustment relating to such ex-date will not be made for any holder converting notes on or after such ex-date and on or prior to the close of business on the related record date. Instead, such holder will be treated as if such holder were the record owner of the shares of common stock on an unadjusted basis and participate in the related dividend, distribution or other event giving rise to such adjustment.

Except as stated herein, we will not adjust the applicable conversion rate for the issuance of shares of our common stock or any securities convertible into or exchangeable for shares of our common stock or the right, option or warrant to purchase shares of our common stock or such convertible or exchangeable securities.

If we adjust the conversion rate pursuant to the above provisions, we will issue a press release containing the relevant information (and make the press release available on our website).

In the event of:

any reclassification of our common stock;

a consolidation, merger, combination or binding share exchange involving us; or

a sale or conveyance to another person of all or substantially all of our property and assets;

in each case, in which holders of our outstanding common stock would be entitled to receive cash, securities or other property for their shares of our common stock ( reference property ), you will be entitled thereafter to convert your notes into the kind and amount of shares of stock, other securities or other property or assets (including cash or any combination thereof) that a holder of a number of shares of our common stock equal to the conversion rate immediately prior to such transaction would have owned or been entitled to receive upon such transaction; *provided* that, at and after the effective time of any such transaction, any amount otherwise payable in cash upon conversion of the notes will continue to be payable as described under the provision under Settlement Upon Conversion, including our right to determine the form of consideration as described therein.

For purposes of the foregoing, the type and amount of consideration that a holder of our common stock would have been entitled to in the case of reclassifications, consolidations, mergers, combinations, binding share exchanges, sales or transfers of assets or other transactions that cause our common stock to be converted into the right to receive more than a single type of consideration (determined based in part upon any form of shareholder election) will be deemed to be the weighted average of the types and amounts of consideration received by the holders of our common stock that affirmatively make such an election. We will notify holders of the weighted average as soon as practicable after such determination is made.

We are permitted to increase the applicable conversion rate of the notes by any amount for a period of at least 20 business days if our board of directors determines that such increase would be in our best interest. We may also (but are not required to) increase the applicable conversion rate to avoid or diminish income tax to holders of our common stock or rights to purchase shares of our common stock in connection with a dividend or distribution of shares (or rights to acquire shares) or similar event. We will not take any action that would result in adjustment of the conversion rate, pursuant to the provisions described above, in such a manner as to result in the reduction of the conversion price to less than the par value per share of our common stock.

A holder may, in some circumstances, including the distribution of cash dividends to holders of our shares of common stock, be deemed to have received a distribution or dividend subject to U.S. federal income tax as a result of an adjustment or the nonoccurrence of an adjustment to the applicable conversion rate. For a



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discussion of the U.S. federal income tax treatment of an adjustment to the applicable conversion rate, see Certain United States Federal Income Tax Considerations elsewhere in this prospectus supplement.

To the extent that we have a rights plan in effect upon conversion of the notes (*i.e.*, a poison pill), you will receive, in addition to any common stock received in connection with such conversion, the rights under the rights plan, unless prior to any conversion, the rights have separated from the common stock, in which case the applicable conversion rate will be adjusted at the time of separation as if we distributed, to all holders of our common stock, shares of our capital stock, evidences of indebtedness or other assets or property as described in clause (3) above, subject to readjustment in the event of the expiration, termination or redemption of such rights.

The applicable conversion rate will not be adjusted:

upon the issuance of any shares of our common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities and the investment of additional optional amounts in shares of our common stock under any plan;

upon the issuance of any shares of our common stock or options or rights to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program of, or assumed by, us or any of our subsidiaries;

upon the issuance of any shares of our common stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not described in the preceding bullet and outstanding as of the date the notes were first issued;

for a change in the par value of our common stock; or

for accrued and unpaid interest and additional interest, if any.

Adjustments to the applicable conversion rate will be calculated to the nearest 1/10,000th of a share. We will not be required to make an adjustment in the conversion rate unless the adjustment would require a change of at least 1% in the conversion rate. However, we will carry forward any adjustments that are less than 1% of the conversion rate and make such carried forward adjustment, regardless of whether the aggregate adjustment is less than 1%, (i) upon any conversion of notes, and (ii) on each trading day of any cash settlement averaging period, if applicable. Except as described in this section or in Adjustment to Shares Delivered upon Conversion upon Certain Corporate Transactions, we will not adjust the conversion rate.

Anne Chwat

52,573(6) \*

Michael L. Ducker

6,079(7) \*

David R. Epstein

3,669(8) \*

Roger W. Ferguson, Jr.

12,020(9) \*

John F. Ferraro

3,732(10) \*

Andreas Fibig

95,562(11) \*

Christina Gold

6,151(12) \*

Matthias Haeni

33,333(13) \*

Katherine M. Hudson

23,227(14) \*

Nicolas Mirzayantz

53,116(15) \*

Dale F. Morrison

21,615(16) \*

Richard O Leary

24,531(17) \*

Stephen Williamson

2,911(18) \*

All Directors and Executive Officers as a Group (19 persons)

411,492(19) \*

\* Less than 1%.

\*\* Based on 106,634,767 shares of common stock outstanding as of March 6, 2019.

(1)



Except as otherwise indicated, the address of each person named in the table is c/o International Flavors & Fragrances Inc., 521 West 57th Street, New York, New York 10019.

- (2) This column includes (i) shares held by our executive officers in our 401(k) Retirement Investment Fund Plan and (ii) shares of Purchased Restricted Stock Units ( PRSU ) held by our executive officers.
- (3) In determining the number and percentage of shares beneficially owned by each person, shares that may be acquired by such person within 60 days after March 6, 2019 are deemed outstanding for purposes of determining the total number of outstanding shares for such person and are not deemed outstanding for such purpose for all other shareholders. Certain stock equivalent units held in the IFF Stock Fund under our DCP are premium stock equivalent units paid to executive officers that are subject to vesting and may be forfeited if the executive officer's employment is terminated. To our knowledge, except as otherwise indicated, beneficial ownership includes sole voting and dispositive power with respect to all shares.
- (4) Includes (i) 3,165 shares held indirectly by a trust for which Mr. Bottoli is the settlor/grantor and Mr. Bottoli and three immediate family members are the beneficiaries and (ii) 874 shares issuable pursuant to RSUs that vest within 60 days of March 6, 2019 which Mr. Bottoli has elected to defer to our DCP.

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**SECURITIES OWNERSHIP**

- (5) Represents (i) 19,187 stock equivalent units held in the IFF Stock Fund under our DCP and (ii) 874 shares issuable pursuant to RSUs that vest within 60 days after March 7, 2018 which Dr. Buck elected to defer to our DCP.
- (6) Includes (i) 6,292 stock equivalent units held in the IFF Stock Fund under our DCP, (ii) 5,258 shares issuable pursuant to PRSUs that will vest within 60 days after March 6, 2019 and (iii) 944 shares earned under the completed 2016-2018 LTIP cycle that will be issued within 60 days of March 6, 2019.
- (7) Represents (i) 5,205 stock equivalent units held in the IFF Stock Fund under our DCP and (ii) 874 shares issuable pursuant to RSUs that will vest within 60 days after March 6, 2019 which Mr. Ducker has elected to defer to our DCP.
- (8) Represents (i) 2,795 stock equivalent units held in the IFF Stock Fund under our DCP and (ii) 874 shares issuable pursuant to RSUs that will vest within 60 days after March 6, 2019 which Mr. Epstein has elected to defer to our DCP.
- (9) Represents (i) 11,146 stock equivalent units held in the IFF Stock Fund under our DCP and (ii) 874 shares issuable pursuant to RSUs that vest within 60 days after March 6, 2019 which Mr. Ferguson has elected to defer to our DCP.
- (10) Represents (i) 2,858 stock equivalent units held in the IFF Stock Fund under our DCP and (ii) 874 shares issuable pursuant to RSUs that will vest within 60 days after March 6, 2019 which Mr. Ferraro has elected to defer to our DCP.
- (11) Includes (i) 29,351 stock equivalent units held in the IFF Stock Fund under our DCP, (ii) 6,009 shares issuable pursuant to RSUs and 11,685 shares issuable pursuant to PRSUs, each that vest within 60 days after March 6, 2019 and (iii) 6,632 shares earned under the completed 2016-2018 LTIP cycle that will be issued within 60 days of March 6, 2019.
- (12) Includes (i) 1,360 stock equivalent units held in the IFF Stock Fund under our DCP and (ii) 874 shares issuable pursuant to RSUs that vest within 60 days after March 6, 2019.

(13)

Includes (i) 5,007 shares issuable pursuant to PRSUs that vest within 60 days after March 6, 2019 and (ii) 1,658 shares earned under the completed 2016-2018 LTIP cycle that will be issued within 60 days of March 6, 2019.

(14) Includes (i) 19,853 stock equivalent units held in the IFF Stock Fund under our DCP and (ii) 874 shares issuable pursuant to RSUs that vest within 60 days after March 6, 2019 which Ms. Hudson has elected to defer to our DCP.

(15) Includes (i) 2,593 stock equivalent units held in the IFF Stock Fund under our DCP, (ii) 6,510 shares issuable pursuant to PRSUs that vest within 60 days after March 6, 2019 and (iii) 1,658 shares earned under the completed 2016-2018 LTIP cycle that will be issued within 60 days of March 6, 2019.

(16) Includes (i) 16,731 stock equivalent units held in the IFF Stock Fund under our DCP and (ii) 874 shares issuable pursuant to RSUs that vest within 60 days after March 6, 2019 which Mr. Morrison has elected to defer to our DCP.

(17) Includes (i) 3,714 stock equivalent units held in the IFF Stock Fund under our DCP, (ii) 2,754 shares issuable pursuant to PRSUs that vest within 60 days after March 6, 2019 and (iii) 664 shares earned under the completed 2016-2018 LTIP cycle that will be issued within 60 days of March 6, 2019.

(18) Includes (i) 2,037 stock equivalent units held in the IFF Stock Fund under our DCP and (ii) 874 shares issuable pursuant to RSUs that vest within 60 days after March 6, 2019 which Mr. Williamson has elected to defer to our DCP

**Table of Contents****SECURITIES OWNERSHIP**

(19) Includes an aggregate of (i) 141,084 stock equivalent units held in the IFF Stock Fund under our DCP, (ii) 50,720 shares issuable pursuant to PRSUs that vest within 60 days after March 6, 2019, and (iii) 13,482 shares earned under the completed 2016-2018 LTIP cycle that will be issued within 60 days after March 6, 2019.

**5% Shareholders**

The following table sets forth information regarding each person known by us to be the beneficial owner of more than 5% of our outstanding common stock, as of March 6, 2019, based on a review of filings with the SEC. Unless otherwise indicated, beneficial ownership is direct.

Name and Address of Beneficial Owner	Number of Shares and Nature of Beneficial Ownership	Percent of Class*
Winder Investment Pte Ltd and related persons #17-01 6 Battery Road Singapore 049909	21,227,193(1)	19.3%
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	12,292,106(2)	11.5%
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	6,840,108(3)	6.4%

\* Based on 106,634,767 shares of common stock outstanding as of March 6, 2019.

- (1) This amount is based on (i) a Form 4 filed with the SEC on February 25, 2019, by Winder Investment Pte Ltd ( Winder ) and (ii) Amendment No. 6 to Schedule 13G filed with the SEC on February 12, 2019 by Winder. This amount includes 927,193 shares of common stock that would be issued upon voluntary settlement of 2,958,500 purchase contracts held by Winder. William Cornelius Lexmond and Sharon Yam Kwai Ying share voting and dispositive power over these shares.
- (2) This amount is based solely on Amendment No. 10 to Schedule 13G filed with the SEC on February 13, 2019 by The Vanguard Group. Of these shares, The Vanguard Group has the (i) sole power to vote or direct the vote with respect to 115,952 of these shares, (ii) shared power to vote or direct the vote with respect to 26,157 of these shares, (iii) sole power to dispose or direct the disposition of 12,150,535 of these shares, and (iv) shared power to dispose or direct the disposition of 141,571 of these shares.
- (3) This amount is based solely on Amendment No. 9 to Schedule 13G filed with the SEC on February 4, 2019 by BlackRock, Inc. Of these shares, BlackRock has the (i) sole power to vote or direct the vote with respect to 5,923,406 of these shares and (ii) sole power to dispose or direct the disposition of 6,840,108 of these shares.

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**Selection of our Independent Registered Public Accounting Firm**

The Audit Committee of our Board is directly responsible for the appointment, compensation, retention and oversight of our independent registered public accounting firm. To execute this responsibility, the Audit Committee engages in a comprehensive annual evaluation of the independent registered public accounting firm's qualifications, performance and independence to determine whether the independent registered public accounting firm should be rotated, and considers the advisability and potential impact of selecting a different independent registered public accounting firm.

The Audit Committee has selected PricewaterhouseCoopers LLP ( PwC ) as our independent registered public accounting firm for 2019, and our Board has directed that our management submit that selection for ratification by our shareholders at the 2019 Annual Meeting. PwC has been retained as our external auditor continuously since 1957. In connection with the selection of PwC, the Audit Committee annually reviews and negotiates the terms of the engagement letter entered into with PwC. This letter sets forth important terms regarding the scope of the engagement, associated fees, payment terms, responsibilities of each party and the election of the parties to be subject to binding arbitration in the case of any dispute.

In accordance with SEC rules and PwC policies, audit partners are subject to rotation requirements to limit the number of consecutive years an individual partner may provide audit service to our Company. For lead and quality review audit partners, the maximum number of consecutive years of service in that capacity is five years. The process for selection of our lead audit partner pursuant to this rotation policy involves a meeting between the Chair of the Audit Committee and the candidate for the role, as well as discussion by the full Audit Committee and management.

The Audit Committee and the Board believe that the continued retention of PwC as our independent registered public accounting firm is in the best interest of the Company and our shareholders, and we are asking our shareholders to ratify the selection of PwC as our independent registered public accounting firm for 2019. Although ratification is not required by our By-Laws or otherwise, we are submitting the selection of PwC to our shareholders for ratification because we value our shareholders' views on our Company's independent registered public accounting firm and as a matter of good corporate governance. The Audit Committee will consider the outcome of our shareholders' vote in connection with the Audit Committee's selection of our independent registered public accounting firm in the next fiscal year, but is not bound by the shareholders' vote. Even if the selection is ratified, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accounting firm at any time if it determines that a change would be in the best interests of our Company and our shareholders.

Representatives of PwC are expected to attend the 2019 Annual Meeting, where they will be available to respond to questions and, if they desire, to make a statement.

Table of Contents**PROPOSAL 2 RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM****Principal Accountant Fees and Services**

The following table provides detail about fees for professional services rendered by PwC for the years ended December 31, 2018 and December 31, 2017.

	<b>2018</b>	<b>2017</b>
Audit Fees (1)	\$ 8,902,295	\$ 6,501,799
Audit-Related Fees (2)		
	\$ 183,160	\$ 69,140
Tax Fees (3)		
Tax Compliance		
	\$ 189,626	\$
Other Tax Services		
	\$ 1,258,333	\$ 391,107
All Other Fees (4)		
	\$ 9,260	\$ 9,015
<b>Total</b>		
	<b>\$ 10,542,674</b>	<b>\$ 6,971,061</b>

- (1) Audit Fees were for professional services rendered for audits of our consolidated financial statements and statutory and subsidiary audits, consents and review of reports filed with the SEC and consultations concerning financial accounting and reporting standards. Audit Fees also included the fees associated with an annual audit of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002, integrated with the audit of our annual financial statements. Additional fees in 2018 primarily relate to professional services rendered in connection with our acquisition of Frutarom, including services related to purchase accounting and subsidiary and statutory audits of Frutarom.
- (2) Audit-Related Fees were for services related to review of certain governance, risk and compliance procedures and other local statutory requirements.
- (3) Tax Compliance services consisted of fees related to tax compliance professional services incurred with respect to the acquisition and integration of Frutarom, preparation of tax returns, assistance with tax audits and appeals, indirect taxes, expatriate tax compliance services and transfer pricing services. Other Tax Services consisted of tax planning and tax advisory services.
- (4) All Other Fees were for software licenses and other professional services.

#### **Pre-Approval Policies and Procedures for Audit and Permitted Non-Audit Services**

Consistent with requirements of the SEC and the Public Company Accounting Oversight Board (PCAOB) regarding auditor independence, the Audit Committee has responsibility for:

appointing,

negotiating, and setting the compensation of, and

overseeing the performance of, the independent registered public accounting firm.

In recognition of this responsibility, the Audit Committee has established policies and procedures to pre-approve all audit and non-audit services to be provided by the independent registered public



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**PROPOSAL 2 RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

accounting firm to our Company by category, including audit-related services, tax services and other permitted non-audit services. Under the policy, the Audit Committee pre-approves all services obtained from our independent registered public accounting firm by category of service, including a review of specific services to be performed, fees expected to be incurred within each category of service and the potential impact of such services on auditor independence. The term of any pre-approval is for the financial year, unless the Audit Committee specifically provides for a different period in the pre-approval. If it becomes necessary to engage the independent registered public accounting firm for additional services not contemplated in the original pre-approval, the Audit Committee requires separate pre-approval before engaging the independent registered public accounting firm. To facilitate the process, the policy delegates pre-approval authority to the Audit Committee chairperson to pre-approve services up to \$20,000, and the Audit Committee may also delegate authority to one or more of its members to pre-approve services. The Audit Committee member to whom such authority is delegated must report, for informational purposes, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

All services rendered by PwC to our Company are permissible under applicable laws and regulations. During 2018, all services performed by PwC which were subject to the SEC's pre-approval requirements were approved by the Audit Committee in accordance with the Audit Committee's pre-approval policy in effect during 2018.

**Audit Committee Report**

The Audit Committee ( we, us or the Committee ) operates in accordance with a written charter, which was adopted by the Board. A copy of that charter is available through the Investor Leadership & Governance Governance link on the Company's website at [www.iff.com](http://www.iff.com). The Committee is composed of four directors whom the Board has determined are independent, as required by the applicable listing standards of the NYSE and the rules of the SEC, and whom qualify as audit committee financial experts as defined by the rules of the SEC.

Management has the primary responsibility for the financial statements and the reporting process, including internal control over financial reporting and disclosure controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations. The Company's independent registered public accounting firm, PricewaterhouseCoopers LLP ( PwC ), is responsible for performing an integrated audit of the Company's financial statements and internal control over financial reporting in accordance with the auditing standards of the Public Company Accounting Oversight Board ( PCAOB ).

The Committee oversees the Company's financial reporting process and internal control structure on behalf of the Board. We met eight times during 2018, including meeting regularly with PwC and the Company's internal auditor, both privately and with management present. For 2018, we have reviewed and discussed the Company's audited financial statements with management. We have reviewed and discussed with management its process for preparing its report on its assessment of the Company's internal control over financial reporting, and at regular intervals we received updates on the status of this process and actions taken by management to respond to issues and deficiencies identified. We discussed with PwC its audit of the financial statements and of the Company's internal control over financial reporting. We discussed with PwC and the Company's internal auditor the overall scope and plans for their

respective audits.

We have discussed with PwC the matters required to be discussed by PCAOB Auditing Standard No. 1301, Communications with Audit Committees. We also received the written disclosures and the letter from PwC as required by applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence, and discussed with PwC its independence. We concluded that PwC's independence was not adversely affected by the non-audit services provided by PwC, the majority of which consisted of audit-related, tax compliance and other tax services arising from our acquisition of Frutarom.

