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	September 25, 2015		September 26, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt instruments, excluding capital lease obligations and other	$ 5,361	$ 5,044	$ 5,065	$ 4,759

Derivative Instruments—All derivative financial instruments are reported on the Consolidated Balance Sheets at fair value. For derivative financial instruments designated as fair value hedges, the changes in fair value of both the derivatives and the hedged items are recognized currently in the Consolidated Statements of Operations. The fair values of the Company’s derivative financial instruments are not material.

During the year ended September 26, 2014, the Company entered into interest rate swap transactions to hedge $500 million of its $1 billion, 6.250% fixed-rate notes due October 2021, and all $500 million of its 4.125% fixed-rate notes due April 2019. During the year ended September 25, 2015, the Company entered into interest rate swap transactions to hedge all $300 million of its 5.250% fixed-rate notes due March 2020. These transactions are designated as fair value hedges with the objective of managing the exposure to interest rate risk by converting the interest rates on the fixed-rate notes to floating rates. These transactions did not have a material impact on the Company's Consolidated Financial Statements as of and for the years ended September 25, 2015 and September 26, 2014.

Restructuring and Other Charges—During the year ended September 25, 2015, restructuring and other charges were not material. During the year ended September 26, 2014, the Company recognized $8 million in severance charges related to the separation of employees in conjunction with actions taken to reduce general and administrative expenses, $6 million in charges primarily related to a loss on the sublease of a portion of its office space and $3 million of other costs associated with consulting services focused on identifying actions to reduce its cost structure and streamline operations. Substantially all of these charges were paid as of September 25, 2015.

The Company also recognized other charges of $8 million related to accelerated depreciation on certain assets in fiscal year 2014 in connection with the rationalization of its business processes and system landscape. Restructuring and other charges during fiscal year 2013 were not material.

Guarantees—In the normal course of business, the Company is liable for contract completion and product performance. In the opinion of management, such obligations will not significantly affect the Company’s financial position, results of operations or cash flows. As of September 25, 2015 and September 26, 2014, the Company did not have material guarantees.

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Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued authoritative guidance which sets forth a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The guidance is effective for annual reporting periods, including interim reporting periods within those periods, beginning after December 15, 2016, and early adoption is not permitted. Companies may use either a full retrospective or a modified retrospective approach to adopt this guidance. The Company is currently evaluating the impact of this guidance.

In August 2015, the FASB issued an amendment to the above mentioned revenue recognition guidance. This amendment defers the effective date by one year to December 15, 2017, for annual reporting periods, including interim reporting periods within those periods, beginning after that date. Early adoption is permitted, but not before the original effective date of December 15, 2016.

In April 2015, the FASB issued authoritative guidance to simplify the presentation of debt issuance costs and require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this guidance. The guidance is to be applied on a retrospective basis and is effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. The adoption of this guidance is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In April 2015, the FASB issued authoritative guidance regarding the accounting for fees paid in a cloud computing arrangement. The new standard provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. Companies may elect to adopt this guidance using either (1) a prospective approach for all arrangements entered into or materially modified after the effective date, or (2) a retrospective approach. The Company is currently evaluating the impact of this guidance.

In July 2015, the FASB issued authoritative guidance to simplify the subsequent measurement of inventory. Under this new standard, an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The amendments in this guidance should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company is currently evaluating the impact of this guidance.

2. Acquisitions

Dealer Generated Customer Accounts and Bulk Account Purchases

During fiscal years 2015, 2014 and 2013, the Company paid $559 million, $526 million and $555 million, respectively, for customer contracts for electronic security services generated under the ADT dealer program and bulk account purchases.

Acquisitions

On July 8, 2014, the Company acquired all of the issued and outstanding capital stock of Protectron, a leading electronic security services company in Canada. The primary purpose of the acquisition was to expand the Company's market share in Canada and create a stronger organization that is better positioned to serve Canadian customers. The consideration transferred in Canadian dollars ("CAD") was CAD $560 million ($525 million), and cash paid during fiscal year 2014 was $517 million, net of cash acquired. The transaction was financed with borrowings of $375 million under the Company's revolving credit facility and cash on hand.

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Under the acquisition method of accounting, the purchase price has been allocated to Protectron's tangible and identifiable intangible assets acquired and liabilities assumed based on estimates of fair value using available information and making assumptions management believes are reasonable. The excess of the purchase price over those fair values was recorded as goodwill. The following table summarizes the allocation of the purchase price of this acquisition and the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition for fiscal year 2014:

Estimated fair value of assets acquired and liabilities assumed ($ in millions):

Cash and cash equivalents	$5
Customer relationships	253
Trade name and other intangibles	43
Goodwill	296
Deferred tax liabilities	(65)
Other, net	(7)
Consideration transferred	$525

Adjustments made to the purchase price allocation for the Protectron acquisition during fiscal 2015 were not material to the Consolidated Financial Statements. The amortization period for intangible assets acquired ranges from 7 to 20 years. The Company recorded approximately $296 million of goodwill, reflecting the strategic fit and the value of Protectron's recurring revenue and earnings growth potential to the Company. The goodwill amount was not deductible for tax purposes. Protectron's impact on the Company’s Consolidated Results of Operations for fiscal year 2014 and pro-forma results for fiscal years 2014 and 2013 was immaterial.

On August 2, 2013, the Company acquired all of the issued and outstanding capital stock of Devcon Security Holdings, Inc. ("Devcon Security") for cash consideration of $146 million, net of cash acquired. Devcon Security provides alarm monitoring services and related equipment to residential homes, businesses and homeowner associations in the United States. As part of this acquisition, the Company recognized intangible assets of $84 million in customer relationships and $60 million of goodwill as well as insignificant amounts of net working capital and tangible assets. On October 1, 2012, the Company completed its acquisition of Absolute Security, which had been an ADT authorized dealer, with $16 million of cash paid during fiscal year 2013. As part of this acquisition, the Company recognized $20 million of goodwill.

3. Property and Equipment

Property and equipment as of September 25, 2015 and September 26, 2014 consisted of the following ($ in millions):

	September 25, 2015	September 26, 2014
Land	$9	$9
Buildings and leasehold improvements	108	101
Machinery and equipment	404	392
Property under capital leases	45	45
Construction in progress	40	15
Accumulated depreciation	(323)	(297)
Property and equipment, net	$283	$265

4. Goodwill and Other Intangible Assets

Goodwill

On the first day of the fiscal fourth quarter of 2015, the Company performed a quantitative impairment assessment on its two reporting units and concluded that goodwill was not impaired. Additionally, there were no goodwill impairments as a result of performing the Company's annual impairment tests for fiscal years 2014 and 2013.

As discussed further in Note 1, effective for the fourth quarter of fiscal year 2015, the Company changed its operating segment reporting structure. Under this new structure, the Company now has two operating segments, which are also the Company's reporting units. As a result of this change, the Company reallocated goodwill to the U.S. and Canada reporting units using the relative fair value approach.

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The changes in the carrying amount of goodwill by segment for the years ended September 25, 2015 and September 26, 2014 are as follows ($ in millions):

	United States	Canada	Total
Balance as of September 27, 2013	$3,409	$67	$3,476
Acquisition	—	296	296
Currency translation and other	(13)	(21)	(34)
Balance as of September 26, 2014	$3,396	$342	$3,738
Currency translation and other	(1)	(57)	(58)
Balance as of September 25, 2015	$3,395	$285	$3,680

All prior period balances in the table above are presented under the new segment structure.