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**PROPOSAL 2 RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Based on the reviews and discussions referred to above, we recommended to the Board (and the Board subsequently approved our recommendation) that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the SEC on February 26, 2019.

In determining whether to retain PwC as the Company's independent registered public accounting firm for the 2019 fiscal year, we took into consideration a number of factors, including:

the quality and effectiveness of PwC's historical and recent performance on the Company's audit;

the length of PwC's tenure as the Company's independent registered public accounting firm, and its familiarity with our business, accounting policies and practices, and internal control over financial reporting;

PwC's capability, understanding and expertise in handling the breadth and complexity of our global operations;

the appropriateness of PwC's fees and payment terms; and

PwC's independence.

Based on this evaluation, we believe that it is in the best interests of the Company and its shareholders to retain PwC as the Company's independent registered public accounting firm for 2019, which the shareholders will be asked to ratify at the 2019 Annual Meeting of Shareholders.

**Audit Committee**

John F. Ferraro (Chair)

Marcello V. Bottoli

Dale F. Morrison

Stephen Williamson

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*YOUR BOARD RECOMMENDS A VOTE FOR  
RATIFICATION OF PWC AS OUR INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM FOR 2019*

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**Table of Contents****Reference Guide to our CD&A**

This Compensation Discussion and Analysis, or CD&A, describes and analyzes our executive compensation philosophy and program in the context of the compensation paid during the last fiscal year to our chief executive officer, our chief financial officer and each of our three most highly compensated executive officers (collectively referred to as our NEOs). This CD&A is organized as follows:

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As discussed in Proposal 3, we are conducting our annual Say on Pay vote that requests your approval of the compensation of our NEOs as described in this section and in the tables and accompanying narrative contained below under Executive Compensation. To assist you with this vote, please review our compensation philosophy, the design of our executive compensation programs and how, we believe, these programs have contributed to and are aligned with our performance.

2018 was a transformative year for our Company as we completed the acquisition of Frutarom, becoming a global leader in taste, scent and nutrition. Our acquisition of Frutarom expands our customer base and product offerings, and we believe will accelerate our financial performance. Because the Frutarom acquisition was not completed until the fourth quarter of 2018, the Compensation Committee (the Committee) did not factor the Frutarom acquisition into the 2018 compensation program. Therefore, the 2018 compensation program for our NEOs does not include Frutarom

results.

As discussed above, our product offerings have extended beyond our legacy Flavors and Fragrances businesses, therefore, during the fourth quarter of 2018 we renamed our business segments from Flavors to Taste and from Fragrances to Scent, and added Frutarom as a third business segment.

### **Executive Summary**

For 2018, our NEOs were:

<b><u>Name</u></b>	<b><u>Title</u></b>
Andreas Fibig	Chairman and CEO
Richard O Leary	CFO
Nicolas Mirzayantz	Divisional Chief Executive Officer, Scent
Matthias Haeni	Divisional Chief Executive Officer, Taste
Anne Chwat	General Counsel

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**COMPENSATION DISCUSSION AND ANALYSIS**

**Compensation Philosophy**

The core of our executive compensation philosophy is that our executives' compensation should be linked to achievement of financial and operating performance metrics that build shareholder value over both the short- and long-term. As such, we consistently focus on the following key drivers of shareholder value maximization:

We designed our compensation program to focus on elements that we believe will contribute to these shareholder value drivers. Our compensation program:

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**COMPENSATION DISCUSSION AND ANALYSIS**

The design of our executive compensation program reflects our belief that executive compensation should be (1) aligned with the achievement of financial and operational metrics for both our Company and the respective business function in which the executive serves and (2) tied to the total shareholder return delivered to our shareholders. The following illustrates how our CEO's and other NEOs' total direct compensation is designed to tie a significant portion of their compensation to variable and long-term goals:

***Our 2018 NEO Compensation Reflects Our 2018 Performance***

We achieved strong results in 2018, delivering on all our key financial metrics and completing our acquisition of Frutarom. In 2018, sales were \$4.0 billion, including sales related to the Frutarom acquisition, adjusted operating profit was \$677 million and adjusted earnings per share was \$5.58. As a result of our financial and operational results, (1) our Annual Incentive Plan (AIP) achievement levels were approximately 101.7% for those executive officers evaluated at the corporate level, 66.9% for our Divisional CEO, Scent, and 113.9% for our Divisional CEO, Taste, and (2) our 2016-2018 LTIP payout was approximately 79.1% of target.

In addition to our successful completion of the Frutarom transaction, during 2018, we made significant progress on our strategic objectives, including:

Launched EcoEffective+, a set of environmental sustainability goals focused on emission reductions, zero waste to landfill and water stewardship;



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**COMPENSATION DISCUSSION AND ANALYSIS**

Cosmetic Active Ingredients continued to grow double-digits;

Tastepoint<sup>SM</sup> in North America continued to grow double-digits; and

Opened two new facilities in China, a flavors manufacturing facility and a natural product research lab, supporting our efforts to become a partner of choice and to grow in the region; and

During 2018, we paid \$230 million in dividends to our shareholders, increased our quarterly dividend by 6% to \$0.73 per share in August, and, before suspending our share repurchase program in connection with the acquisition of Frutarom, we repurchased approximately 108,000 shares of common stock for approximately \$15.5 million.

**Compensation Governance**

To ensure continued alignment of compensation with Company performance and the creation of shareholder value on a long-term, sustainable basis, we maintain strong compensation-related corporate governance policies.

**What We Do**

**What We Don't Do**

**Pay for performance.** A significant portion of the compensation for our NEOs is in the form of at-risk variable compensation

**No tax gross-ups** for severance payments

Base variable compensation on **multiple performance metrics** to encourage balanced focus

**No single-trigger vesting** of cash or equity-based awards upon change in control

Use an **appropriate mix of fixed and variable compensation** to reward Company, business unit and individual performance

**No short-sales, hedging or pledging of our stock** by our employees, officers or directors

**Award a majority of variable compensation** as equity-based awards

**No fixed-duration employment agreements** with executive officers

Maintain **executive clawback policies** to recoup cash and equity compensation upon certain triggering events

**No stock option/SAR repricing or exchange** of underwater options or SARs for cash

Require our executives to **meet share retention guidelines**

**No guaranteed pay increases or equity awards** for NEOs

Engage an **independent compensation consultant**

Conduct an **annual risk assessment** of our compensation programs

**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS****2018 Compensation Elements and Targeted Mix**

Our executive compensation program includes direct and indirect compensation elements.

We believe that direct compensation should be the principal form of compensation. The table below provides a brief description of the principal elements of direct compensation, whether such compensation is fixed or variable, and the compensation program objectives served by each element. From time to time, the Committee may also approve discretionary awards to executives in connection with their initial employment or for extraordinary individual performance, a significant contribution to the Company's strategic objectives or retention purposes.

<b>Element</b>	<b>Fixed or Variable</b>	<b>Primary Objective</b>
Base Salary	Fixed Short-Term Cash	To attract and retain executives by offering salary that is competitive with market opportunities and that recognizes each executive's position, role, responsibilities, experience and individual contributions.
AIP award	Variable Short-Term Cash	To motivate and reward the achievement of our annual financial performance objectives, including currency neutral sales growth, operating profit, gross margin and working capital.
LTIP award	Variable Long-Term Cash and Equity	To motivate and reward efficient capital allocation and annual profitability performance, measured by annual economic profit, and long-term shareholder value creation, measured by the cumulative relative TSR performance over rolling three-year periods.  To align executives' interests with those of shareholders by paying 50% of the earned award in shares of our common stock (with the remaining 50% settled in cash).

Equity Choice  
Program ( ECP ) award

Variable  
Equity

To align executives' interests with the interests of  
shareholders through equity-based compensation.

To encourage direct investment in our Company.

To serve as an important retention tool.

To recognize individual contributions.

The Committee periodically reviews the mix between variable and fixed and short-term and long-term incentive compensation opportunities and between cash and non-cash opportunities based on (1) benchmarking and other external data provided by our independent compensation consultant, (2) recommendations from our independent compensation consultant and (3) recommendations from our CEO and CHRO.

Our indirect compensation elements consist of (1) our Deferred Compensation Plan ( DCP ) and our Retirement Investment Fund Plan (the 401(k) ) savings plan, (2) a perquisite program, (3) severance and other benefits under our Executive Severance Policy ( ESP ), (4) benefits under an Executive Death Benefit Plan and (5) long-term disability coverage. The Committee regularly reviews the costs and benefits of these programs.

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**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS****2018 Compensation***Salaries*

The Committee reviews the salaries of our NEOs annually, and adjusts salaries periodically. In February 2018, the Committee reviewed the base salaries of our NEOs after consultation with its independent compensation consultant, and effective April 1, 2018, approved salary increases for all NEOs except our CEO, ranging between 2% and 3% to maintain market competitive target total annual compensation levels.

*Annual Incentive Plan*

During 2018, our AIP compensated our executive officers based on the achievement of certain levels of Company financial performance. Financial performance metrics are measured (1) at the consolidated corporate level for our CEO, CFO, and General Counsel and (2) at both the consolidated corporate level and the business unit level for the Divisional CEO, Scent and Divisional CEO, Taste.

In February 2018, the Committee approved certain changes to the AIP to better align corporate and business unit metrics. For NEOs that are evaluated solely on corporate performance, the 2018 AIP weightings were adjusted to reduce the currency neutral sales growth component from 35% to 30% and increase the working capital component from 15% to 20%. For our NEOs that are evaluated on a combination of business unit and corporate performance, the corporate components now constitute 20% of the overall weighting and the business unit components constitute 80% of the overall weighting. The Committee believes that these changes reflect our focus on profitable growth. In addition, if our Company does not meet the corporate operating profit threshold, then no AIP payouts will be awarded to any participant, including the NEOs.

The performance metrics for the 2018 AIP and their assigned weightings were as follows:

**Annual Incentive Program**

	<b>Currency neutral sales growth</b>	<b>Operating profit</b>	<b>Gross Margin</b>	<b>Working Capital</b>	<b>Total Weighting</b>
All NEOs	30%	35%	15%	20%	<b>100%</b>
Except Divisional					

CEOs					
<i>Corporate</i>					
<i>Weighting</i>					
	<b>Currency neutral sales growth</b>	<b>Operating profit</b>	<b>Gross Margin</b>	<b>Working Capital</b>	<b>Total Weighting</b>
Divisional					
CEOs	5%	10%	0%	5%	<b>20%</b>
<i>Corporate</i>					
<i>Weighting</i>					<b>100%</b>
Divisional					
CEOs	25%	25%	15%	15%	<b>80%</b>
<i>Business Unit</i>					
<i>Weighting</i>					

Table of Contents**COMPENSATION DISCUSSION AND ANALYSIS**

Each year the Committee sets an AIP target (stated as a percentage of base salary) for each NEO. For 2018, the Committee maintained the AIP percentage targets at the same level as 2017.

	<b>Target AIP as</b>		
	<b>2018 Salary</b>	<b>% Base Salary</b>	<b>AIP Target</b>
Andreas Fibig	\$ 1,300,000	120%	\$ 1,560,000
Richard O Leary	\$ 515,000	80%	\$ 412,000
Nicolas Mirzayantz	\$ 612,000	80%	\$ 489,600
Matthias Haeni (1)	\$ 581,451	80%	\$ 465,161
Anne Chwat	\$ 485,000	60%	\$ 291,000

(1) Mr. Haeni is paid in Euros. For 2018, his salary was 512,156 and his AIP Target was 409,725. The table above reflects the US Dollar equivalent of his salary and AIP target based on an exchange rate of 1.1353 US Dollars to Euros (the exchange rate as of December 28, 2018).

**Performance Metrics and Capped AIP Payouts:** Based on a review of the annual and long-term financial goals, operational plans, strategic initiatives and the prior year's actual results, the Committee annually sets the financial performance metrics for our Company and the respective business units that it will use to measure performance as well as the relative weighting that will be assigned to each metric. The Committee then approves threshold, target and maximum performance levels for each performance metric. Upon achievement of the relative performance level, an executive has the opportunity to earn threshold (25%), target (100%) and maximum (200%) amounts with performance levels achievements in between calculated on a linear basis. The Committee seeks to establish corporate performance goals that are challenging yet attainable.

As discussed above, for 2018 AIP awards, the Committee approved the following four financial performance metrics for the reasons noted below:

**2018 AIP Performance Metrics**

**Reasons for Selection**

**Currency neutral sales growth**

Reflects both increases in market share and sales expansion, which drives increases in gross profit. By measuring achievement exclusive of currency fluctuations, this goal helps to ensure that we are rewarding actual incremental growth.

**Operating profit**

An increase in operating profit (in dollar terms) encourages the management of gross profit dollars against operating expenses. Achieving this goal helps provide us with the funding to reinvest in the business to drive future growth.

**Gross margin percentage**

Improvement in gross margin percentage is an important measure of our ability to effectively recover increases in the cost of raw materials, cost discipline and operating efficiencies.

Gross margin also promotes greater focus on R&D and innovation.

**Working capital percentage**

Reductions in working capital drive better operating cash flow generation. For this purpose, we define working capital as inventories and trade accounts receivable less trade accounts payable, expressed as a percentage of sales.



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**COMPENSATION DISCUSSION AND ANALYSIS**

***Determination of 2018 Performance Levels:*** In determining our 2018 AIP performance threshold, target and maximum levels, the Committee considered our annual targets for 2018, 2017 actual results and payout trends over the prior three-year and five-year periods. The performance target levels for the financial metrics were set in line with our 2018 budget.

***2018 Corporate and Business Unit AIP Performance:*** Our actual performance against our 2018 AIP corporate financial metrics is set forth in the tables below. In establishing AIP financial performance metrics we took into consideration certain non-operational metrics known to us at the time. In determining actual achievement against those performance metrics, we eliminated the net impact of certain non-core expenses and non-core gains to reflect our fundamental operating results. 2018 LTIP and AIP target performance levels and actual achievement against the target performance levels excluded costs or income associated with (1) adjustments related to operational improvement initiative costs and restructuring charges, (2) the Frutarom acquisition, including unbudgeted operating profit resulting from the inclusion of Frutarom results in the fourth quarter of 2018 and, legal, accounting, consulting and integration expenses, (3) other non-Frutarom acquisition related items, including integration costs, (4) an FDA mandated recall, (5) adjustments due to hyper inflationary accounting for our Argentina subsidiary, (6) the impact of the BASF supply disruption, (7) gains and sales of assets, (8) unbudgeted mark-to-market adjustments related to our Deferred Compensation Plan, and (is) solely with respect to LTIP, charges associated with the enactment of the Tax Cuts and Jobs Act (together, the 2018 non-core items ). Similarly, we excluded the effects of incentive compensation provisions in calculating gross margin performance in order to better focus on the underlying operating performance of our product portfolio. The Committee believes that the necessary self-funding of incentive compensation payments is covered in the operating profit component of the AIP program.

**Corporate Performance**

The table below reflects the 2018 AIP metrics, their respective targets and the percentage payout earned for each metric and overall by each of Messrs. Fibig and O Leary and Ms. Chwat, who were evaluated solely on corporate performance.

**Corporate Level**

As indicated above, during 2018, our corporate performance was between target and maximum for the currency neutral sales growth and operating profit performance metrics, and between threshold and target for the gross margin metric and the working capital performance metric. The actual dollar amount earned by each NEO is set forth below under 2018 Individual AIP Payouts.

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**COMPENSATION DISCUSSION AND ANALYSIS**

**Scent Business Unit Performance**

The table below reflects the 2018 AIP metrics, their respective targets and the percentage payout earned for each metric and overall by Mr. Mirzayantz, our Divisional CEO, Scent.

**Scent Business Unit**

As indicated above, during 2018, our Scent business unit performance was between threshold and target for the currency neutral sales growth, operating profit and gross margin business unit performance metrics, and below threshold for the working capital business unit performance metric. The actual dollar amount earned by our Divisional CEO, Scent is set forth below under 2018 Individual AIP Payouts.

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**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS****Taste Business Unit Performance**

The table below reflects the 2018 AIP metrics, their respective targets and the percentage payout earned for each metric and overall by Mr. Haeni, our Divisional CEO, Taste.

**Taste Business Unit**

During 2018, our Taste business unit performance was between target and maximum for the currency neutral sales growth and operating profit business unit performance metrics, at target for the gross margin business unit performance metric, and was between threshold and target for the working capital business unit performance metric. The actual dollar amount earned by our Divisional CEO, Taste is set forth below under 2018 Individual AIP Payouts.

**2018 Individual AIP Payouts**

The AIP payout for 2018 for our NEOs, based on the actual achievement of each of the performance metrics, is included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table in this proxy statement. Based on the Corporate and Business Unit performance outlined in the tables above, 2018 AIP payouts were as follows:

<b>Executive</b>	<b>2018 AIP Target (\$)</b>	<b>As % of Target</b>	<b>2018 Payout Award (\$)</b>
Andreas Fibig	\$ 1,560,000	101.7%	\$ 1,586,520
Richard O Leary	\$ 412,000	101.7%	\$ 419,004

Nicolas Mirzayantz	\$	489,600	66.9%	\$	327,542
Matthias Haeni	\$	465,161	113.9%	\$	529,818(1)
Anne Chwat	\$	291,000	101.7%	\$	295,947

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- (1) Mr. Haeni's AIP target was established in Euros. The table above converts Mr. Haeni's 409,725 AIP target to US Dollar equivalent of 80% of his salary, based on an exchange rate of 1.1353 US Dollars to Euros (the exchange rate as of December 28, 2018). The actual AIP payout amount reflects the US Dollar equivalent using the same December 28, 2018 exchange rate.

***Long-Term Incentive Plan***

We believe that LTIP awards reward our executive officers, including our NEOs, for financial results and align their interests with the interests of our shareholders. Annually, the Committee reviews the LTIP to determine (1) the metrics that should be used to encourage long-term success, (2) the weightings that should be applied to such metrics and (3) the annual and cumulative targets for such metrics. The Committee believes that commencing a new three-year LTIP cycle each year:

provides a regular opportunity to re-evaluate long-term metrics,

aligns goals with the ongoing strategic planning process, and

reflects our evolving business priorities and market factors.

The Committee also annually sets a total LTIP target award for each NEO, which reflects the total LTIP award an NEO has the opportunity to receive at the end of the three-year cycle if we meet all of our targets. Depending upon our actual performance relative to financial and relative total shareholder return goals, the actual payout to the NEO could be greater or less than the total LTIP target award.

***Performance Segments.*** Given the difficulty in setting long-term goals in the current volatile global economic environments, for 2018 the Committee decided that the LTIP should continue to comprise four performance segments: Year 1, Year 2, Year 3 (each an annual performance segment) and cumulative performance over the three-year period (the cumulative performance segment).

***Performance Metrics.*** For 2018, each annual performance segment is measured against Economic Profit (EP) (12.5%) and the cumulative performance segment is measured against Relative TSR (62.5%). The Committee believes that a LTIP consisting of annual performance segments based on EP and a cumulative performance segment based on Relative TSR better aligns its compensation objectives with the interests of our shareholders and our focus on long-term growth initiatives. As described below in 2019 Compensation Actions, for the 2019-2021 LTIP Cycle, annual EP Performance segments will be replaced by a cumulative, three-year net debt ratio to EBITDA ratio performance metric.