Other Intangible Assets

The following table sets forth the gross carrying amounts and accumulated amortization of the Company's other intangible assets as of September 25, 2015 and September 26, 2014 ($ in millions):

	September 25, 2015		September 26, 2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable:				
Contracts and related customer relationships	$8,147	$(5,183)	$8,098	$(5,022)
Other	41	(6)	51	(7)
Total	$8,188	$(5,189)	$8,149	$(5,029)

The changes in the net carrying amount of contracts and related customer relationships for the years ended September 25, 2015 and September 26, 2014 are as follows ($ in millions):

Balance as of September 27, 2013	$2,917
Acquisition of customer relationships	253
Customer contract additions, net of dealer charge-backs	523
Amortization	(587)
Currency translation and other	(30)
Balance as of September 26, 2014	$3,076
Customer contract additions, net of dealer charge-backs	561
Amortization	(614)
Currency translation and other	(59)
Balance as of September 25, 2015	$2,964

Other than goodwill, the Company does not have any other indefinite-lived intangible assets as of September 25, 2015 and September 26, 2014. Intangible asset amortization expense for fiscal years 2015, 2014 and 2013 was $617 million, $589 million and $569 million, respectively. The weighted-average amortization periods for contracts and related customer relationships acquired during fiscal years 2015 and 2014 were 15 and 14 years, respectively.

The estimated aggregate amortization expense for intangible assets is expected to be as follows ($ in millions):

Fiscal 2016	$571
Fiscal 2017	476
Fiscal 2018	398
Fiscal 2019	342
Fiscal 2020	274

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5. Debt

Debt as of September 25, 2015 and September 26, 2014 consisted of the following ($ in millions):

	September 25, 2015	September 26, 2014
Current maturities of long-term debt:		
Capital lease obligations and other	$5	$4
Current maturities of long-term debt	5	4
Long-term debt:		
2.250% notes due July 2017	$750	$750
4.125% notes due April 2019	509	498
5.250% notes due March 2020	306	—
6.250% notes due October 2021	1,020	1,001
3.500% notes due July 2022	998	998
4.125% notes due June 2023	700	700
4.875% notes due July 2042	743	743
Revolving credit facility	335	375
Capital lease obligations and other	28	31
Total long-term debt	5,389	5,096
Total debt	$5,394	$5,100

Senior Unsecured Notes

Fiscal Year 2015

On December 18, 2014, the Company completed a public offering of $300 million of its 5.250% senior unsecured notes due March 15, 2020 (the "December 2014 Debt Offering"). Net cash proceeds from the issuance of this term indebtedness totaled $296 million and were primarily used to repay outstanding borrowings under the Company's revolving credit facility and for general corporate purposes. Interest is payable on March 15 and September 15 of each year and commenced on March 15, 2015. The Company may redeem the notes, in whole or in part, at any time prior to the maturity date at a redemption price equal to the greater of the principal amount of the notes to be redeemed or a make-whole premium, plus in each case, accrued and unpaid interest to, but excluding, the redemption date. Additionally, in December 2014, the Company entered into interest rate swap transactions on all $300 million of the December 2014 Debt Offering. These transactions are designated as fair value hedges with the objective of managing the exposure to interest rate risk by converting the interest rates on the fixed-rate notes to floating rates. These transactions did not have a material impact on the Company's Consolidated Financial Statements as of September 25, 2015.

Fiscal Year 2014

On October 1, 2013, the Company issued $1 billion aggregate principal amount of 6.250% senior unsecured notes due October 2021 in a private placement conducted pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended (the "October 2013 Debt Offering"). Net cash proceeds from the issuance of this term indebtedness totaled $987 million, of which $150 million was used to repay the outstanding borrowings under the Company’s revolving credit facility. The remaining net proceeds were used primarily for repurchases of outstanding shares of ADT's common stock. Interest is payable on April 15 and October 15 of each year and commenced on April 15, 2014. The Company may redeem the notes, in whole or in part, at any time prior to the maturity date at a redemption price equal to the greater of the principal amount of the notes to be redeemed, or a make-whole premium, plus in each case, accrued and unpaid interest to, but excluding, the redemption date. In connection with the October 2013 Debt Offering, the Company entered into an exchange and registration rights agreement with the initial purchasers, and on April 4, 2014 the Company commenced an offer to exchange the $1 billion notes. This exchange offer was completed on May 9, 2014.