**Long-Term Incentive Plan**

Segment	EP	Relative TSR	
Year 1	12.5%	0%	
Year 2	12.5%	0%	
Year 3	12.5%	0%	
Cumulative Segment		62.5%	
<b>Total</b>	<b>37.5%</b>	<b>62.5%</b>	<b>100%</b>

For 2018, the Committee determined that EP was a factor in identifying the sources and drivers of value across our businesses and that EP growth is closely linked to the creation of long-term shareholder value. EP measures operating profitability after considering (1) all our revenues and operating costs, (2) income

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taxes and (3) a charge for the capital employed in the business. Capital employed primarily consists of working capital, property, plant and equipment, and intangible assets. The capital charge is determined by applying the estimated weighted average cost of capital ( WACC ) to the adjusted average invested capital employed (including charges and/or loss provisions associated with non-operating events such as restructurings and tax or litigation settlements) during the relevant period. The estimated WACC rate is the weighted average cost of our debt and equity capital. In determining the EP target for the 2018 annual performance segments of the current LTIP cycles, the Committee considered our annual targets for 2018, our 2017 actual results and payout trends over the prior three-year and five-year periods, and the pro-forma impact of recent acquisitions. During 2018, our EP goal for the annual performance segments was set at the beginning of each annual performance segment. While the Committee continues to believe that EP is an important metric, in light of the Frutarom acquisition and the company-wide focus on deleveraging by 2021, the Committee decided to replace the three annual EP performance segments with a cumulative three-year performance metric of net debt to EBITDA ratio in addition to the cumulative, three-year Relative TSR for the cumulative segment, which will be weighted equally.

For 2018, the Committee also decided that three-year Relative TSR is a good indicator of our overall long-term performance, and directly ties our executives' compensation opportunity to our share price appreciation and dividend payments relative to a major large-cap index. Relative TSR is calculated by measuring the change in the market price of stock plus dividends paid (assuming the dividends are reinvested) for our Company and the S&P 500 companies over the three-year performance period. The market price for purposes of calculating the Relative TSR of our Company and the S&P 500 on each cycle-end date is determined based on the average closing price per share of each company's stock over the period of 20 consecutive trading days preceding that date, as reported by S&P Capital IQ. The Relative TSR goal for the cumulative performance segment is set at the beginning of the three-year cycle.

At the end of each year, the Committee reviews our annual performance and cumulative performance for the newly completed three-year cycle. To the extent that our annual performance has met or exceeded the threshold annual EP goal, the Committee approves banking the credit that will be applied to the payout at the end of the three-year cycle. For the completed three-year cycle, the Committee approves the total payout, taking into consideration the performance for each of the prior annual performance segments and the cumulative performance segment.

*2018-2020 LTIP Target Awards*

In early 2018, the Committee approved the following total LTIP target awards to each of our NEOs for the 2018-2020 LTIP cycle:

NEO	Total LTIP Target Award



Andreas Fibig	\$2,500,000
Richard O Leary	\$500,000
Nicolas Mirzayantz	\$500,000
Matthias Haeni	\$500,000
Anne Chwat	\$291,000

The Committee set the cumulative three-year Relative TSR goal for the 2018-2020 LTIP cycle at the same level that had been set for the prior year's LTIP cycle, which required above median performance to achieve target payout. The Committee again determined that 50% of the value of the awards would be denominated and paid in cash and 50% would be denominated and paid in shares, consistent with prior LTIP cycles. The Committee believes that paying 50% of the LTIP value in shares creates a stronger alignment between executives and shareholders, and provides additional incentive for executives to achieve superior Company performance and to produce share price appreciation over the three-year performance cycle. The number of shares of our common stock for the 50% portion that would be paid in

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shares is determined based on the market price of the common stock at the beginning of the cycle. For the 2018-2020 LTIP cycle, it was based on \$153.26 per share, the average closing price for the twenty trading days prior to January 2, 2018, the first stock trading day of the cycle. At the conclusion of each of the first two annual performance segments, the dollar value and number of shares will be banked based on the performance of each such segment. When the three-year cycle is concluded and the Committee approves the LTIP payout, the cumulative dollar value and cumulative number of shares are paid to the executive.

*2018 LTIP Performance*

For the 2018 segment of each of the existing LTIP cycles, our EP of \$252 million, as adjusted for 2018 non-core items, was between target and maximum performance level. As a result, our NEOs earned 190.6% of the annual target based on the EP goal for the year. Our Relative TSR for the cumulative, three-year performance period ended in 2018 was between threshold and target and, as a result, our NEOs earned 43.8% of target based on the Relative TSR goal for the three-year cycle. The LTIP award earned and banked for the 2018 segments of the 2017-2019 and 2018-2020 LTIP cycles was equal to approximately 23.8%.

2018 LTIP Results*2016-2018 LTIP Payout*

The 2018 segment was 190.6% of target based on the annual 2018 EP goal (resulting in a segment weighting of 23.8%) and the Cumulative TSR result was 43.8% of target on the cumulative, three-year Relative TSR goal (resulting in a segment weighting of 27.3%). Consequently, the overall payout for the 2016-2018 LTIP cycle was approximately 79.1% of target, based on the following EP and Relative TSR results against objectives, as determined by the Committee.

<b>Segment</b>	<b>Segment Weighted EP</b>	<b>Cumulative TSR Result</b>	<b>Segment Weighting</b>	<b>Overall Result</b>
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**Result**

2016	76.7%	12.5%	9.6%
2017	146.6%	12.5%	18.3%
2018	190.6%	12.5%	23.8%
Cumulative		43.8%	62.5%
<b>Total</b>		<b>100.0%</b>	<b>79.1%</b>

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The payout for the 2016-2018 LTIP cycle for the NEOs, based on the actual achievement of quantitative objectives, is discussed in greater detail following the Grants of Plan-Based Awards Table.

For the LTIP performance cycles that concluded in the five-year period from 2014 to 2018, the actual overall corporate percentage payout under the LTIP against those long-term cycle performance goals ranged from approximately 79.1% to 146.4%, with an average payout of 119.8%.

**Equity Choice Program**

Equity is a key component of our long-term incentive compensation as it (1) provides participants with a meaningful stake in our Company, thereby aligning their interests more closely with shareholders, (2) encourages participants to focus on long-term success, (3) helps to attract and retain top talent and (4) recognizes individual contributions. We believe that our ECP is an effective vehicle to encourage ownership as it provides participants the flexibility to allocate their award among three types of equity.

Under the ECP, participants, including all of our NEOs, may choose from three types of equity award grants. For ECP awards in 2018, these three types were (1) Purchased Restricted Stock Units ( PRSUs ), (2) Stock-Settled Appreciation Rights ( SSARs ), and (3) Restricted Stock Units ( RSUs ). PRSUs are assigned an adjustment factor of 120% to provide incentive to participants to invest in and accumulate shares to promote retention and increase alignment of participants interests with those of our shareholders. Elections are made in 5% increments. Based on the participant s election, a participant s dollar award value is converted into PRSUs, SSARs or RSUs on the grant date based on the market price of our common stock on such date.

All ECP awards are generally subject to a vesting period of approximately three years. The Committee believes the ECP is an attractive tool for recruiting, motivating and retaining executive talent and encourages alignment with shareholders by reinforcing investment and ownership in our Company by our executives.

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The table below sets forth each of the three types of equity awards offered and their adjustment factor. During 2018, ECP participants, including all of our NEOs, made choices based on the different equity award types described below.

**Types of****Equity****Description of Equity Type**

**PRSUs** PRSUs are restricted stock units that are granted as a match against shares of Company stock purchased at full value by an ECP participant on the grant date. As an incentive to promote share accumulation and direct investment in our stock, there is a 20% adjustment upward of the award value if PRSUs are elected. If an ECP participant chooses PRSUs, then he or she must deliver funds (or shares with an equivalent value) equal to the dollar amount of the ECP award (including the 20% adjustment). Upon receipt of the funds by the Company, the ECP participant receives a matching number of PRSUs.

PRSU holders have no voting rights during the vesting period but accrue dividend equivalents on their PRSUs. PRSUs vest approximately three years from the date of grant. PRSUs are the most rapid way for participants to accumulate and build share ownership based on the participant's direct investment in Company stock.

**SSARs** SSARs are a contractual right to receive the value, in shares of Company stock, of the appreciation in stock price from the SSAR grant date to the date the SSAR is exercised by the participant. Participants receive a number of SSARs equivalent to 5 times (i.e. the approximate binomial value of the SSARs) the elected SSAR award value divided by the grant price. SSARs provide upside potential for share accumulation and greater alignment with shareholders because SSARs only have value if the stock price increases after the grant date.

SSARs become exercisable on a stated vesting date, which is approximately three years from the grant date, and expire on the seventh anniversary of the grant date. SSARs do not require a financial

investment by the SSAR grantee.

RSUs RSUs are our promise to issue unrestricted shares of our stock on the stated vesting date, which is approximately three years from the grant date. RSUs do not require a financial investment by the RSU grantee.

As an example of the value that may be delivered by the ECP to the participant based on the three election types, the following table shows the number of shares and value to the participant at vesting for an ECP award of \$500,000. For all three choices, vesting occurs approximately three years from the grant date:

	Assumes a Common Share Value of \$140.00 at Award (1)		
	PRSU (2)	RSUs	SSARs (3)
<b>Award Value</b>	\$ 500,000	\$ 500,000	\$ 500,000
Adjustment Factor	1.2	1.0	1.0
Post-Factor Value	\$ 600,000	\$ 500,000	\$ 500,000
Participant Required Investment	\$ 600,000		
<b>Award Shares/SSARs at Grant Date</b>	<b>4,286 Shares</b>	<b>3,571 Shares</b>	<b>17,857 SSARs</b>
<b>Dollar Value of Award at Vesting/Exercise (Assuming 8% Compounded Annual Stock Price Increase)</b>	\$ 755,827	\$ 629,856	\$ 649,280
<b>Dollar Value of Award at Vesting/Exercise (Assuming 8% Compounded Annual Stock Price Decrease)</b>	\$ 476,299	\$ 396,916	

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(1) Dollar values of awards are used in this table for illustrative purposes only and are not intended as forecasts of future stock price performance. All values shown are before tax withholding.

(2) PRSU values exclude dividend equivalents.

(3) Participants may choose to hold their SSARs longer than the three-year vesting period (up to the full seven-year contractual term) and continue to participate in future stock price appreciation, if any.

*2018 Equity Choice Program Awards*

The Committee annually determines the dollar range of ECP awards for each level of participating executive based on peer group and long-term incentive practices survey data, a review of the competitiveness of the combined value of the ECP awards and LTIP awards with market practices and other factors that it deems appropriate. For 2018, these ranges were as follows:

	<u>Lower Limit</u>	<u>Upper Limit</u>
CEO	\$ 1,000,000	\$ 3,500,000
Divisional CEOs and CFO	\$ 250,000	\$ 750,000
General Counsel	\$ 175,000	\$ 525,000

The Committee then approves the actual dollar award to be granted to each NEO other than the CEO, and recommends to the independent members of the Board for approval the actual dollar award for the CEO.

In February 2018, the Committee approved the 2018 ECP values awarded to each executive, including our NEOs, with an effective grant date of May 2, 2018. The period of time between approval of ECP values and the actual grant date gives ECP participants time to make their irrevocable ECP elections and to arrange for the purchase of shares from the Company if PRSUs are elected. The Committee determined that the 2018 ECP grants would vest on April 2, 2021 (35 months from the grant date).

Similar to prior years, the actual amount of each ECP awarded to each NEO in 2018 was based on an evaluation of the NEO's individual performance, long-term potential, market factors and retention considerations. The actual value of these awards will depend on future stock price performance.

The following table shows the ECP dollar award value approved by the Committee or Board for each NEO during 2018 and the percentage and adjusted dollar value after application of the adjustment factor of each type of award elected by each NEO.

	<b>PRSU Election</b>		
	<b>2018 Unadjusted ECP Award</b>	<b>Percent Election</b>	<b>Adjusted Value</b>
<b>Adjustment Factor</b>			<b>120%</b>
Andreas Fibig	\$ 2,500,000	100%	\$ 3,000,000
Richard O Leary	\$ 500,000	100%	\$ 600,000
Nicolas Mirzayantz	\$ 550,000	100%	\$ 660,000
Matthias Haeni	\$ 550,000	100%	\$ 660,000
Anne Chwat	\$ 450,000	100%	\$ 540,000

The actual equity award grants to each NEO, based on the above elections, are identified in the Grants of Plan-Based Awards Table. Information on prior ECP awards that were exercised or vested in 2018 can be found in the Options Exercised and Stock Vested Table.



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***2018 Retention Award***

In September 2018, the Committee granted Mr. Haeni a special retention award of 14,544 RSUs, with 9,454 RSUs vesting on December 31, 2019 and 5,090 RSUs vesting on December 31, 2020, subject to his continued employment as of such vesting dates.

**Indirect Compensation**

***Deferred Compensation Plan***

As part of our compensation program, we offer U.S.-based executives and other senior employees an opportunity to participate in our DCP. Pursuant to the terms of the DCP, we provide the same level of matching contributions to our executives that are available to other employees under our 401(k) savings plan. We also use the DCP to encourage executives to acquire shares of our common stock that are economically equivalent to ownership of our common stock but on a tax-deferred basis. We do this to encourage executives to be long-term owners of a significant equity stake in our Company and to enhance the alignment between the interests of executives and those of our shareholders.

Our costs in offering the DCP consist of the time-value of money costs, the cost of the matching contribution that supplements the 401(k) savings plan, administrative costs and a 25% premium for amounts deferred into the IFF Stock Fund in an executive's DCP account. The premium on amounts deferred into the IFF Stock Fund typically do not vest until approximately two years after the deferral is made, as the premium is contingent on the executive remaining employed by us (other than for retirement) for the full calendar year following the year when such deferral is made. If notional investments within the DCP increase in value, the amount of our payment obligation will increase. The time-value of money cost results from the delay in the time at which we can take tax deductions for compensation payable to a participating executive.

Additional information about the DCP and supplemental matching contributions and premiums on cash deferrals into the IFF Stock fund under the DCP made for NEOs may be found below under 2018 Non-Qualified Deferred Compensation.

***Executive Severance Policy***

The ESP provides severance and other benefits to executives, including NEOs, whose employment is terminated by the Company without cause or in the event of a termination by the executive for good reason in certain circumstances. This policy helps us in competing with other companies in recruiting and retaining qualified executives. When recruiting an executive from another company, the executive in most cases will seek contract terms that provide compensation if his or her employment is terminated in cases in which the executive has not engaged in misconduct. The level of severance pay under the ESP is based on a tier system and each executive's assigned tier is based on the executive's grade level. All of our NEOs are in Tier I. We believe that the ESP provides a level of severance pay and benefits that is competitive with our peer group companies.

A discussion of our ESP and the payments that each of our NEOs would have been eligible to receive had a covered termination occurred as of December 31, 2018 is set forth below under Potential Payments upon Termination or Change in Control.

*Additional Benefits*

*Perquisite Program*

Our NEO perquisite program offers non-monetary benefits that are within the range of market practice as determined through a market study conducted by our independent compensation consultant. The Committee reviews our perquisite program on a bi-annual basis with its independent compensation consultant. Based on its last review, the Committee determined that the total value of our perquisite

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program is within the range of market practice. Additional details concerning perquisites are included in the footnotes to the All Other Compensation Table.

Under the perquisite program, our NEOs participate in our health and welfare benefits that are generally available to all employees, including group medical insurance, group life insurance, and group long-term disability insurance. In addition, our NEOs are generally eligible to receive certain benefits including:

Company car;

Annual physical exam;

Financial planning and tax preparation (up to \$10,000 per year);

Estate planning (up to \$4,000 over a three-year period); and

Fitness dues or membership (up to \$3,000 annually).

We may provide additional or modified perquisites to our NEOs in connection with their employment arrangements. In addition, Mr. Fibig is provided a Company driver, and an annual financial planning and tax preparation allowance of \$25,000.

**Supplemental Long-Term Disability**

In addition to our group long-term disability ( LTD ) insurance, we also offer Supplemental LTD insurance to those U.S.-based employees, including our NEOs, who earn a base salary plus bonus in excess of the maximum base salary of \$300,000 under our group plan. The Supplemental LTD insurance provides a maximum monthly benefit of \$25,000. The Supplemental LTD insurance premium, like our basic group LTD policy, is fully paid by us and is taxable income to employees upon receipt of the benefit.

**Executive Death Benefit Plan**

Our Executive Death Benefit Plan provides participants, including each of the NEOs, with a pre-retirement death benefit equal to twice the participant's annual base salary less \$50,000 (the death benefit provided by our basic group term life insurance plan for employees and retirees). The plan also provides a death benefit post-retirement, or pre-retirement after attaining age 70, equal to the participant's base salary for the year in which the participant retires

or reaches the age of 70, assuming the participant was an executive officer, less \$12,500 of group coverage for retired participants and less \$50,000 for senior participants (those who have attained the age of 70 and remain employed with us).

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**COMPENSATION DISCUSSION AND ANALYSIS**

**Compensation Setting Process**

***Roles and Responsibilities***

**Compensation Committee**

The Committee is responsible for overseeing the determination, implementation and administration of executive compensation (including equity awards, benefits and perquisites). The Committee recommends CEO compensation to the independent directors of the Board for their approval and approves the compensation of all other NEOs.

**Compensation Consultant**

Frederic W. Cook & Co., Inc. ( FW Cook ) is engaged as the Committee's independent compensation consultant. Since August 2015, FW Cook has worked with the Committee to provide it with analyses, advice, guidance and recommendations on executive compensation levels versus peers, market trends and incentive plan designs. FW Cook is engaged exclusively by the Committee on executive and non-employee director compensation matters and does not have other consulting arrangements with us. The Committee considers the independence of FW Cook on an annual basis, and in 2018 it determined FW Cook was independent and that no conflicts of interest existed.

**Management**

Our CEO evaluates individual performance and, with input from the Committee's independent compensation consultant, the CEO and CHRO evaluate the competitive pay positioning for senior management members that report directly to the CEO, including our NEOs, and make recommendations to the Committee concerning each such executive's target compensation. Our CEO

follows the same process with regard to the target compensation for our CHRO, without her input, and the Committee follows the same process with regard to the target compensation for our CEO, without his input.

### ***Shareholder Advisory Vote***

As part of its compensation setting process, the Committee also considers the results of the prior year's shareholder advisory vote on our executive compensation. The Committee believes these voting results provide useful insight as to whether shareholders agree that the Committee is achieving its goal of designing and administering an executive compensation program that promotes the best interests of our Company and our shareholders by providing its executives with appropriate compensation and meaningful incentives to deliver strong financial performance and increase shareholder value. As part of its 2018 compensation setting process, the Committee reviewed the results of the 2017 shareholder advisory vote, in which 93.1% of the votes cast were voted in favor of our executive compensation program.

### **Peer Group and Benchmarking**

On an annual basis, the Committee reviews and approves the compensation of our NEOs. We use a global grading structure for our NEOs, with compensation ranges for each grade. Our NEOs are placed in a particular grade based on internal factors (including scope of responsibilities and job complexity) and an

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external market evaluation. The external market evaluation is based on published third-party general survey information and a review of similar positions within our selected peer groups described below. This process is referred to as market benchmarking.