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On March 19, 2014, the Company completed a public offering of $500 million of its 4.125% senior unsecured notes due April 2019. Net cash proceeds from the issuance of this term indebtedness totaled $493 million, of which $200 million was used to repay outstanding borrowings under the Company’s revolving credit facility. The remaining net proceeds were used primarily for general corporate purposes and repurchases of outstanding shares of ADT's common stock. Interest is payable on April 15 and October 15 of each year, and commenced on October 15, 2014. The Company may redeem the notes, in whole or in part, at any time prior to the maturity date at a redemption price equal to the greater of the principal amount of the notes to be redeemed, or a make-whole premium, plus in each case, accrued and unpaid interest to, but excluding, the redemption date.

Additionally, during the year ended September 26, 2014, the Company entered into interest rate swap transactions to hedge $500 million of its $1 billion October 2013 Debt Offering, and all $500 million of its 4.125% fixed-rate notes due April 2019. These transactions are designated as fair value hedges with the objective of managing the exposure to interest rate risk by converting the interest rates on the fixed-rate notes to floating rates. These transactions did not have a material impact on the Company's Consolidated Financial Statements as of September 25, 2015 and September 26, 2014.

Fiscal Year 2013

On January 14, 2013, the Company issued $700 million aggregate principal amount of 4.125% unsecured notes due June 2023 in a private placement conducted pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended (the "January 2013 Debt Offering"). Net cash proceeds from the issuance of this term indebtedness totaled $694 million and were primarily used for the repurchase of outstanding shares of ADT's common stock. Interest is payable on June 15 and December 15 of each year, and commenced on June 15, 2013. The Company may redeem the notes, in whole or in part, at any time prior to the maturity date at a redemption price equal to the greater of the principal amount of the notes to be redeemed, or a make-whole premium, plus in each case, accrued and unpaid interest to, but excluding, the redemption date. In connection with the January 2013 Debt Offering, the Company entered into an exchange and registration rights agreement with the initial purchasers, and on April 18, 2013 the Company commenced an offer to exchange the $700 million notes. This exchange offer was completed during the third quarter of fiscal year 2013.

Fiscal Year 2012

On July 5, 2012, the Company issued $2.5 billion aggregate principal amount of unsecured notes, of which $750 million aggregate principal amount of 2.250% notes will mature on July 15, 2017, $1.0 billion aggregate principal amount of 3.500% notes will mature on July 15, 2022, and $750 million aggregate principal amount of 4.875% notes will mature on July 15, 2042 in a private placement conducted pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended. Cash proceeds from the issuance of this term indebtedness, net of debt issuance costs, totaled $2.47 billion and were used primarily to repay intercompany debt and to make other cash payments to Tyco in conjunction with the Separation. Interest is payable on January 15 and July 15 of each year. The Company may redeem each series of the notes, in whole or in part, at any time at a redemption price equal to the principal amount of the notes to be redeemed, plus a make-whole premium, plus in each case, accrued and unpaid interest to, but excluding, the redemption date. In connection with the issuance of the $2.5 billion notes, the Company entered into an exchange and registration rights agreement with the initial purchasers, and on April 1, 2013 the Company commenced an offer to exchange such notes. This exchange offer was completed during the third quarter of fiscal year 2013.

Revolving Credit Facility

On June 22, 2012, the Company entered into an unsecured senior revolving credit facility with a maturity date of June 22, 2017 and an aggregate commitment of $750 million, which is available to be used for working capital, capital expenditures and other corporate purposes. The interest rate for borrowings under the revolving credit facility is based on the London Interbank Offered Rate ("LIBOR") or an alternative base rate, plus a spread, based upon the Company's credit rating. As of September 25, 2015 and September 26, 2014, the Company had outstanding borrowings under the facility of $335 million and $375 million, respectively, at an interest rate of 1.651% and 1.606%, respectively.