***Market Benchmarking***

The Committee reviews its external market benchmarking and peer group data annually. The Committee's goals are to position (1) target total cash compensation at median or slightly above and (2) target total direct compensation (salary, annual incentive compensation and long-term incentive compensation) between the median to 75th percentile of relevant market benchmarks. This philosophy reflects the Committee's approach to setting stretch goals that require above median performance to generate target payouts. In July 2017, the Committee reviewed peer group data with our independent compensation consultant for purposes of determining the appropriate peer group for setting 2018 compensation levels and opportunities.

The Committee's independent compensation consultant provides the 25th percentile, median and 75th percentile market reference data for each executive position based on the average of the three relevant compensation benchmarks, as further explained below. This data is used to analyze the external competitiveness of each NEO's base salary, target total cash compensation and target total direct compensation. This analysis is reviewed with the Committee and, in the case of the compensation of NEOs other than the CEO, with the CEO as well. In determining target total direct compensation for each executive in 2018, the Committee considered the consultant's market reference analysis. In addition, the Committee considered a number of other important factors, including each executive's:

individual experience and performance;

scope of responsibilities;

relative responsibilities compared with other senior Company executives;

contribution relative to overall Company performance;

compensation relative to his or her peers within the organization; and

long-term potential.

The Committee uses the market reference range in order to establish a starting point for the compensation levels that the Committee believes would provide our NEOs with competitive compensation. However, the actual target total direct compensation approved by the Committee may be above or below the market reference range based on the Committee's review of market compensation levels, its desire to create internal pay equity among our executives and the individual factors set forth above.

For 2018, the Committee awarded target total direct compensation to our NEOs that was within the competitive range of the targeted median to 75th percentile. The total actual compensation paid for the year, as compared to target compensation approved at the beginning of the year, may differ depending on Company and individual performance. Consequently, the actual compensation received by an NEO may be higher or lower than his or her market reference range.

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For 2018 compensation decisions regarding our NEOs, the Committee benchmarked compensation of our NEOs (other than our General Counsel) against our Peer Group and a size appropriate cut of the 2017 Towers Watson General Industry Survey and the compensation of our General Counsel against a size appropriate cut of the 2017 Towers Watson General Industry Survey and a size appropriate cut of food, beverage and other consumer products companies included in the 2017 Towers Watson Industry Survey (the Consumer Products / Food & Beverage Select Cut ). Information about these benchmarking groups is set forth below.

Ø U.S. publicly traded companies of comparable size with manufacturing operations (generally based on revenue of 0.4x to 2.5x and market capitalization of 0.25x to 4x compared to our Company)

Ø Strong in-house R&D activities

Ø Global scope with significant international presence (international operations generally accounting for at least 25% of total revenues)

**Selection  
Criteria**

**Selected**

Ø Growth orientation, with positive sales and earnings growth over the three years prior to the review and selection of the peer group

**Peer Group**

Ø Companies that are included in the peer groups of at least 3 of the 16 companies that are within our current compensation peer group ( peers of current peers )

Ø Companies that include us in their compensation peer group

**Component  
Companies**

Ø Church & Dwight Co, Inc.

Ø The Hershey Company

- Ø The Clorox Company
- Ø McCormick & Company, Inc.
- Ø Coty, Inc.
- Ø Mead Johnson Nutrition Company
- Ø Dr Pepper Snapple Group, Inc.
- Ø Nu Skin Enterprises, Inc.
- Ø Edgewell Personal Care
- Ø Revlon, Inc.
- Ø The Estée Lauder Companies Inc.
- Ø Sensient Technologies Corporation
- Ø The Hain Celestial Group, Inc.
- Ø Spectrum Brands Holdings, Inc.
- Ø Herbalife Ltd.
- Ø Tupperware Brands Corporation

**Position in Group**

- Ø Between the 25th percentile and median for revenue and near the 50<sup>th</sup> percentile of market capitalization

**Size Appropriate Cut of the Towers Watson General Industry Survey**

**Selection Criteria**

- Ø 33 to 168 companies (depending on the position)
- Ø Revenues interpolated to our 2017 trailing four-quarter revenue size:
  - \$3.3 billion for corporate positions
  - \$1.7 billion for Fragrances
  - \$1.1 billion for Consumer Fragrances

\$1.6 billion for Flavors

**Towers  
Watson  
Consumer  
Products /  
Food &  
Beverage  
Select Cut**

**Selection  
Criteria**

Ø 27 companies (including six companies that are also part of the 2018 selected peer group)

Ø \$1 billion to \$7 billion in reported revenues, with median revenues of \$4 billion

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**COMPENSATION DISCUSSION AND ANALYSIS**

***Changes to 2019 Selected Peer Group***

In August 2018, the Committee reviewed with its independent compensation consultant the selected peer group for purposes of the upcoming 2019 target compensation setting process. In light of the acquisition of Frutarom, the Committee wanted to ensure that companies in the selected peer group remained reasonable relative to the increased size of the Company following the completion of the acquisition, and that the selected peer group as a whole would continue to be representative of the market for executive talent with reasonable overlap in key areas of business focus. As a result of this review, the Committee approved the following changes to the peer group for purposes of the 2019 target compensation setting process: (i) each of Mead Johnson Nutrition Company, Revlon, Inc., Sensient Technologies Corporation and Tupperware Brands Corporation were removed from the peer group; and (ii) each of Ashland Global Holdings Inc., Celanese Corporation, Perrigo Company plc and Post Holdings, Inc. were added to the peer group.

**Clawback Policy**

All compensation under our 2010 Stock Award and Incentive Plan and our 2015 Stock Award and Incentive Plan, including AIP, LTIP, ECP and other cash and equity awards, as well as payments made under our ESP, are subject to clawback.

The triggers for recovery of compensation under our compensation recoupment and clawback policies include:

accounting restatements;

financial misstatements (without regard to fault);

an employee's willful misconduct;

violation of a Company policy that is materially detrimental to our Company; or

an employee's violation of non-competition, non-solicitation, confidentiality or similar covenants.

**Tax Deductibility**

Prior to the effectiveness of the Tax Cuts and Jobs Act of 2017 (the Tax Act), Section 162(m) of the Internal Revenue Code (Section 162(m)) imposed an annual deduction limit of \$1 million on the amount of compensation paid to each

of the chief executive officer and certain other named executive officers. The deduction limit did not apply to performance-based compensation satisfying the requirements of Section 162(m). Effective in fiscal year 2018, the Tax Act eliminated the Section 162(m) provisions exempting performance-based compensation from the \$1 million deduction limit. While the Committee will continue to take into account the tax and accounting implications (including with respect to the expected lack of deductibility under the revised Section 162(m)) when making compensation decisions, it reserves the right to make compensation decisions based on other factors if the Committee determines it is in its best interests to do so. Further, taking into account the elimination of the exemption for performance-based compensation under Section 162(m), the Committee may determine to make changes or amendments to its existing compensation programs in order to revise aspects of our programs that were initially designed to comply with Section 162(m) but that may no longer serve as an appropriate incentive measure for our executive officers.

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**COMPENSATION DISCUSSION AND ANALYSIS**

**2019 Compensation Actions**

In October 2018, the Company successfully completed its acquisition of Frutarom, with Frutarom now reporting as a third business segment alongside Scent and Taste. In general, for 2019, the Company expects to continue to compensate Frutarom employees consistent with the past practice of Frutarom. The Committee reviewed with its independent compensation consultant the structure of our AIP in light of the acquisition of Frutarom and, as a result of this review, approved the expansion of AIP in fiscal year 2019 to include a business segment to reward performance at Frutarom. During 2019, the President, Frutarom will be an eligible participant in the AIP. However, at this time, we do not currently anticipate that Frutarom executives will participate in our existing LTIP or ECP programs.

The Committee, in consultation with management and FW Cook also evaluated the LTIP performance metrics for the 2019-2021 cycle in light of the Frutarom acquisition. While the Committee continues to believe that EP is an important metric, in light of the Frutarom acquisition and the company-wide focus on deleveraging by 2021, the Committee decided to replace the three annual EP performance segments with a cumulative three-year performance metric of net debt to EBITDA ratio in addition to the cumulative, three-year Relative TSR for the cumulative segment, which will be weighted equally.

**Non-GAAP Reconciliation**

This CD&A includes the following non-GAAP financial measures: currency neutral sales, adjusted operating profit and adjusted earnings per share. Please see [Exhibit A](#) of this proxy statement for a reconciliation of such metrics.

**Compensation Committee Report**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis included in this proxy statement. Based on those reviews and discussions, the Compensation Committee has recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement for filing with the Securities and Exchange Commission and incorporated by reference into our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

**Compensation Committee**

Roger W. Ferguson, Jr. (Chair)

Michael Ducker

Christina Gold

Katherine M. Hudson

Dale F. Morrison

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The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (known as the Dodd-Frank Act ) requires us to provide our shareholders with the opportunity to approve, on a nonbinding, advisory basis, the compensation of our NEOs as disclosed in this proxy statement in accordance with the compensation disclosure rules of the SEC, often referred to as Say on Pay.

The core of our executive compensation philosophy is that our executives' compensation should be linked to achievement of financial and operating performance metrics that build shareholder value over both the short- and long-term. We have designed our compensation program to focus on elements that we believe will contribute to these shareholder value drivers. As such, our compensation program:

includes a significant equity component,

is variable and tied to multiple value-creating performance metrics,

reflects each executive's position, role, responsibility and experience, and

rewards individual performance and contributions toward our annual financial performance objectives.

In 2018, 93.1% of the votes cast on our say-on-pay proposal relating to 2017 executive compensation voted for the proposal. In deciding how to cast your vote on this proposal, the Board requests that you consider the structure of the Company's executive compensation program, which is more fully discussed in this proxy statement under the heading Compensation Discussion and Analysis.

This vote is non-binding; however, we value the opinions of our shareholders and accordingly the Board and the Compensation Committee will consider the outcome of this advisory vote in connection with future executive compensation decisions.

For reasons set forth above, the Board recommends that you vote for the compensation paid to the NEOs in 2018.

Accordingly, we will ask our shareholders to vote on the following resolution at the 2019 Annual Meeting:

RESOLVED, that, the compensation paid to the Company's NEOs in 2018, as disclosed in this proxy statement for our 2019 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables and related narrative disclosure, is hereby approved.



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*YOUR BOARD RECOMMENDS A VOTE FOR  
THE COMPENSATION PAID TO OUR NEOS IN 2018*

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**Table of Contents****Summary Compensation Table**

The following table sets forth the compensation for:

our current CEO;

our current CFO; and

our three other most highly compensated executive officers who were serving as executive officers as of December 31, 2018.

We refer to the executive officers included in the Summary Compensation Table as our NEOs. A detailed description of the plans and programs under which our NEOs received the following compensation can be found in this proxy statement under the heading Compensation Discussion and Analysis.

Name and Principal Position	Year	Salary (\$)(1)	Stock Awards (\$)(2)(3)	Change in Pension Value and Non-Equity Nonqualified Incentive Plan Compensation			Total (\$)
				(\$)(4)	(\$)(5)	All Other Compensation (\$)(6)	
Andreas Fibig	2018	1,300,000	4,095,961	2,634,583		491,396	8,521,940
Chairman and CEO	2017	1,300,000	3,042,803	2,916,010		488,636	7,747,449
	2016	1,275,000	2,963,837	1,670,801		300,595	6,210,233

Richard O Leary	2018	511,250	819,108	589,329		144,333	2,064,020
CFO	2017	500,000	680,887	584,579		130,331	1,895,797
	2016	422,131	1,346,578	227,620		112,537	2,108,866
Nicolas Mirzayantz	2018	609,000	879,071	574,667	(118,955)	144,745	2,088,528
Divisional Chief Executive Officer, Scent	2017	600,000	907,888	741,723	195,808	126,646	2,572,065
	2016	600,000	1,010,428	452,834	43,291	153,913	2,260,466
Matthias Haeni (7)	2018	577,217	2,826,550 (8)	776,943		104,680	4,285,390
Divisional Chief Executive Officer, Taste	2017	543,750	699,793	855,316		1,057,801	3,156,660
	2016	518,750	830,353	492,074		1,537,189	3,378,366
Anne Chwat	2018	482,500	667,520	437,523		174,805	1,762,347
General Counsel	2017	475,000	668,346	481,731		175,383	1,800,460
	2016	472,500	761,326	293,960		183,826	1,711,612

- (1) The 2018 amounts in this column include (i) the following amounts deferred under the DCP: Mr. Fibig \$650,000; Mr. O Leary \$61,350; Mr. Mirzayantz \$60,900 and Ms. Chwat \$120,625, and (ii) the following amounts deferred under the Retirement Investment Fund Plan (401(k)): Mr. Fibig \$24,500; Mr. O Leary \$18,878; Mr. Mirzayantz \$18,500 and Ms. Chwat \$18,500.
- (2) The amounts in the Stock Awards column represent the aggregate grant date fair value of all equity awards granted during each respective fiscal year, including 50% portion of 2018-2020 LTIP cycle awards that will be payable in our common stock if the performance conditions are satisfied. The grant date fair value is calculated in accordance with FASB ASC Topic 718. Details on and assumptions used in calculating the grant date fair value of RSUs, PRSUs and LTIP equity incentive compensation may be found in Note 14 to our audited financial statements for the fiscal year ended December 28, 2018 included in our Annual Report on Form 10-K for the fiscal year ended December 28, 2018. The grant date fair value attributable to the 2018-2020 LTIP cycle awards is

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based on the probable outcome of the performance conditions. The value of these awards at the grant date if the maximum level of performance conditions were to be achieved is as follows: Mr. Fibig \$2,192,000; Mr. O Leary \$438,400; Mr. Mirzayantz \$438,400; Mr. Haeni \$438,400; and Ms. Chwat \$255,149. The actual number of shares earned and credited for the NEOs for the completed 2016-2018 LTIP cycle and for the 2018 segment of each of the 2017-2019 LTIP cycle and 2018-2020 LTIP cycle can be found in the narrative following the Grants of Plan-Based Awards Table under the heading Long-Term Incentive Plan.

- (3) The grant date fair value attributable to PRSUs included in the Stock Awards column pertains to the value of the matching portion of the award. Not reflected in this column is the value of shares delivered or cash paid by NEOs to purchase shares in fiscal year 2018 for the participant's portion of the PRSUs award. As discussed in the Compensation Discussion and Analysis, participants in our ECP are permitted to satisfy the purchase price of PRSUs by tendering shares of our common stock or paying cash. The following NEOs purchased or tendered the number of shares indicated in fiscal year 2018, in each case at a price per share equal to the closing stock price on the date of grant: Mr. Fibig \$2,999,961 for 21,413 shares; Mr. O Leary \$599,908 for 4,282 shares; Mr. Mirzayantz \$659,871 for 4,710 shares; Mr. Haeni \$659,871 for 4,710 shares and Ms. Chwat \$539,945 for 3,854 shares.
- (4) The 2018 amounts in this column include (1) amounts earned under the 2018 AIP and (2) the aggregate cash portion of the LTIP awards earned and credited for the 2018 segment of the 2017-2019, 2018-2020 and 2016-2018 LTIP cycles and for the cumulative segment under the 2016-2018 LTIP cycle. Amounts earned under the 2018 AIP were as follows: Mr. Fibig \$1,586,520; Mr. O Leary \$419,004; Mr. Mirzayantz \$327,542; Mr. Haeni \$529,818 and Ms. Chwat \$295,947. Aggregate amounts earned and credited for 2018 under the LTIP were as follows: Mr. Fibig \$1,048,036; Mr. O Leary \$170,325; Mr. Mirzayantz \$247,125; Mr. Haeni \$247,125; Ms. Chwat \$141,576, please see the discussion under Long-Term Incentive Plan below.
- (5) The amounts in this column represent the aggregate change in the actuarial present value of the NEO's accumulated benefit under our U.S. Pension Plan (our qualified defined benefit plan) and our Supplemental Retirement Plan (our non-qualified defined benefit plan). Earnings in the interest bearing account in the DCP were not above-market, and earnings in other investment choices under the DCP were not preferential, and therefore are not included.
- (6) Details of the 2018 amounts set forth in this column are included in the All Other Compensation Table.
- (7) All amounts for Mr. Haeni have been converted from Euros to USD, based on an exchange rate of 1.1353 US Dollars to Euros (the exchange rate as of December 28, 2018).

(8) Includes 2018 RSU retention awards.

*Pay Ratio*

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information about the relationship of the median annual total compensation of our employees and the annual total compensation of our CEO, Andreas Fibig.

As of December 28, 2018, our employee population consisted of approximately 7,647 individuals working at our parent company and consolidated subsidiaries, of which approximately 1,825 are located in the United States and 5,822 are located outside the United States. In accordance with a permitted exemption under the pay ratio rules, our employee population did not include approximately 5,570 individuals who became employees after October 4, 2018, as a result of our acquisition of Frutarom. We selected

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December 28, 2018, the last day of our fiscal year, as the determination date for identifying the median employee.

We previously identified our median employee as of December 29, 2017 (the last day of the 2017 fiscal year), by calculating the amount of annual target total cash compensation (salary plus target annual incentive compensation) paid to all of our employees (other than the CEO) based on the compensation information maintained in a centralized database. Since we do not widely distribute annual equity-based awards to our employees, the value of such awards was excluded from the compensation calculation used to determine the median employee. We did not make any cost-of-living or other adjustments in identifying the median employee.

Based on this methodology, the median employee was a full-time, salaried employee in the Netherlands. As of December 28, 2018, this employee was employed in the same capacity, without any substantial salary increase, as December 29, 2017. Given our permitted exclusion of Frutarom employees, we believe there were no significant changes in our employee population and, accordingly, we reasonably believe that there have been no changes that would significantly affect our pay ratio disclosure. Therefore, to determine our pay ratio for 2018, we used the same median employee identified in 2017.

We calculated the 2018 total annual compensation of such employee in accordance with the requirements of the executive compensation rules for the Summary Compensation Table (Item 402(c)(2)(x) of Regulation S-K). Under this calculation, the median employee's annual total compensation was \$60,167 based on a Euro to US Dollar exchange rate of \$1.1353 (the exchange rate as of December 28, 2018).

Utilizing the same executive compensation rules, and consistent with the amount reported in the Total Column of our 2018 Summary Compensation Table above for the CEO, the annual total compensation of our CEO was \$8,521,940. The resulting ratio of the annual total compensation of the CEO to the annual total compensation of the median employee was 142 to 1.