The Company's revolving credit facility contains customary covenants, including a limit on the ratio of debt to earnings before interest, taxes, depreciation, and amortization ("EBITDA"), a minimum required ratio of EBITDA to interest expense and limits on incurrence of liens and subsidiary debt. In addition, the indenture governing the Company's senior unsecured notes contains customary covenants including limits on liens and sale/leaseback transactions. Furthermore, acceleration of any obligation under any of the Company's material debt instruments will permit the holders of its other material debt to accelerate their obligations.

As of September 25, 2015, the Company was in compliance with all covenants on its debt instruments.

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Aggregate annual maturities of long-term debt and capital lease obligations are as follows ($ in millions):

Fiscal 2016	$8
Fiscal 2017	1,093
Fiscal 2018	7
Fiscal 2019	506
Fiscal 2020	306
Thereafter	3,457
Total	5,377
Less amount representing discount on notes	9
Less amount representing interest on capital leases	9
Plus hedge accounting fair value adjustment	35
Total	5,394
Less current maturities of long-term debt	5
Total long-term debt	$5,389

Interest expense totaled $209 million, $193 million and $118 million for the years ended September 25, 2015, September 26, 2014 and September 27, 2013, respectively. Interest expense for fiscal years 2015, 2014 and 2013 primarily represents interest incurred on the Company's unsecured notes.

See Note 1 for information on the fair value of the Company's debt.

6. Income Taxes

Significant components of income before income taxes for fiscal years 2015, 2014 and 2013 are as follows ($ in millions):

	2015	2014	2013
United States	$426	$408	$610
Non-U.S.	11	24	32
Income before income taxes	$437	$432	$642

Significant components of income tax expense for fiscal years 2015, 2014 and 2013 are as follows ($ in millions):

	2015	2014	2013
Current:			
United States:			
Federal	$7	$(17)	$7
State	2	7	1
Non-U.S.	8	15	6
Current income tax expense	$17	$5	$14
Deferred:			
United States:			
Federal	$110	$110	$172
State	16	20	33
Non-U.S.	(2)	(7)	2
Deferred income tax expense	124	123	207
Income tax expense	$141	$128	$221

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The reconciliations between the actual effective tax rate on continuing operations and the statutory U.S. federal income tax rate for fiscal years 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Federal statutory tax rate	35.0 %	35.0 %	35.0 %
Increases (reductions) in taxes due to:			
U.S. state income tax provision, net	2.7 %	4.2 %	3.5 %
Non-U.S. net earnings	(1.2) %	(0.5) %	(0.5) %
Trademark amortization	(5.3) %	(5.3) %	(3.6) %
Nondeductible charges	— %	— %	(1.0) %
Resolution of unrecognized tax benefits	— %	(6.5) %	— %
2005-2009 IRS adjustments	— %	3.7 %	— %
Other	1.1 %	(1.0) %	1.0 %
Provision for income taxes	32.3 %	29.6 %	34.4 %

Deferred income taxes result from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes.

The components of the Company’s net deferred income tax liability as of September 25, 2015 and September 26, 2014 are as follows ($ in millions):

	September 25, 2015	September 26, 2014
Deferred tax assets:		
Accrued liabilities and reserves	$ 61	$ 35
Tax loss and credit carryforwards	959	1,023
Postretirement benefits	17	14
Deferred revenue	160	167
Other	21	13
	$ 1,218	$ 1,252
Deferred tax liabilities:		
Property and equipment	(29)	(34)
Subscriber system assets	(715)	(633)
Intangible assets	(1,097)	(1,111)
Other	(7)	(10)
	$ (1,848)	$ (1,788)
Net deferred tax liability before valuation allowance	(630)	(536)
Valuation allowance	(3)	(2)
Net deferred tax liability	$ (633)	$ (538)

The valuation allowance for deferred tax assets relates to the uncertainty of the utilization of certain state and U.S. deferred tax assets. The Company believes that it is more likely than not that it will generate sufficient future taxable income to realize the tax benefits related to its remaining deferred tax assets, including credit and net operating loss ("NOL") carryforwards, on the Company's Consolidated Balance Sheet. The valuation allowance for deferred tax assets as of September 25, 2015 and September 26, 2014 was not material.