***2018 All Other Compensation***

<b>Dividends on Stock Awards</b>	<b>Company Contributions and Defined Plans</b>	<b>Auto (\$)(3)</b>	<b>Financial/Estate Planning, Tax Preparation and Legal Services</b>	<b>Executive Death Benefit Program</b>	<b>Matching Charitable Contributions</b>	<b>Other (\$)(5)</b>	<b>Total (\$)</b>
<b>(\$)(1)</b>	<b>(\$)(2)</b>			<b>(\$)(4)</b>	<b>(\$)</b>		

(\$)

Andreas Fibig	86,855	307,531	49,907	6,459	31,705		8,939	491,396
Richard O Leary	26,976	68,903	14,184	7,500	18,064	450	8,256	144,333
Nicolas Mirzayantz	49,252	53,122	12,033	600	15,201		14,537	144,745
Matthias Haeni (6)	27,151	44,446	11,428		18,498		3,158	104,680
Anne Chwat	38,699	75,522	13,500	10,000	14,050	10,000	13,033	174,805

- (1) The amounts in this column represent dividend equivalents paid during 2018 on shares of PRSUs.
- (2) The amounts in this column represent: (i) matching amounts paid under our Retirement Investment Fund Plan (401(k)); (ii) amounts matched or set aside by our Company under our DCP (which are matching contributions that would otherwise be made under our 401(k) plan but for limitations under U.S. tax law); (iii) the dollar value of premium shares credited to the accounts of participants in the DCP who elect to defer their cash compensation into the IFF Stock Fund; and (iv) for Mr. Haeni, \$44,446 contributed to his European retirement plan in lieu of participation in the Company's savings plans. The premium shares may be forfeited if the executive does not remain employed by our Company for the full calendar year following the year during which such shares are credited. Dividend equivalents are credited on shares (including premium shares) held in accounts of participants who defer into the IFF Stock Fund. Dividend equivalents are included in the Aggregate Earnings in Last Fiscal Year column of the Non-Qualified Deferred Compensation Table and are not included in the amounts represented in this column.



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**EXECUTIVE COMPENSATION**

- (3) The amounts in this column represent the personal use of automobiles provided by our Company. The value of such use was determined by using standard IRS vehicle value tables and multiplying that value by the percent of personal use. The value of fuel was determined by multiplying the overall fuel cost by the percent of personal use. In both cases personal use percentages were determined on a mileage basis. The amounts in this column also include the cost paid by us for use of our Company driver.
- (4) The amounts in this column represent costs for the corporate-owned life insurance coverage we have purchased to offset liabilities that may be incurred under our Executive Death Benefit Program. No participant in this program has or will have any direct interest in the cash surrender value of the underlying insurance policy.
- (5) The amounts in this column represent, for each of our executives (i) health club membership, (ii) annual physical examination and (iii) amounts paid under our Supplemental Long-Term Disability Plan and for Mr. Haeni, relocation expenses of \$1,500.
- (6) All amounts for Mr. Haeni have been converted from Euros to USD, based on an exchange rate of 1.1353 US Dollars to Euros (the exchange rate as of December 28, 2018).

***Employment Agreements or Arrangements***

***Mr. Fibig***

Pursuant to the terms of a letter agreement dated May 26, 2014 between our Company and Mr. Fibig, he became our CEO effective September 1, 2014 and Chairman of the Board as of December 1, 2014.

Under this agreement, Mr. Fibig's employment is on an at-will basis until terminated by either party. Mr. Fibig is entitled to the following compensation under the agreement:

A target AIP bonus of 120% of his base salary and a potential maximum annual bonus of 240% of his base salary;

An LTIP target of \$2,000,000 and a maximum of up to 200% of the LTIP target; and

Participation in the ECP program.

Mr. Fibig's salary is reviewed by the Board periodically and may be increased, but not decreased. The letter agreement provides for non-competition, non-solicitation, non-disclosure, cooperation and non-disparagement covenants.

Mr. Fibig's letter agreement grants him certain rights upon termination of his employment. These rights are described in this proxy statement under the heading "Termination of Employment and Change in Control Arrangements - Other Separation Arrangements."

#### [Other NEOs](#)

The compensation of our other NEOs is approved by the Compensation Committee and is generally determined by the terms of the various compensation plans in which they are participants and which are described in this proxy statement more fully above in the Compensation Discussion and Analysis, in the narrative following the Grants of Plan-Based Awards Table and under the heading "Termination of Employment and Change in Control Arrangements." In addition, their salary is reviewed, determined and approved on an annual basis by our Compensation Committee. Executives also may be entitled to certain compensation arrangements provided or negotiated in connection with their commencement of employment with our Company, or as required by local law.

Table of Contents**EXECUTIVE COMPENSATION****2018 Grants of Plan-Based Awards**

The following table provides information regarding grants of plan-based awards to our NEOs during 2018. The amounts reported in the table under "Estimated Future Payouts under Non-Equity Incentive Plan Awards" and "Estimated Future Payouts under Equity Incentive Plan Awards" represent the threshold, target and maximum awards under our AIP and LTIP programs.

For a further understanding of the performance conditions applicable to the AIP and LTIP awards, the percentage of each award that was actually achieved for 2018 based on satisfaction of such conditions, and the amount earned by each NEO under the 2018 AIP and the 2016-2018 LTIP, 2017-2019 LTIP and 2018-2020 LTIP cycles, please review the discussion under "Annual Incentive Plan" in the Compensation Discussion and Analysis above and the discussion under "Long-Term Incentive Plan" that immediately follows this table.

Name	Type of Award (1)	Grant Date (2)	Date of Compensation Committee / Board Approval	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (3)			Estimated Future Payouts Under Equity Incentive Plan Awards (4)			All Other Stock Awards: Number of Shares Granted or Units (#) (5)	Fair Value of Stock Awards (\$)
				Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (\$)	Target (\$)	Maximum (\$)		
James	AIP	2/6/2018	2/6/2018	390,000	1,560,000	3,120,000					
	2018 LTIP	2/6/2018	2/6/2018	312,500	1,250,000	2,500,000	312,500	1,250,000	2,500,000		1,090,000
	PRSU	5/2/2018	2/6/2018							21,413	2,990,000

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rd ary	AIP	2/6/2018	2/6/2018	103,000	412,000	824,000					
	2018 LTIP	2/6/2018	2/6/2018	62,500	250,000	500,000	62,500	250,000	500,000		21
	PRSU	5/2/2018	2/6/2018							4,282	59
s yantz	AIP	2/6/2018	2/6/2018	122,400	489,600	979,200					
	2018 LTIP	2/6/2018	2/6/2018	62,500	250,000	500,000	62,500	250,000	500,000		21
	PRSU	5/2/2018	2/6/2018							4,710	65
ias	AIP	2/6/2018	2/6/2018	116,290	465,161	930,322					
	2018 LTIP	2/6/2018	2/6/2018	62,500	250,000	500,000	62,500	250,000	500,000		21
	PRSU	5/2/2018	2/6/2018							4,710	65
	2018 RSU										
	Retention (7) 2018 RSU	9/19/2018	9/16/2018							9,454	1,27
Retention (7)	9/19/2018	9/16/2018							5,090	67	
t	AIP	2/6/2018	2/6/2018	72,750	291,000	582,000					
	2018 LTIP	2/6/2018	2/6/2018	36,375	145,500	291,000	36,375	145,500	291,000		12
	PRSU	5/2/2018	2/6/2018							3,854	53

(1) AIP = 2018 AIP  
2018 LTIP = 2018-2020 Long-Term Incentive Plan Cycle

PRSU = Purchased Restricted Stock Unit

RSU = Restricted Stock Unit

(2) All equity, AIP and LTIP grants were made under our 2015 SAIP. The material terms of these awards are described in this proxy statement under the heading Compensation Discussion and Analysis.

(3) AIP amounts in this column are the threshold, target and maximum dollar values under our 2018 AIP. 2018 LTIP amounts in this column are the threshold, target and maximum dollar values of the 50% portion of our 2018-2020 LTIP cycle that would be payable in cash if the performance conditions are satisfied.

(4) 2018 LTIP amounts in this column are the threshold, target and maximum dollar values of the 50% portion of our 2018-2020 LTIP cycle that would be payable in stock if the performance conditions are satisfied. The number of shares of our common stock for the 50% portion payable in stock was determined at the beginning of the 2018 LTIP cycle, based on \$153.26 per share, the average closing market price of a share of our common stock for the

20 trading days preceding January 2, 2018, the

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**EXECUTIVE COMPENSATION**

first trading day of the 2018-2020 LTIP cycle. However, the actual value to be realized may vary depending on the closing market price of a share of our common stock on the payout date of 2018 LTIP awards.

- (5) The amounts in this column represent the number of PRSUs and RSUs granted under the ECP. Dividend equivalents are paid on PRSUs. Footnote 3 to the Summary Compensation Table states the dollar amount delivered by our NEOs (in tendered shares or cash) for these PRSU awards. The material terms of the ECP awards are described in this proxy statement under the **Equity Choice Program** heading in the **Compensation Discussion & Analysis**.
- (6) The amounts in this column represent the aggregate grant date fair value of equity awards granted to our NEOs during the fiscal year ended December 31, 2018, calculated in accordance with FASB ASC Topic 718. The grant date fair value of LTIP awards pertains to the 50% portion of those awards that will be payable in shares of our common stock if the performance conditions are satisfied, and is based on the probable outcome of such conditions.
- (7) Reflects the two vesting dates of the retention award granted to Mr. Haeni in September 2018.

**Table of Contents****EXECUTIVE COMPENSATION****Long-Term Incentive Plan**

As discussed above, LTIP cycles have four performance segments (1) one for each of the three years in the LTIP cycle and (2) the cumulative results for the full three-year LTIP cycle. Any amounts earned under a performance segment are credited on behalf of the executive at the end of the relevant segment, but such credited amounts are not paid until the completion of the three-year LTIP cycle and could be forfeited if a NEO leaves the Company prior to the payment date. As 50% of the LTIP award is payable in cash and 50% is payable in stock, (i) at the beginning of each cycle, the grant date fair market value of the 50% of the LTIP award payable in stock is included in the "Stock Awards" column of the Summary Compensation Table for that year and (ii) each year upon determination of the amount to be credited to the NEO for the annual segment or the cumulative segment, as the case may be, the cash portion of the NEO's credited awards is included in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table for the year in which it is earned.

**2016-2018 LTIP Payout**

The following table sets forth the total amount earned by each NEO based on achievement of the corporate performance goals for each segment under the 2016-2018 LTIP cycle and based on each executive's target amount (or reduced target amount for each NEO who was not employed in his or her current role for the entire three-year cycle). The amount reported in the "Total" column is the amount being paid out to the NEOs in 2018 following completion of the 2016-2018 LTIP cycle.

	Segment 1		Segment 2		Segment 3		Cumulative		Total	
	(2016)		(2017)		(2018)		(2016 - 2018)			
	Cash	Shares	Cash	Shares	Cash	Shares	Cash	Shares		
	(\$)	(#)	(\$)	(#)	(\$)	(#)	(\$)	(#)	(\$)	(#)
Andreas Fibig	95,875	939	407,000	3,985	238,250	1,997	273,750	2,295	791,125	6,632
Richard O. Leary	9,367	92	39,763	389	23,825	200	27,375	229	79,113	664

Nicolas Mirzayantz	23,969	235	101,750	996	59,563	499	68,438	574	197,783	1,658
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Matthias Haeni	23,969	235	101,750	996	59,563	499	68,438	574	197,783	1,658
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Anne Chwat	13,375	131	56,777	555	33,951	284	39,009	328	112,738	944
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**2017-2019 LTIP Credit**

Based on our achievement of the corporate performance goals for the 2018 segment (the second segment) of the 2017-2019 LTIP cycle and the executive's target amount, the following cash amounts and number of shares of our stock have been credited on behalf of the executive:

**Segment 2****(2018)**

	<b>Cash</b>	<b>Shares</b>
	(\$)	(#)
Andreas Fibig	\$ 238,250	1,980
Richard O Leary	\$ 59,563	496
Nicolas Mirzayantz	\$ 59,563	496
Matthias Haeni	\$ 59,563	496
Anne Chwat	\$ 33,951	282





**Table of Contents****EXECUTIVE COMPENSATION*****2018-2020 LTIP Credit***

Based on our achievement of the corporate performance goals for the 2018 segment (the first segment) of the 2018-2020 LTIP cycle and the executive's target amount, the following cash amounts and number of shares of our stock have been credited on behalf of the executive:

	<b>Segment 1</b>	
	<b>(2018)</b>	
	<b>Cash</b>	<b>Shares</b>
	<b>(\$)</b>	<b>(#)</b>
Andreas Fibig	297,813	1,944
Richard O Leary	59,563	389
Nicolas Mirzayantz	59,563	389
Matthias Haeni	59,563	389
Anne Chwat	34,665	227



Table of Contents**EXECUTIVE COMPENSATION****Equity Compensation Plan Information**

We currently grant equity awards under our 2015 SAIP only, which replaced our 2010 Stock Award and Incentive Plan (the "2010 SAIP"). The following table provides information regarding our common stock which may be issued under our equity compensation plans as of December 31, 2018.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by security holders (1)	616,791	(2) \$ 117.21	(3) 1,772,737
Equity compensation plans not approved by security holders (4)	220,404	\$ 117.21	(3) 154,880
<b>Total</b>	<b>837,196</b>	<b>\$ 117.21</b>	<b>(3) 1,927,617</b>

(1) Represents outstanding under the 2015 SAIP and the 2010 SAIP. The 2015 SAIP replaced the 2010 SAIP and provides the source for future deferrals of cash into deferred stock under the DCP (with the DCP being deemed a sub-plan under the 2015 SAIP for the sole purpose of funding deferrals under the IFF Stock Fund).

(2) Includes RSUs, SSARs, the number of shares to be issued under the 2016-2018 LTIP cycle based on actual performance, and the maximum number of shares that may be issued under the 2017-2019 and 2018-2020 LTIP

cycles if the performance conditions for each of those cycles are satisfied at the maximum level. The number of SSARs that may be issued upon exercise was calculated by dividing (i) the product of (a) the excess of the closing market price of our common stock on the last trading day of 2018 over the exercise price, and (b) the number of SSARs outstanding by (ii) the closing market price on the last trading day of 2018. Excludes outstanding shares of PRS under the 2010 SAIP.

- (3) Weighted average exercise price of outstanding SSARs. Excludes RSUs, shares credited to accounts of participants in the DCP and shares that may be issued under the 2016-2018 and 2018-2020 LTIP cycles.
- (4) We currently have two equity compensation plans that have not been approved by our shareholders: (i) the DCP, which is described on page 56 and (ii) a pool of shares that may be used for annual awards of 1,000 shares to each non-employee director. Although we are no longer granting these annual 1,000 share stock awards to directors, the pool of shares remains authorized. Includes 157,240 shares remaining available for issuance under the DCP and 43,750 shares remaining available for issuance from a pool of shares that may be used for annual awards of 1,000 shares to each non-employee director.

Table of Contents**EXECUTIVE COMPENSATION****2018 Outstanding Equity Awards at Fiscal Year-End**

The following table provides information regarding outstanding equity awards held by our NEOs at December 31, 2018.

Name	Grant Date	Grant Type (1)	Number of Shares or Units of Stock That Have Not Vested (#)		Market Value of Shares or Units of Stock That Have Not Vested (\$)(2)	Equity Incentive Plan Awards: Number of Unearned Shares, Units Or Other Rights That Have Not Vested (#)		Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(2)
Andreas Fibig								
	5/2/2016	PRSU	6,009	(7)	794,570			
	5/2/2016	RSU	11,685	(7)	1,545,108			
	2/7/2017	2017 LTIP	3,503	(3)	463,202	12,468	(4)	1,648,644
	5/3/2017	RSU	7,203	(8)	952,453			

5/3/2017	PRSU	8,643	(8)	1,142,864		
2/6/2018	2018 LTIP	1,944	(5)	257,071	14,272	(6) 1,887,187
5/2/2018	PRSU	21,413	(9)	2,831,441		

## Richard O Leary

5/2/2016	PRSU	2,754	(7)	364,161		
11/1/2016	RSU	7,472	(10)	988,023		
2/7/2017	2017 LTIP	877	(3)	115,966	3,116	(4) 412,029
5/3/2017	PRSU	3,457	(8)	457,119		
2/6/2018	2018 LTIP	389	(5)	51,414	2,854	(6) 377,384
5/2/2018	PRSU	4,282	(9)	566,209		

## Nicolas Mirzayantz

5/2/2016	PRSU	6,510	(7)	860,817		
2/7/2017	2017 LTIP	877	(3)	115,966	3,116	(4) 412,029
5/3/2017	PRSU	5,186	(8)	685,745		

2/6/2018	2018 LTIP	389	(5)	51,414	2,854	(6)	377,384
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5/2/2018	PRSU	4,710	(9)	622,803			
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Matthias Haeni (12)

5/2/2016	PRSU	5,007	(7)	662,076			
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2/7/2017	2017 LTIP	877	(3)	115,966	3,116	(4)	412,029
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5/3/2017	RSU	3,601	(8)	476,160			
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2/6/2018	2018 LTIP	461	(5)	60,991	3,394	(6)	448,789
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5/2/2018	PRSU	4,710	(9)	622,803			
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9/19/2018	RSU	5,090	(11)	673,051			
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9/19/2018	RSU	9,454	(12)	1,250,102			
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Anne Chwat

5/2/2016	PRSU	5,258	(7)	695,265			
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2/7/2017	2017 LTIP	499	(3)	65,983	1,776	(4)	234,840
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5/3/2017	PRSU	4,105	(8)	542,804			
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2/6/2018	2018 LTIP	227	(5)	29,992	1,660	(6)	219,502
5/2/2018	PRSU	3,854	(9)	509,614			

(1) 2017 LTIP = 2017-2019 Long-Term Incentive Plan Cycle  
 2018 LTIP = 2018-2020 Long-Term Incentive Plan Cycle

PRSU = Purchased Restricted Stock Unit

RSU = Restricted Stock Unit

(2) The market value was determined based on the closing price of our common stock on December 28, 2018.

(3) This amount represents the number of shares of stock that have been credited for the 2017 and 2018 segments of the 2017-2019 LTIP cycle. These shares will remain unvested until the completion of the full three-year LTIP cycle.

(4) This amount represents the maximum number of shares of stock that remain subject to the achievement of specified performance objectives over the remaining two open segments of the 2017-2019 LTIP cycle. Shares earned during any segment of the 2017-2019 LTIP cycle will remain unvested until the completion of the full three-year cycle.

(5) This amount represents the number of shares of stock that have been credited for the 2018 segment of the 2018-2020 LTIP cycle. These shares will remain unvested until the completion of the full three-year LTIP cycle.

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**EXECUTIVE COMPENSATION**

- (6) This amount represents the maximum number of shares of stock that remain subject to the achievement of specified performance objectives over the remaining three open segments of the 2018-2020 LTIP cycle. Shares earned during any segment of the 2018-2020 LTIP cycle will remain unvested until the completion of the full three-year cycle.
- (7) This award vests on April 2, 2019.
- (8) This award vests on April 3, 2020.
- (9) This award vests on April 2, 2021.
- (10) This award vests on November 1, 2020.
- (11) This award vests on December 31, 2019.
- (12) This award vests on December 31, 2020.

**Table of Contents****EXECUTIVE COMPENSATION****2018 Stock Vested**

The following table provides information regarding stock vested during 2018 for each of our NEOs. None of our NEOs hold options and no SSARs were exercised by our NEOs during 2018.

<b>Name</b>	<b>Type of Award (1)</b>	<b>Stock Awards Number of Shares Acquired on Vesting (#)</b>	<b>Value Realized on Vesting (\$)</b>
Andreas Fibig	PRSU (2)(4)	11,176	1,512,448
	RSU (2)	7,620	1,031,215
	2016 LTIP (3)	6,632	876,949
Richard O Leary	PRSU (2)(4)	2,540	343,738
	2016 LTIP (3)	664	87,801
Nicolas Mirzayantz	PRSU (2)(4)	7,112	962,467
	2016 LTIP (3)	1,658	219,237

Matthias Haeni	PRSU (2)(4)	4,064	549,981
	2016 LTIP (3)	1,658	219,237
Anne Chwat	PRSU (2)(4)	5,080	687,476
	2016 LTIP (3)	944	124,825

(1) RSU = Restricted Stock Unit  
 PRSU = Purchased Restricted Stock Unit  
 2016 LTIP = 2016-2018 Long-Term Incentive Plan Cycle

(2) The award represented in this row was granted in 2015 under the ECP and vested on April 6, 2018. The value realized is based on the closing price of our common stock on the vesting date (\$135.33).

(3) The award represented in this row is the equity portion of the 2016-2018 LTIP award, for which performance was completed on December 31, 2018. The number of shares represents the actual number of shares that will be issued to the participant in March 2019, as determined by the Board of Directors in February 2019. The value realized is based on the number of shares and the closing market price of a share of our common stock on December 28, 2018 (\$132.23); however, the actual value realized may vary depending on the closing market price of a share of our common stock on the payout date.

(4) The amounts set forth in this table as the value realized attributable to vested PRSUs is the product of (a) the number of vested shares of PRSUs and (b) the closing price of our common stock on the vesting date, less the aggregate amount paid by the executive to purchase the PRSUs. Without taking into account the amount paid by the respective executive for his or her PRSUs, the value realized on vesting in the Value Realized on Vesting column attributable to PRSUs for this executive would be: Mr. Fibig \$1,512,448.08; Mr. O Leary \$343,738.20; Mr. Mirzayantz \$962,466.96; Mr. Haeni \$549,981.12 and Ms. Chwat \$687,476.40.

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**Table of Contents****EXECUTIVE COMPENSATION****Pension Benefits**

We provide a defined benefit pension plan (the U.S. Pension Plan) to eligible United States-based employees hired before January 1, 2006. Of our NEOs, only Mr. Mirzayantz currently participates in the U.S. Pension Plan. U.S. employees hired on or after January 1, 2006, including all of our other NEOs, are not eligible to participate in the U.S. Pension Plan. We pay the full cost of providing benefits under the U.S. Pension Plan.

Compensation and service earned after December 31, 2007 are not taken into account in determining an employee's benefit under the U.S. Pension Plan except for employees whose combined age and years of service equaled or exceeded 70 as of December 31, 2007. As Mr. Mirzayantz did not satisfy this requirement, Mr. Mirzayantz had his benefit frozen as of December 31, 2007.

The monthly pension benefit is equal to the number of years of credited service as of December 31, 2007 times the difference between (a) 1.7% times final average compensation, and (b) 1.25% times the social security amount. Final average compensation for purposes of the U.S. Pension Plan is the average of the five consecutive years of compensation during the last ten years before December 31, 2007 that produce the highest average. The term "compensation" means the basic rate of monthly salary (as of April 1 each year) plus 1/12 of any AIP cash award received for the preceding year, reduced by any compensation deferred under our DCP. The normal retirement age under the U.S. Pension Plan is age 65.

Various provisions of the Internal Revenue Code of 1986, as amended (IRC) limit the amount of compensation used in determining benefits payable under our U.S. Pension Plan. We established a non-qualified Supplemental Retirement Plan to pay that part of the pension benefit that, because of these IRC limitations, cannot be paid under the U.S. Pension Plan to our U.S. senior executives. For purposes of the Supplemental Retirement Plan, "compensation" includes any salary and AIP amounts, including amounts deferred under our DCP.

Employees with at least 10 years of service are eligible for early retirement under the U.S. Pension Plan and the Supplemental Retirement Plan beginning at age 55. The benefit at early retirement is an unreduced benefit payable at age 62 or a reduced benefit (4% per year) if paid prior to age 62.

The following table provides information for Mr. Mirzayantz regarding our U.S. Pension Plan and Supplemental Retirement Plan. The present value of accumulated benefits payable under each of our retirement plans was determined using the following assumptions: an interest rate of 4.32%; mortality base table is RP-2014 (rebased to 2006) adjusted for IFF experience with MP-2018 mortality improvement projection scale; 80% of participants are married with a spouse four years younger and are receiving a 50% joint and survivor annuity and 20% of participants are unmarried and are receiving a straight life annuity with a five-year guarantee. Additional information regarding the valuation method and material assumptions used to determine the accumulated benefits reported in the table is presented in Note 16 to our consolidated financial statements included in our 2018 Annual Report. The information provided in the columns other than the Payments During Last Fiscal Year column is presented as of December 31, 2018, the measurement date used for financial statement reporting purposes with respect to our audited financial

statements for the fiscal year ended December 31, 2018.

**Table of Contents****EXECUTIVE COMPENSATION***Pension Benefits*

<b>Name</b>	<b>Plan Name</b>	<b>Number of Years Credited Service (#)</b>	<b>Present Value of Accumulated Benefits Assuming Retirement Age of 62 (\$)(1)</b>	<b>Present Value of Accumulated Benefits Assuming Retirement Age of 65 (\$)(2)</b>	<b>Payments During Last Fiscal Year (\$)</b>
Nicolas Mirzayantz (3)	U.S. Pension Plan	16.23	588,868	486,867	
	Supplemental Retirement Plan	16.23	937,105	774,783	
			1,525,973	1,261,650	

(1) The amounts in this column assume benefit commencement at unreduced early retirement at age 62 (with at least 10 years of credited service) and otherwise were determined using interest rate, mortality and payment distribution assumptions consistent with those used in our financial statements.

(2) The amounts in this column assume benefit commencement at normal retirement at age 65 and otherwise were determined using interest rate, mortality and payment distribution assumptions consistent with those used in our financial statements.

(3) Benefits for Mr. Mirzayantz under the U.S. Pension Plan and Supplemental Retirement Plan were frozen as of December 31, 2007 because his age and service as of December 31, 2007 did not equal or exceed 70.

#### **Non-Qualified Deferred Compensation**

We offer our executives and other senior employees based in the United States an opportunity to defer compensation under our non-qualified deferred compensation plan, or DCP. The DCP allows these employees to defer salary, annual and long-term incentive awards and receipt of stock under some equity awards. There is no limit on the amount of compensation that a participant may elect to defer. Subject to certain limitations on the number of installments and periods over which installments will be paid, participants in the DCP elect the timing and number of installments as to which the participant's DCP account will be settled. Deferred cash compensation may be treated at the election of the participant as invested in:

a variety of equity and debt mutual funds offered by The Vanguard Group, which administers the DCP, or

a fund valued by reference to the value of our common stock with dividends reinvested (the IFF Stock Fund), or

an interest-bearing account.

Except for deferrals into the IFF Stock Fund, the participant may generally change his or her choice of funds at any time. For the interest-bearing account, our Compensation Committee establishes an interest rate each year which we intend to be equal to 120% of the applicable federal long-term interest rate. For 2018 this interest rate was 3.13% and for 2019 this interest rate is 3.92%.

We make matching contributions under the DCP to make up for tax limitations on our matching contributions under our Retirement Investment Fund Plan, a 401(k) plan. The 401(k) plan provides for matching contributions at a rate of \$1.00 for each dollar of contribution up to 4% of a participant's salary



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plus \$0.75 for each dollar of contribution above 4% up to 8% of a participant's salary.

Tax rules limit the amount of the Company match under the 401(k) plan for our executives. The DCP matching contribution reflects the amount of the matching contribution which is limited by the tax laws. The same requirements under the 401(k) plan for matching, including vesting, apply to matching contributions under the DCP. These matching contributions automatically vest once a participant completes three years of service with our Company.

The DCP gives participants an incentive to defer compensation into the IFF Stock Fund by granting a 25% premium, credited in additional deferred stock, on all cash compensation deferred into the stock fund contingent upon the participant remaining employed by the Company (other than for retirement) for the full calendar year following the year when such credit was made. If the participant withdraws any deferred stock within one year of a deferral, any premium shares credited will be forfeited. Vesting of the premium deferred stock accelerates upon a change in control. RSUs granted to Directors under our equity compensation plans may also be deferred upon vesting, but no premium is added.

The following table provides information for our NEOs regarding participation in our DCP.

**2018 Non-Qualified Deferred Compensation**

Name	Registrant	Aggregate	Aggregate	Aggregate
	Executive	Contributions	Earnings in	Withdrawals/ Balance at
	Contributions in	in Last FY	Last FY	Last FYE
	Last FY (\$)	(\$)(1)	(\$)	(\$)(2)
Andreas Fibig	650,000 (3)	288,281	81,952	4,214,355
Richard O Leary	105,190 (4)	51,995	8,464	486,647
Nicolas Mirzayantz	157,627 (5)	36,313	11,274	2,572,307

Matthias Haeni

Anne Chwat	276,805 (6)	58,240	263,631	845,857	1,751,063
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- (1) The amounts in this column are included in the All Other Compensation column for 2018 in the Summary Compensation Table, and represent employer contributions credited to the participant's account during 2018, as well as certain contributions credited in the first quarter of 2019 related to compensation earned in 2018.
- (2) Amounts reported in this column for each named executive officer include amounts previously reported in IFF's Summary Compensation Table in previous years when earned if that officer's compensation was required to be disclosed in a previous year. Amounts previously reported in such years include previously earned, but deferred, salary and AIP, LTIP, matching and premium contributions. This total reflects the cumulative value of each named executive officer's deferrals, IFF contributions and investment experience.
- (3) This amount is included in the Salary Column for 2018 in the Summary Compensation Table.
- (4) Of this amount, \$61,350 is included in the Salary column for 2018 in the Summary Compensation Table and \$43,840 included as a portion of his 2018 AIP award in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table.
- (5) Of this amount, \$60,900 is included in the Salary column for 2018 in the Summary Compensation Table. Mr. Mirzayantz also deferred \$30,703 of the cash portion of the 2015-2017 LTIP as well as \$66,024 which is a portion of his 2018 AIP award in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table.
- (6) Of this amount, \$120,624.96 is included in the Salary column for 2017 in the Summary Compensation Table. Ms. Chwat also deferred \$156,180 which is a portion of her 2018 AIP and was included in the Non-Equity Incentive Plan Compensation column for 2018 in the Summary Compensation Table.

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**EXECUTIVE COMPENSATION**

**Termination and Change in Control Arrangements**

*Executive Severance Policy*

Our ESP provides severance payments and benefits to our NEOs and other executives in the event of a termination of their employment in certain specified circumstances. In addition, under our incentive plans, the vesting of equity awards may also be accelerated in connection with certain terminations. The level of severance pay under the ESP is based on a tier system. Each executive's assigned tier is based on the executive's grade level. The Compensation Committee may also agree to provide enhanced severance payments and benefits to specific executives. All our NEOs are in Tier I. Mr. Fibig's offer letter has modified some of the relevant definitions, amounts and other terms regarding the benefits that he is eligible to receive under the ESP. See **Other Separation Arrangements** below for a discussion of Mr. Fibig's benefits.

Our ESP provides for acceleration of severance payments and continuation of benefits in connection with a Tier 1 executive's termination (1) if his or her employment is terminated by us without Cause or (2) if he or she terminates his or her employment for Good Reason prior to or more than two years after a Change in Control (or CiC). An executive maybe able to receive enhanced benefits if separation occurs within two years of CiC, as describe below.

Our ESP states that a **Change in Control** will be deemed to have occurred when any of the following has occurred:

a person or group becomes the beneficial owner of 40% or more of the combined voting power of our then outstanding voting securities, other than beneficial ownership by us, any of our employee benefit plans or any person organized, appointed or established pursuant to the terms of any such benefit plan;

the directors of the Board as of November 1, 2018 (the **Incumbent Directors**) cease to constitute a majority of the Board for any reason; provided, however, that (i) any individual becoming a director subsequent to November 1, 2018 whose election or nomination for election to the Board was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board shall be an Incumbent Director and (ii) any individual initially elected or nominated as a director as a result of an actual or threatened election contest shall not be an Incumbent Director; or

the consummation of (A) a merger, consolidation, reorganization or similar transaction with us or in which our securities are issued, as a result of which the holders of our outstanding voting securities immediately before such event own, directly or indirectly, immediately after such event less than 60% of the combined voting power of the outstanding voting securities of the parent entity resulting from, or issuing its voting securities as part of, such event; (B) a complete liquidation or dissolution of the

Company; or (C) a sale or other disposition of all or substantially all of our assets to any person, with certain exceptions.

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**EXECUTIVE COMPENSATION**

***Severance Payments and Benefits Other than in Connection with a Change in Control***

*Payment for Termination Without Cause or for Good Reason.* Pursuant to our ESP, any Tier 1 executive that is terminated by us without Cause or by a Tier 1 executive for Good Reason prior to or more than two years after a CiC is entitled to receive the following:

A severance payment equal to (a) two times (2x) in case of our CEO, or (b) one and one-half times (1.5x) in case of our other Tier I executives, the sum of the executive's annual base salary at the date of termination plus the prorated portion of the executive's target AIP award for the year in which termination occurs (payable to the executive in regular installments over 24 months for our CEO, or 18 months for other Tier I executives, following termination);

A prorated portion of the executive's target AIP award for the year in which termination occurs, payable when such AIP amounts otherwise become payable;

A prorated portion of the executive's target LTIP award for the cycles then in progress, payable when such LTIP amounts otherwise become payable;

Vesting of a prorated portion of any unvested equity award(s), settled on the applicable vesting date as if termination had not occurred; and

Continuation of medical, dental, disability and life insurance coverage for 24 months for our CEO and 18 months for our other Tier I executives, or until the executive obtains new employment providing similar benefits or attains age 65.

***Severance Payments and Benefits in Connection with a Change in Control***

Upon the occurrence of a termination of any Tier 1 executive by us without Cause or by a Tier 1 executive for Good Reason within two years following a CiC, the executive would be entitled to the following:

A severance payment equal to (a) three times (3x) in case of our CEO, or (b) two times (2x) in case of our other Tier I executives, the sum of the executive's annual base salary at the date of termination plus the higher of (1) his or her average AIP award for the three most recent years and (2) his or her target

AIP award for the year in which termination occurs, payable in a lump sum;

A prorated portion of the executive's target AIP award for the year in which termination occurs, payable in a lump sum;

For each performance segment that ended prior to the termination, a payment equal to the LTIP award payment the executive would have been entitled to receive for such performance segment had the termination not occurred, payable in a lump sum;

For each performance segment in which the executive's date of termination occurs, a prorated portion of the executive's target LTIP award for each performance segment in which the termination occurs, payable in a lump sum;

Vesting of any equity awards not already vested upon the CiC and, unless deferred by the executive, settlement of such equity awards;

Vesting of any benefits under our Supplemental Retirement Plan; and

Continuation of medical, dental, disability and life insurance coverage for 24 months for our CEO, and 18 months for our other Tier I executives, or until the executive obtains new employment providing similar benefits or attains age 65.

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**EXECUTIVE COMPENSATION**

*Definitions.* Our ESP defines Cause and Good Reason as follows:

Cause means:

failure of the executive to perform his or her material duties in any material respect, which if reasonably susceptible to cure, has continued after written notice of such failure has been provided and the executive has not cured such failure within 10 days of receipt of such written notice;

willful misconduct or gross negligence by the executive that has caused or is reasonably expected to result in material injury to our business, reputation, or prospects;

the engagement by the executive in illegal conduct or any act of serious dishonesty which could reasonably be expected to result in material injury to our business or reputation or which adversely affects the executive's ability to perform his or her duties;

the executive being indicted or convicted of (or having pled guilty or nolo contendere to) a felony or any crime involving moral turpitude, dishonesty, fraud, theft or financial impropriety; or

a material and willful violation by the executive of our rules, policies or procedures.

Good Reason means any of the following:

a material decrease in the executive's base salary, target bonus under an AIP, LTIP or Equity Choice Award, other than as part of an across-the-board reduction applicable to all similarly situated employees;

a material diminution in the executive's authority, duties or responsibilities;

relocation of executive's primary work location more than 50 miles from executive's primary work location at the time of such requested relocation; or

our failure to obtain the binding agreement of any successor expressly to assume and agree to fully perform our obligations under the ESP.

However, good reason will only exist if the executive gives us notice within 90 days after the initial occurrence of any of the foregoing events and we fail to correct the matter within 30 days following receipt of such notice.

*Tax Gross-Up.* Executives are not entitled to receive a tax gross-up payment. Instead, their severance payments would be subject to a modified cut-back provision, where severance or other payments to that executive would be reduced if this reduction would produce a better after-tax result for the executive. There would be no reduction, however, if the executive (who would be responsible for any excise tax) would have a better after-tax result without the reduction.

*Participant Obligations for the Protection of Our Business and Clawback.* As a condition of the executive's right to receive severance payments and benefits, the ESP requires that he or she:

not compete with us,

not solicit, induce, divert, employ, retain or interfere with or attempt to influence our relationship with any employee or person providing services to the Company and

not interfere with or attempt to influence our relationship with any supplier, customer or other person with whom we do business.



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**EXECUTIVE COMPENSATION**

These restrictions apply while an executive is employed and following a termination of employment during the period of 12 months in case of non-compete obligations and 24 months in case of non-solicitation obligations. In addition, executives are not entitled to severance if they engage in willful misconduct or a violation of a Company policy that is materially detrimental to us while employed by the Company. The ESP also conditions severance payments and benefits on the executive signing a release and termination agreement, and meeting continuing commitments relating to confidentiality, cooperation in litigation and return of our property.

As discussed above in Compensation Discussion and Analysis Clawback Policy, compensation received under our ESP is subject to our clawback policy if the executive breaches the obligations noted above or if any of the other events triggering a clawback, such as a financial misstatement or restatement, occur.

*Effect of IRC Section 409A.* The timing of some payments and benefits may be restricted under IRC Section 409A, which regulates deferred compensation. Some amounts payable to our NEOs or other participants under the ESP upon termination may be delayed until six months after termination.

*Payments in connection with death, disability or retirement.* Our executives may also receive payment if their employment terminates as a result of death, disability or retirement as set forth in the terms and conditions of their award agreements with the Company and, in the case of our CEO, his letter agreement as described below under Other Separation Arrangements Mr. Fibig. Our NEOs are also entitled to payments under our Executive Death Benefit Plan as described in this proxy statement under the heading Compensation Discussion and Analysis Executive Death Benefit Plan. In the event of disability, our NEOs would be entitled to payments under our Disability Insurance Program that applies to salaried employees generally (60% of monthly salary up to a maximum of \$15,000 per month).