As of September 25, 2015, the Company had approximately $2.5 billion of U.S. Federal NOL carryforwards, $1.2 billion of state NOL carryforwards and immaterial foreign NOL carryforwards. The U.S. Federal and state NOL carryforwards will expire between 2016 and 2033. Although future utilization will depend on the Company's actual profitability and the result of income tax audits, the Company anticipates that its U.S. Federal NOL carryforwards will be fully utilized prior to expiration. Of the $2.5 billion U.S. Federal NOL carryforwards, $0.7 billion was generated prior to the separation from Tyco and is subject to limitation as an "ownership change" is deemed to have occurred upon Separation from Tyco on September 28, 2012 pursuant to Internal Revenue Code (the "Code") Section 382. The Company does not, however, expect that this limitation will impact its ability to utilize the tax attributes carried forward from pre-Separation periods. The Company recognizes tax benefits associated with stock based compensation directly to stockholders' equity when realized. Accordingly, deferred tax assets are not recognized for net operating loss carryforwards resulting from windfall tax benefits. A windfall tax benefit occurs when tax

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deductions related to equity compensation are greater than compensation recognized for financial reporting. Stockholders’ equity will be increased by $17 million if and when such deferred tax assets are ultimately realized. The Company uses a tax law ordering approach to determine if the excess tax deductions associated with compensation costs have reduced income taxes payable.

Unrecognized Tax Benefits

As of September 25, 2015 and September 26, 2014, the Company had unrecognized tax benefits of $48 million and $49 million, respectively, of which $48 million and $49 million, if recognized, would affect the effective tax rate. The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. Accrued interest and penalties related to the unrecognized tax benefits as of September 25, 2015 and September 26, 2014 were not material. All unrecognized tax benefits and related interest were presented as non-current in the Company's Consolidated Balance Sheet as of September 25, 2015.

The impact to the income tax expense for interest and penalties related to unrecognized tax benefits was not material for fiscal years 2015, 2014 and 2013.

The following is a rollforward of unrecognized tax benefits for the years ended September 25, 2015, September 26, 2014 and September 27, 2013 ($ in millions):

	2015	2014	2013
Balance as of beginning of year	$49	$87	$88
Reductions related to lapse of statute of limitations	—	—	(1)
Additions/(Reductions) based on tax positions related to prior years	1	(38)	—
Increase related to acquisitions	—	15	—
Decrease due to reductions in the AMT payable	—	(18)	—
Other changes not impacting the income statement	(2)	3	—
Balance as of end of year	$48	$49	$87

Based on the current status of its income tax audits, the Company believes that it is reasonably possible that an immaterial amount of unrecognized tax benefits may be resolved in the next twelve months.

Many of the Company’s uncertain tax positions relate to tax years that remain subject to audit by the taxing authorities in the U.S. federal, state and local or foreign jurisdictions. Open tax years in significant jurisdictions are as follows:

Jurisdiction	Years Open To Audit
Canada	2008 – 2014
United States	1997 – 2014

Undistributed Earnings of Subsidiaries

The Company's primary non-U.S. operations are located in Canada. The Company has not provided for U.S. income taxes and foreign withholding taxes on the undistributed earnings of its Canadian subsidiaries as of September 25, 2015, as earnings are expected to be permanently reinvested outside the U.S. If these foreign earnings were to be repatriated in the future, the related U.S. tax liability may be reduced by any foreign income taxes previously paid on these earnings. As of September 25, 2015, the cumulative amount of earnings upon which U.S. income taxes have not been provided is approximately $193 million. The Company does not know the time or manner in which it would repatriate those funds. Because the time or manner of repatriation is uncertain, the Company cannot determine the impact of local taxes, withholding taxes and foreign tax credits associated with the future repatriation of such earnings and therefore cannot quantify the tax liability. The Company provides for deferred or current income taxes on earnings of international subsidiaries in the period that the Company determines it will remit those earnings.