***Other Separation Arrangements***

***Mr. Fibig***

Details regarding Mr. Fibig's letter agreement dated May 26, 2014 are included in this proxy statement under the heading Employment Agreements or Arrangements following the Summary Compensation Table. Under the terms of his letter agreement, Mr. Fibig is a participant in our ESP and is entitled to receive the benefits set forth above, with the following modifications:

In connection with any termination without Cause or for Good Reason, not in connection with a CiC:

Mr. Fibig's severance payment will be a multiple of two times (2x) the sum of his annual base salary plus the average AIP bonus paid to him in the three years prior to termination, payable

over 24 months; and

Mr. Fibig will be entitled to receive a prorated portion of any LTIP award that is in progress on the date of termination, based on target, in a lump-sum cash payment; and

In connection with any termination without Cause or for Good Reason that occurs within two years after a CiC, all of Mr. Fibig's outstanding equity awards will vest in full at target; Any termination by us without cause (as described below) or by Mr. Fibig for any reason requires prior written notice of 90 days. Under Mr. Fibig's letter agreement, Cause means:

willful and continued failure to perform substantially his duties with the Company (other than any such failure resulting from his incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to him by the Board which specifically identifies the manner in which he has not substantially performed his duties, and which provides a 20-day cure period;

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**EXECUTIVE COMPENSATION**

willful engagement in conduct which is not authorized by the Board or within the normal course of his business decisions and is known by him to be materially detrimental to our best interests or the best interests of any of our subsidiaries, including any misconduct that results in material noncompliance with any financial reporting requirements under the Federal securities laws if such noncompliance results in an accounting restatement;

willful engagement in illegal conduct or any act of serious dishonesty which adversely affects, or in the reasonable estimation of the Board, could in the future adversely affect his value, reliability or performance to our Company in a material manner (other than any act or failure to act based upon authority given by the Board or advice of counsel for the Company, which shall be presumed to be done in good faith and in the best interests of the Company); or

his being indicted for or convicted of (or pleading guilty or nolo contendere to) a felony or any crime involving moral turpitude, dishonesty, fraud, theft or financial impropriety.

Under Mr. Fibig's letter agreement, "Good Reason" means any of the following:

any reduction in his base salary or target AIP bonus;

an adverse change in his status or position as CEO (including as a result of a material diminution in his duties or responsibilities);

required relocation to a principal place of employment outside of the New York City metropolitan area; or

our failure to obtain an agreement from any successor to all or substantially all of our assets or business to assume and agree to perform his Employment Agreement within 15 days after a merger, consolidation, sale or similar transaction.

However, "Good Reason" will only exist if the CEO resigns from employment within 180 days after the occurrence, without his express written consent, of one of the events listed above; provided he gives written notice within 90 days after the event allegedly constituting Good Reason, and the Company will have 30 days after such notice is given to cure.

If Mr. Fibig's employment terminates on account of death, disability or retirement, he (or his beneficiary or estate) is entitled to any unpaid base salary through the date of termination, any unpaid bonus earned with respect to any fiscal year ending on or preceding the date of termination, payable when bonuses are paid to other senior executives, a pro-rata AIP bonus for the fiscal year in which the termination occurs, based on actual performance and payable when bonuses are paid to other senior executives, and all other payments, benefits or perquisites to which he may be entitled under the terms of the Company's programs. Mr. Fibig will not be entitled to any payment (including any tax gross-up) respecting taxes he may owe under IRC Section 4999 (so-called "golden parachute taxes"). The separation benefits payments are subject to Mr. Fibig's delivery to us of an executed general release, resignation from all offices, directorships and fiduciary positions with us and continued compliance with restrictive covenants regarding non-competition, non-solicitation, confidentiality, cooperation and non-disparagement. Upon a termination of Mr. Fibig's employment for any reason, the non-competition and non-solicitation covenants continue to apply for two years.

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**EXECUTIVE COMPENSATION**

**Potential Payments upon Termination or Change in Control**

The following table shows the estimated payments and value of benefits that we would provide to each of our NEOs if the triggering events described in the heading of the table had occurred on December 31, 2018.

We do not provide any additional benefits to our NEOs upon a voluntary resignation or termination for Cause. Certain assumptions made for purposes of presenting this information and certain amounts not reflected in the table are explained below or in the footnotes to the table.

For all cases, the per-share market price of our common stock is assumed to be \$134.27, the actual closing price per share on the last trading day of 2018. In preparing the estimates in this table, we have assumed that any CiC would also constitute a change in ownership and control for purposes of the golden parachute excise tax rules. All amounts included in the table are stated in the aggregate, even if the payments will be made on a monthly basis. Except as noted in footnote (7) of the table, these amounts do not include payments and benefits to the extent that they are provided on a non-discriminatory basis to salaried employees generally upon termination of employment. The salary, AIP award and LTIP award otherwise payable to each NEO through December 31, 2018 is included in the Summary Compensation Table. In addition to the amounts set forth in the table below, in the event of a CiC, the aggregate balance held in our DCP for each of our NEOs who participate in that plan will be automatically accelerated and settled within five business days of the CiC, as opposed to the participant's deferral election. The amounts that would have been accelerated in the event of a CiC as well as, in all other cases, the amounts each of our NEOs who participate in that plan would have received according to the participant's deferral election, are shown in the Aggregate Balance at Fiscal Year-End column of the Non-Qualified Deferred Compensation Table.

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Table of Contents**EXECUTIVE COMPENSATION***Potential Payments upon Termination or Change in Control*

	<b>Involuntary Termination Not for Cause or for Good Reason Prior to or More Than 2 Years After a CiC</b>	<b>Termination due to Death (1)</b>	<b>Separation Due to Retirement or Disability Prior to or More Than 2 Years After a CiC (2)</b>	<b>Involuntary Termination Not for Cause or for Good Reason Within 2 Years After a CiC</b>	<b>Separation Due to Retirement or Disability Within 2 Years After a CiC (2)</b>
<b>Andreas Fibig</b>					
Salary	\$ 2,600,000	\$	\$	\$ 3,900,000 (3)	\$
AIP	3,120,000 (4)			4,680,000 (5)	
LTIP (6)	1,140,679	1,140,679	1,140,679	1,140,679	1,140,679
Equity (7)	5,210,711	9,654,684		9,654,684	9,654,684
Benefits Continuation (8)	78,475			78,475	
Executive Death Benefit (9)		2,600,000			
Disability Insurance (10)			120,000		120,000
<b>Total</b>	<b>\$ 12,149,865</b>	<b>\$ 13,395,364</b>	<b>\$ 1,260,679</b>	<b>\$ 19,453,839</b>	<b>\$ 10,915,363</b>
<b>Richard O Leary</b>					
Salary	\$ 772,500	\$	\$	\$ 1,030,000	\$
AIP	618,000 (4)			824,000 (5)	
LTIP (6)	264,373	264,373	264,373	264,373	264,373
Equity (7)	2,011,546	2,687,236		2,687,236	2,687,236
Benefits Continuation (8)	55,765			55,765	
Executive Death Benefit (9)		1,030,000			
Disability Insurance (10)			120,000		120,000
<b>Total</b>	<b>\$ 3,722,184</b>	<b>\$ 3,981,609</b>	<b>\$ 384,373</b>	<b>\$ 4,861,374</b>	<b>\$ 3,071,609</b>
<b>Nicolas Mirzayantz</b>					
Salary	\$ 918,000	\$	\$	\$ 1,224,000	\$
AIP	734,400 (4)			979,200 (5)	

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LTIP (6)	264,373	264,373	264,373	264,373	264,373
Equity (7)	1,614,325	2,477,909		2,477,909	2,477,909
Benefits Continuation (8)	53,263			53,263	
Executive Death Benefit (9)		1,224,000			
Disability Insurance (10)			120,000		120,000
<b>Total</b>	<b>\$ 3,584,361</b>	<b>\$ 3,966,282</b>	<b>\$ 384,373</b>	<b>\$ 4,998,745</b>	<b>\$ 2,862,282</b>
<b>Matthias Haeni (11)</b>					
Salary	\$ 872,176	\$	\$	\$ 1,162,902	\$
AIP	697,741 (4)			930,322 (5)	
LTIP (6)	264,373	264,373	264,373	264,373	264,373
Equity (7)	1,686,309	4,029,867		4,029,867	4,029,867
Benefits Continuation (8)	34,133			34,133	
Executive Death Benefit (9)		1,162,902			
Disability Insurance (10)					
<b>Total</b>	<b>\$ 3,554,732</b>	<b>\$ 5,457,142</b>	<b>\$ 264,373</b>	<b>\$ 6,421,597</b>	<b>\$ 4,294,240</b>
<b>Anne Chwat</b>					
Salary	\$ 727,500	\$	\$	\$ 970,000	\$
AIP	436,500 (4)			582,000 (5)	
LTIP (6)	151,690	151,690	151,690	151,690	151,690
Equity (7)	1,234,437	1,932,266		1,932,266	1,932,266
Benefits Continuation (8)	55,328			55,328	
Executive Death Benefit (9)		970,000			
Disability Insurance (10)			120,000		120,000
<b>Total</b>	<b>\$ 2,605,455</b>	<b>\$ 3,053,957</b>	<b>\$ 271,690</b>	<b>\$ 3,691,285</b>	<b>\$ 2,203,957</b>

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**Table of Contents****EXECUTIVE COMPENSATION**

- (1) The amounts in this column represent payments made in the event of the death of the executive either prior to, within two years or more than two years after a CiC, assuming a termination date of December 31, 2018. With respect to amounts shown in the AIP row, if the death of an executive occurred within two years of a CiC, this amount may change as it is the prorated amount of the executive's target bonus in the year of termination.
- (2) Pursuant to the terms of the ESP, an executive who elects to retire after attaining age 62 is entitled to the benefits in this column (less any disability insurance proceeds).
- (3) Pursuant to the terms of our ESP, if severance payments are deemed to trigger the excise tax imposed by IRC Section 4999, the executive would receive the greater net after tax benefit of either (1) payment of the excise tax or (2) a reduction to cash severance to the safe harbor level so as not to trigger the excise tax. In Mr. Fibig's case, payment of the excise tax results in the greater net after tax benefit to him.
- (4) This amount represents (i) for Mr. Fibig, 2.0x the greater of the average AIP award paid for performance in the three years preceding the year of the presumed December 31, 2018 termination (i.e., the three years ending December 31, 2017) (or averaged over the lesser number of years during which the executive was eligible for AIP awards) or the executive's target annual incentive under the AIP for 2018, prorated for the number of active days of employment with the Company during the performance period; (ii) for Messrs. Mirzayantz, Haeni and O'Leary and Ms. Chwat, 1.5x the executive's target annual incentive under the AIP for 2018 prorated for the number of active days of employment with the Company during the performance period. This amount does not take into account any actual AIP amounts paid for 2018, which are set forth in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.
- (5) For Messrs. Mirzayantz, Haeni and O'Leary and Ms. Chwat 2.0x, and Mr. Fibig 3.0x the greater of: (i) the average AIP award paid for performance in the three years preceding the year of the presumed December 31, 2018 termination (i.e., the three years ending December 31, 2017) (or averaged over the lesser number of years during which the executive was eligible for AIP awards); or (ii) the executive's target annual incentive under the AIP for 2018. This amount does not take into account any actual AIP amounts paid for 2018, which are set forth in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.
- (6) The amounts in this row are the LTIP amounts that would be payable as severance in cash with respect to the 2017-2019 and 2018-2020 LTIP cycles, based on prorated target LTIP for the relevant LTIP cycles in progress. Prorated amounts are based on the number of days worked in each performance period divided by the total number of days in each performance period for each relevant LTIP cycle. This amount does not take into account the actual AIP amounts paid out under the completed 2016-2018 LTIP cycle, which are discussed in the narrative



following the Grants of Plan-Based Award Table under the heading Long-Term Incentive Plan.

- (7) For termination due to involuntary termination not for cause or by the executive for good reason absent a CiC, this amount represents the value of equity that would continue to vest on a prorated basis. For termination due to death or disability more than two years prior to a CiC, the amounts in this row represent the aggregate value of RSU, PRS and PRSU awards which would immediately vest upon occurrence of the termination event. For termination events within two years after a CiC, the amounts in this row represent the aggregate in-the-money value of the SSARs, RSUs, PRS, PRSUs and other equity awards which would become vested as a direct result of the CiC before the stated vesting date specified in the applicable equity award document. The calculation of these amounts does not discount the value of awards based on the portion of the vesting period elapsed at the date of the CiC.
- (8) Amounts in this row are the costs to provide benefits continuation, including medical, dental, executive and group life insurance and group and supplemental long-term disability. The amounts for

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**EXECUTIVE COMPENSATION**

medical and dental benefits are the COBRA costs for the covered period based on assumptions used for financial reporting purposes. The life insurance and long-term disability costs are the premiums to provide the benefit for the covered period.

(9) The amounts in this row are the amounts that would be payable under our Executive Death Benefit Plan upon the death of the NEO.

(10) The amounts in this row are the amounts that would be payable under our Supplemental LTD program upon the disability of the NEO. Although long-term disability coverage is generally available to our employees, only certain executives, including our NEOs, participate in the Supplemental LTD program.

(11) For purposes of this table, all amounts were determined by converting by his Euro salary for the full year at an exchange rate of 1.1353 US Dollars to Euros (the exchange rate as of December 28, 2018).

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***What am I voting on?***

At the 2019 Annual Meeting you will be asked to vote on the following proposals. Our Board recommendation for each of these proposals is set forth below.

<b>Proposal</b>	<b>Board Recommendation</b>
1. To elect eleven members of the Board of Directors, each to hold office for a one-year term expiring at the 2020 Annual Meeting of Shareholders.	<b>FOR each Director Nominee</b>
2. To ratify the selection of PricewaterhouseCoopers LLP ( PwC ) as our independent registered public accounting firm for the 2019 fiscal year.	<b>FOR</b>
3. To approve, on an advisory basis, the compensation of our named executive officers in 2018, which we refer to as Say on Pay.	<b>FOR</b>

We also will consider other business that properly comes before the meeting in accordance with New York law and our By-Laws.

***Who can vote?***

Holders of our common stock at the close of business on March 6, 2019, are entitled to vote their shares at the 2019 Annual Meeting. As of March 6, 2019, there were 106,634,767 shares of common stock issued, outstanding and entitled to vote. Each share of common stock issued and outstanding is entitled to one vote.

***What constitutes a quorum, and why is a quorum required?***

We are required to have a quorum of shareholders present to conduct business at the meeting. The presence at the meeting, in person or by proxy, of the holders of a majority of the 106,634,767 shares entitled to vote on the record date (53,317,384 shares) will constitute a quorum, permitting us to conduct the business of the meeting. Abstentions and broker non-votes are counted as present for purposes of determining a quorum. Shares of common stock for which we have received executed proxies will be counted for purposes of establishing a quorum at the meeting, regardless of how or whether such shares are voted on any specific proposal.

***What is the difference between a shareholder of record and a street name holder?***

If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, you are considered a shareholder of record or a registered shareholder of those shares. In this case, your Notice of Internet Availability of Proxy Materials ( Notice ) has been sent to you directly by us.

If your shares are held in a stock brokerage account or by a bank, trust or other nominee or custodian (each, a Broker ), including shares you may own as a participant in one of our 401(k) plans, you are considered the beneficial owner of those shares, which are held in street name. A Notice has been forwarded to you by or on behalf of your Broker, who

is considered the shareholder of record of those shares. As the beneficial owner, you have the right to direct your Broker how to vote your shares by following the instructions for voting set forth in the Notice.

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**INFORMATION ABOUT THE MEETING**

***How do I vote?***

If you are a shareholder of record, you may vote:

via Internet;

by telephone;

by mail, if you received a paper copy of the proxy materials; or

in person at the meeting.

Detailed instructions for Internet and telephone voting are set forth in the Notice, which contains instructions on how to access our proxy statement, annual report and shareholder notice online, and the printed proxy card.

If your shares are held in one of our 401(k) plans, your proxy will serve as a voting instruction for the trustee of the 401(k) plan, who will vote your shares as you instruct. To allow sufficient time for the trustee to vote, your voting instructions must be received by 11:59 pm Eastern Daylight Time on April 30, 2019. If the trustee does not receive your instructions by that date, the trustee will vote the shares you hold through the 401(k) plan in the same proportion as those shares in the 401(k) plan for which voting instructions were received.

If you are a beneficial owner, but do not hold your shares through the Tel Aviv Stock Exchange (the TASE), you must follow the voting procedures of your Broker.

If you are a beneficial owner and your shares are held through the TASE, you must sign and date your proxy card, and attach to it a proof of ownership certificate from the TASE Clearing House Member through which your shares are held (which you can obtain from your TASE broker), which certificate indicates that you were the beneficial owner of such shares as of the record date, and return the proxy card, along with the proof of ownership certificate, to the Company, c/o Gornitzky & Co., via fax to +972-3-560-6555, Attention: Ari Fried, Adv., or by e-mail to: IFFproxy@gornitzky.com.

***What are the requirements to elect the director nominees and to approve each of the proposals in this proxy statement?***

**Proposal**

**Vote Required**

- |  |                        |
|--|------------------------|
| 1. Election of Directors   | Majority of Votes Cast |
| 2. Ratification of Independent Registered Public Accounting Firm | Majority of Votes Cast |
| 3. Say on Pay  | Majority of Votes Cast |

Under our By-Laws, in an uncontested election of directors, as we have this year, a majority of votes cast is required in order for a director to be elected, which means that a nominee must receive a greater number of votes **FOR** his or her election than votes **AGAINST** in order to be elected. Abstentions are not counted as votes **FOR** or **AGAINST** a director nominee.

The votes cast **FOR** must exceed the votes cast **AGAINST** the ratification of PwC as our independent registered public accounting firm for the 2019 fiscal year. Abstentions are not counted as votes **FOR** or **AGAINST** this proposal.

Proposal 3 is an advisory vote. This means that while we ask shareholders to approve a resolution regarding Say on Pay, it is not an action that requires shareholder approval. If a majority of votes are cast **FOR** the Say on Pay proposal, we will consider the proposal to be approved. Abstentions are not counted as votes **FOR** or **AGAINST** this proposal and will have no effect on the outcome of this proposal.

**Table of Contents****INFORMATION ABOUT THE MEETING*****What if I am a beneficial owner and I do not give the nominee voting instructions?***

If you are a beneficial owner and your shares are held in street name, the Broker is bound by the rules of the NYSE regarding whether or not it can exercise discretionary voting power for any particular proposal if the Broker has not received voting instructions from you. Brokers have the authority to vote shares for which their customers do not provide voting instructions on certain routine matters. A broker non-vote occurs when a Broker returns a proxy but does not vote on a particular proposal because the Broker does not have discretionary authority to vote on the proposal and has not received specific voting instructions for the proposal from the beneficial owner of the shares. Broker non-votes are considered to be present at the meeting for purposes of determining the presence of a quorum but are not counted as votes cast.

The table below sets forth, for each proposal on the ballot, whether a Broker can exercise discretion and vote your shares absent your instructions and, if not, the impact of such broker non-vote on the approval of the proposal.

<b>Proposal</b>	<b>Can Brokers Vote Absent Instructions?</b>	<b>Impact of Broker Non-Vote</b>
1. Election of Directors	No	None
2. Ratification of Independent Registered Public Accounting Firm	Yes	Not Applicable
3. Say on Pay	No	None

***What if I sign and return my proxy without making any selections?***

If you sign and return your proxy without making any selections, your shares will be voted FOR each of the director nominees and FOR Proposals 2 and 3. If other matters properly come before the meeting, the proxy holders will have the authority to vote on those matters for you at their discretion. If your shares are held in street name or through the TASE, see the question above on how to vote your shares.

***How do I change my vote?***

A shareholder of record may revoke his or her proxy by giving written notice of revocation to our Corporate Secretary before the meeting, by delivering a later-dated proxy (either in writing, by telephone or over the Internet), or by voting in person at the 2019 Annual Meeting.

If your shares are held in street name, you may change your vote by following your Broker's procedures for revoking or changing your proxy.

If you are a beneficial owner and your shares are held through the TASE, you may revoke or change your vote at any time before the meeting by: (i) communicating such change in writing to our Corporate Secretary or by executing and delivering a later-dated proxy to the Company, c/o Gornitzky & Co., via fax to +972-3-560-6555, Attention: Ari Fried, Adv., or by e-mail to: IFFproxy@gornitzky.com, or (ii) by voting in person at the 2019 Annual Meeting, subject to the satisfaction of the conditions set forth in [How do I vote?](#) above and [Who can attend the 2019 Annual Meeting](#) below.

***What shares are covered by my proxy card?***

Your proxy reflects all shares owned by you at the close of business on March 6, 2019. For participants in our 401(k) plans, shares held in your account as of that date are included in your proxy.

***What does it mean if I receive more than one proxy card?***

If you receive more than one proxy card, it means that you hold shares in more than one account. To ensure that all of your shares are voted, you should sign and return each proxy card. Alternatively, if you vote by telephone or via the Internet, you will need to vote once for each proxy card and voting instruction card you receive.



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**INFORMATION ABOUT THE MEETING**

***Who can attend the 2019 Annual Meeting?***

Only shareholders and our invited guests are permitted to attend the 2019 Annual Meeting. To gain admittance, you must bring a form of personal identification to the meeting, where your name will be verified against our record date shareholder list. If a Broker holds your shares and you plan to attend the meeting, you should bring a brokerage statement showing your ownership of the shares as of the record date or a letter from the Broker confirming such ownership, and a form of personal identification. If you wish to vote your shares that are held by a Broker at the meeting, you must obtain a proxy from your Broker and bring such proxy to the meeting.

If you hold your shares through the TASE and you plan to attend the 2019 Annual Meeting, you must bring the proof of ownership certificate from the TASE's Clearing House Member through which your shares are held, which certificate indicates that you were the beneficial owner of the shares as of the record date, as well as picture identification, such as a valid Israeli driver's license or passport, for purposes of personal identification.

***If I plan to attend the 2019 Annual Meeting, should I still vote by proxy?***

Yes. Casting your vote in advance does not affect your right to attend the 2019 Annual Meeting. If you send in your proxy card and also attend the meeting, you do not need to vote again at the meeting unless you want to change your vote. Written ballots will be available at the 2019 Annual Meeting for shareholders of record.

***How can I listen to the live audio webcast of the 2019 Annual Meeting?***

You may listen to a live audio webcast of the 2019 Annual Meeting at [www.iff.com](http://www.iff.com). The webcast will allow you to listen to the Annual Meeting, but shareholders accessing the 2019 Annual Meeting through the webcast will not be considered present at the 2019 Annual Meeting and will not be able to vote their shares through the webcast or ask questions. If you plan to listen to the live audio webcast, then please submit your vote prior to the 2019 Annual Meeting using one of the methods described under "How do I vote?" above. An archived copy of the webcast will be available at [www.iff.com](http://www.iff.com) following the 2019 Annual Meeting. Registration to listen to the webcast will be required. We have included our website address for reference only. The information contained on our website is not incorporated by reference into this Proxy Statement.

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### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who beneficially own more than 10% of a registered class of our equity securities, to file reports with the SEC relating to their common stock ownership and changes in such ownership, and to furnish us with copies of all Section 16(a) forms they file. Based on a review of our records and certain written representations received from our executive officers and directors, we believe that during the year ended December 31, 2018, all Section 16(a) filing requirements applicable to directors, executive officers and greater than 10% shareholders were complied with on a timely basis, except for one late filing disclosing four transactions by Winder.

### **Proxy Solicitation Costs**

We will pay the entire cost of soliciting proxies. In addition to solicitation by mail, proxies may be solicited on our behalf by directors, officers or employees in person, by telephone, by facsimile or by electronic mail. We have retained Georgeson Inc. to assist in proxy solicitation for a fee of \$9,000 plus expenses. We will reimburse banks, brokers and other custodians, nominees and fiduciaries for their costs in sending proxy materials to the beneficial owners of our common stock.

### **Shareholder Proposals**

In order for a shareholder proposal or proposed director nomination to be considered for inclusion in our proxy materials for next year's annual meeting of shareholders, the Secretary of our Company must receive the written proposal no later than November 19, 2019. Under Article I, Section 3 of our By-Laws, in order for a shareholder to submit a proposal or to nominate any director at next year's annual meeting of shareholders, the shareholder must give written notice to the Secretary of our Company not less than 90 days nor more than 120 days prior to the anniversary date of this year's annual meeting of shareholders provided next year's annual meeting is called for on a date that is within 30 days before or after such anniversary date. Assuming that next year's annual meeting is held on schedule, we must receive written notice of an intention to introduce a nomination or other item of business at that meeting between January 1, 2020 and January 31, 2020. The notice must also meet all other requirements contained in our By-Laws, including the requirement to contain specified information about the proposed business or the director nominee and the shareholder making the proposal.

As of the date of this proxy statement, we do not know of any matters to be presented at the 2019 Annual Meeting other than those described in this proxy statement. If any other matters should properly come before the meeting, proxies in the enclosed form will be voted on those matters in accordance with the judgment of the person or persons voting the proxies, unless otherwise specified.

### **Shareholder Communications**

Shareholders and other parties interested in communicating directly with the Lead Director, the non-management directors as a group or all directors as a group may do so by writing to the Lead Director or the non-management directors or the Board, in each case, c/o General Counsel and Secretary, International Flavors & Fragrances Inc., 521 West 57th Street, New York, New York 10019. All communications should include the name, address, telephone number and email address (if any) of the person submitting the communication and indicate whether the person is a

shareholder of our Company.

The Board has approved a process for handling correspondence received by our Company on behalf of the Lead Director, the non-management directors as a group or all directors as a group. Under that process,

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### **OTHER MATTERS**

the General Counsel reviews all such correspondence and maintains a log of, and forwards to the appropriate Board member, correspondence that is relevant to (i) the functions of the Board or committees thereof or (ii) other significant matters involving our Company. The General Counsel may screen frivolous or unlawful communications and commercial advertisements. Directors may review the log maintained by the General Counsel at any time.

Concerns relating to accounting, internal controls or auditing matters are immediately brought to the attention of our internal auditor and handled in accordance with procedures established by the Audit Committee with respect to such matters.

#### **Electronic Delivery**

This year we again have elected to take advantage of the SEC's rule that allows us to furnish proxy materials to you online. We believe electronic delivery will expedite shareholders' receipt of materials, while lowering costs and reducing the environmental impact of our 2019 Annual Meeting by reducing printing and mailing of full sets of materials. We mailed the Notice containing instructions on how to access our proxy statement and annual report online on or about March 18, 2019. If you would like to receive a paper copy of the proxy materials, the Notice contains instructions on how to receive a paper copy.

#### **Householding**

We have adopted a procedure approved by the SEC called "householding." Under this procedure, shareholders of record who have the same address and last name will receive only one copy of our Notice, unless one or more of these shareholders notifies us that they wish to continue receiving individual copies. This procedure will reduce our printing costs and postage fees.

If you are eligible for householding, but you and other shareholders of record with whom you share an address currently receive multiple copies of the Notice, or if you hold stock in more than one account, and in either case you wish to receive only a single copy of the Notice for your household, please contact Broadridge Financial Solutions, by calling 1-800-542-1061, or by forwarding a written request addressed to Broadridge Financial Solutions, 51 Mercedes Way, Edgewood, New York 11717.

If you participate in householding and wish to receive a separate copy of the Notice, or if you do not wish to participate in householding and prefer to receive separate copies of the Notice in the future, please contact Broadridge Financial Solutions as indicated above. Beneficial shareholders can request information about householding from their nominee.

#### **Available Information**

We will furnish without charge to each person whose proxy is being solicited, upon request of any such person, a copy of the 2019 Annual Report as filed with the SEC, including the financial statements and schedules thereto, but not the

exhibits. In addition, such report is available, free of charge, through the Investor Financials & Filings SEC Filings link on our website at, [www.iff.com](http://www.iff.com). A request for a copy of such report should be directed to International Flavors & Fragrances Inc., 521 West 57th Street, New York, NY 10019, Attention: Investor Relations. A copy of any exhibit to the Form 10-K for the year ended December 31, 2018 will be forwarded following receipt of a written request to Investor Relations.

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This proxy statement includes certain non-GAAP financial measures, including: (1) adjusted operating profit and adjusted EPS, which exclude restructuring costs and other significant items of a non-recurring and/or non-operational nature such as gains on sale of assets, operational improvement initiatives, integration related costs, FDA mandated product recall costs, acquisition related costs, Frutarom acquisition related costs, and U.S. Tax reform (often referred to as Items Impacting Comparability); and (2) adjusted EPS ex amortization, which excludes Items Impacting Comparability and the amortization of acquisition related intangible assets. These non-GAAP measures are intended to provide additional information regarding our underlying operating results and comparable year-over-year performance. Such information is supplemental to information presented in accordance with GAAP and is not intended to represent a presentation in accordance with GAAP.

**Year Ended December 31, 2018****Adjusted Operating Profit**

Reported (GAAP)	\$ 583,882
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Operational Improvement Initiatives (a)	2,169
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Acquisition Related Costs (b)	(1,289)
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Integration Related Costs (c)	7,188
-------------------------------	-------

Restructuring and Other Charges, net (d)	4,086
--	-------

Gain on Sale of Assets	(1,177)
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FDA Mandated Product Recall (e)	(7,125)
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Frutarom Acquisition Related Costs (g)	89,632
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<b>Adjusted (Non-GAAP)</b>	<b>\$ 677,366</b>
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**Year ended December 31, 2018**

	<b>Income before taxes</b>	<b>Taxes on income</b>	<b>Net Income Attributable to IFF</b>	<b>Diluted EPS</b>
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**Adjusted Net Income/Diluted EPS**

Reported (GAAP)	\$ 447,757	\$ 107,976	\$ 337,302	\$ 3.79
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Operational Improvement Initiatives (a)	2,169	694	1,475	0.02
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Acquisition Related Costs (b)	(1,289)	(311)	(978)	(0.01)
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Integration Related Costs (c)	7,188	1,397	5,791	0.07
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Restructuring and Other Charges, net (d)	4,086	1,020	3,066	0.03
Gains on Sale of Assets	(1,177)	(352)	(825)	(0.01)
FDA Mandated Product Recall (e)	(7,125)	(1,601)	(5,524)	(0.06)
U.S. Tax Reform (f)		(25,345)	25,345	0.29
Frutarom Acquisition Related Costs (g)	155,569	28,490	127,079	1.44
Redemption value adjustment to EPS (h)				0.03
<b>Adjusted (Non-GAAP)</b>	<b>\$ 607,178</b>	<b>\$ 111,968</b>	<b>\$ 492,731</b>	<b>\$ 5.58</b>

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**Table of Contents****EXHIBIT A - GAAP TO NON-GAAP RECONCILIATIONS**

	<b>Year ended December 31, 2018</b>
<b>Adjusted Net Income/EPS ex Amortization</b>	
Adjusted (Non-GAAP) Net Income	\$ 492,731
Amortization of Acquisition related Intangible Assets	75,879
Tax impact on Amortization of Acquisition related Intangible Assets (i)	13,962
Amortization of Acquisition related Intangible Assets, net of tax (j)	61,917
<b>Adjusted (Non-GAAP) Net Income ex. Amortization</b>	<b>\$ 554,648</b>
<b>Denominator</b>	

Weighted average shares assuming dilution (diluted)	88,121
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<b>Adjusted (Non-GAAP) EPS ex. Amortization</b>	<b>\$ 6.28</b>
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- (a) Represents accelerated depreciation related to a plant relocation in India and Taiwan asset write off.
- (b) Represents adjustments to the contingent consideration payable for PowderPure, and transaction costs related to Fragrance Resources and PowderPure within Selling and administrative expenses.
- (c) Represents costs related to the integration of the Frutarom acquisition.
- (d) Represents severance costs related to the 2017 Productivity Program and costs associated with the termination of agent relationships in a subsidiary.
- (e) Principally represents recoveries from the supplier for the third and fourth quarter, partially offset by final payments to the customer made for the effected product in the first quarter.
- (f) Represents additional expense incurred related to enactment of certain U.S. tax legislation based on updated repatriation plans requiring accruals for withholding taxes on deemed repatriation.
- (g) Represents transaction-related costs and expenses related to the acquisition of Frutarom. Amount primarily includes \$23.5 million of amortization for inventory step-up costs, \$39.4 million of bridge loan commitment fees included in Interest expense; \$34.9 million make whole payment on the Senior Notes 2007 and \$3.9 million realized loss on a fair value hedge included in Loss on extinguishment of debt; \$12.5 million realized gain on a foreign currency derivative included in Other income; and \$66.0 million of transaction costs included in Selling and administrative expenses.
- (h) Represents the adjustment to EPS related to the excess of the redemption value of certain redeemable noncontrolling interests over their existing carrying value.
- (i) Except for amortization, the income tax expense (benefit) on non-GAAP adjustments is computed in accordance with ASC 740 using the same methodology as the GAAP provision of income taxes. Income tax effects of non-GAAP adjustments are calculated based on the applicable statutory tax rate for each jurisdiction in which such charges were incurred, except for those items which are non-taxable for which the tax expense (benefit) was

calculated at 0%. For fiscal year 2018, these non-GAAP adjustments were not subject to foreign tax credits or valuation allowances, but to the extent that such factors are applicable to any future non-GAAP adjustments we will take such factors into consideration in calculating the tax expense (benefit). For amortization, the tax benefit has been calculated based on the Company's adjusted worldwide effective tax rate.

(j) Represents all amortization of intangible assets acquired in connection with acquisitions, net of tax.

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***INTERNATIONAL FLAVORS & FRAGRANCES  
INC.***

***521 WEST 57TH STREET***

***NEW YORK, NY 10019***

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the internet to transmit your voting instructions up until the date and time indicated on the reverse side. Have your proxy card in hand when you access the web site and follow the instructions.

**ELECTRONIC DELIVERY OF FUTURE  
SHAREHOLDER COMMUNICATIONS**

If you would like to reduce the costs incurred by International Flavors & Fragrances Inc., in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive shareholder communications electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until the date and time indicated on the reverse side. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717, by the date and time indicated on the reverse side.

If you hold your shares through the Tel Aviv Stock Exchange ( TASE ), please sign and date your proxy card, and attach to it a proof of ownership certificate from the TASE Clearing House Member through which your shares are held (which you can obtain from your TASE broker), and return the proxy card,

along with the proof of ownership certificate, to the Company, c/o Gornitzky & Co., via fax to +972-3-560-6555, Attention: Ari Fried, Adv., or by e-mail to: [IFFproxy@Gornitzky.com](mailto:IFFproxy@Gornitzky.com)

**VOTE IN PERSON**

You may vote the shares in person by attending the Annual Meeting.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**

**The Board of Directors recommends you vote FOR all listed nominees, and FOR Proposals 2 and 3.**

- 1. Elect eleven members of the Board of Directors for a one-year term expiring at the 2020 Annual Meeting of Shareholders.

**Nominees:**

- 1a. Marcello V. Bottoli
- 1b. Dr. Linda Buck
- 1c. Michael L. Ducker

**For Against Abstain**

**For Against Abstain**

- 2. Ratify the selection of ~~PricewaterhouseCoopers~~ **PricewaterhouseCoopers** LLP as our independent registered public accounting firm for the 2019 fiscal year.

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- |                            |   |
|----------------------------|---|
| 1d. David R. Epstein       | 3. Approve, on an advisory basis, the compensation of our named executive officers in 2018. |
| 1e. Roger W. Ferguson, Jr. |   |
| 1f. John F. Ferraro        |   |

**NOTE:** Such other business as may properly come before the meeting or any adjournment or postponement thereof.

- 1g. Andreas Fibig
- 1h. Christina Gold

- |                         |  |
|-------------------------|--|
| 1i. Katherine M. Hudson | For address changes and/or comments, please check this box and write them on the back where indicated. |
| 1j. Dale F. Morrison    |  |

- |                        |   |
|------------------------|---|
| 1k. Stephen Williamson | Please indicate if you plan to attend this meeting. |
|------------------------|---|

**Yes    No**

Please sign exactly as your name(s) appears hereon or, if you hold shares through TASE, as your name(s) appears in the proof of ownership certificate signed by your TASE Clearing House Member. When signing as attorney, executor, administrator, trustee or guardian, please add your title as such. When signing as joint tenants, all parties in the joint tenancy must sign. If signer is a corporation or partnership, please sign in full corporate or partnership name by duly authorized officer.

Signature [PLEASE SIGN WITHIN BOX]	Date	Signature (Joint Owners)	Date
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**ADMISSION TICKET**

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**

**ANNUAL MEETING OF SHAREHOLDERS**

**MAY 1, 2019 AT 10:00 A.M. EASTERN DAYLIGHT TIME**

**Boston Consulting Group**

**10 Hudson Yards, 45<sup>th</sup> Floor**

**New York, New York 10001**

**ADMITS ONE SHAREHOLDER**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**

The Notice and Proxy Statement and Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com).

E37702-P03441

**INTERNATIONAL FLAVORS & FRAGRANCES INC.**

**THIS PROXY CARD/VOTING INSTRUCTION FORM IS SOLICITED**

**ON BEHALF OF THE BOARD OF DIRECTORS**

**ANNUAL MEETING OF SHAREHOLDERS**

**MAY 1, 2019**

The undersigned hereby appoint(s) each of Mr. Andreas Fibig and Ms. Anne Chwat as the attorney and proxy of the undersigned, with full power of substitution, to vote the number of shares of stock the undersigned is entitled to vote at the Annual Meeting of Shareholders of International Flavors & Fragrances Inc. to be held at Boston Consulting Group, located at 10 Hudson Yards, New York, New York 10001, Wednesday, May 1, 2019 at 10:00 A.M. Eastern Daylight Time, and any adjournment(s) or postponement(s) thereof (the Meeting ).

**IF YOU ARE A SHAREHOLDER OF RECORD, THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED BY THE UNDERSIGNED ON THE REVERSE SIDE. IF NO SUCH DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES FOR DIRECTOR, FOR PROPOSALS 2 AND 3 AND ACCORDING TO THE DISCRETION OF THE PROXY HOLDERS ON ANY OTHER MATTER THAT MAY PROPERLY COME BEFORE THE MEETING. VOTING INSTRUCTIONS MUST BE RECEIVED BY 11:59 P.M. EASTERN DAYLIGHT TIME ON APRIL 30, 2019.**

If you are a participant in the International Flavors & Fragrances Inc. Retirement Investment Fund Plans (the 401(k) Plans ), this proxy covers all shares for which the undersigned has the right to give voting instructions to Vanguard Fiduciary Trust Company, the trustee of the 401(k) Plans. This proxy, when properly executed, will be voted as directed by the undersigned on the reverse side. Shares in the 401(k) Plans for which voting instructions are not received by 11:59 P.M. Eastern Daylight Time on April 26, 2019, or if no choice is specified, will be voted by the trustee in the same proportion as the shares for which voting instructions are received from other participants in the applicable 401(k) Plan.

**PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD/VOTING INSTRUCTION FORM PROMPTLY**

**USING THE ENCLOSED REPLY ENVELOPE.**

**Address Changes/Comments:**

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

**CONTINUED AND TO BE SIGNED ON REVERSE SIDE**