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Tax Sharing Agreement and Other Income Tax Matters

In connection with the Separation from Tyco, the Company entered into a tax sharing agreement (the "2012 Tax Sharing Agreement") with Tyco and Pentair Ltd., formerly Tyco Flow Control International, Ltd. ("Pentair") that governs the rights and obligations of ADT, Tyco and Pentair for certain pre-Separation tax liabilities, including Tyco's obligations under the tax sharing agreement among Tyco, Covidien Ltd. ("Covidien"), and TE Connectivity Ltd. ("TE Connectivity") entered into in 2007 (the "2007 Tax Sharing Agreement"). The 2012 Tax Sharing Agreement provides that ADT, Tyco and Pentair will share (i) certain pre-Separation income tax liabilities that arise from adjustments made by tax authorities to ADT's, Tyco's, and Pentair's U.S. and certain non-U.S. income tax returns, and (ii) payments required to be made by Tyco in respect to the 2007 Tax Sharing Agreement (collectively, "Shared Tax Liabilities"). Tyco will be responsible for the first $500 million of Shared Tax Liabilities. ADT and Pentair will share 58% and 42%, respectively, of the next $225 million of Shared Tax Liabilities. ADT, Tyco and Pentair will share 27.5%, 52.5% and 20.0%, respectively, of Shared Tax Liabilities above $725 million.

In addition, under the terms of the 2012 Tax Sharing Agreement, in the event the distribution of ADT's common shares to the Tyco shareholders (the "Distribution"), the distribution of Pentair common shares to the Tyco shareholders (the "Pentair Distribution" and, together with the Distribution, the "Distributions"), or certain internal transactions undertaken in connection therewith were determined to be taxable as a result of actions taken by ADT, Pentair or Tyco after the Distributions, the party responsible for such failure would be responsible for all taxes imposed on ADT, Pentair or Tyco as a result thereof. Taxes resulting from the determination that the Distribution, the Pentair Distribution, or any internal transaction that were intended to be tax-free is taxable are referred to herein as "Distribution Taxes." If such failure is not the result of actions taken after the Distributions by ADT, Pentair or Tyco, then ADT, Pentair and Tyco would be responsible for any Distribution Taxes imposed on ADT, Pentair or Tyco as a result of such determination in the same manner and in the same proportions as the Shared Tax Liabilities. ADT has sole responsibility of any income tax liability arising as a result of Tyco's acquisition of Broadview Security in May 2010, including any liability of Broadview Security under the tax sharing agreement between Broadview Security and The Brink's Company dated October 31, 2008 (collectively, "Broadview Tax Liabilities"). Costs and expenses associated with the management of Shared Tax Liabilities, Distribution Taxes, and Broadview Tax Liabilities will generally be shared 20.0% by Pentair, 27.5% by ADT, and 52.5% by Tyco. ADT is responsible for all of its own taxes that are not shared pursuant to the 2012 Tax Sharing Agreement's sharing formulae. In addition, Tyco and Pentair are responsible for their tax liabilities that are not subject to the 2012 Tax Sharing Agreement's sharing formulae.

The 2012 Tax Sharing Agreement also provides that, if any party defaults in its obligation to another party to pay its share of the distribution taxes that arise as a result of no party's fault, each non-defaulting party is required to pay, equally with any other non-defaulting party, the amounts in default. In addition, if another party to the 2012 Tax Sharing Agreement that is responsible for all or a portion of an income tax liability defaults in its payment of such liability to a taxing authority, ADT could be legally liable under applicable tax law for such liabilities and required to make additional tax payments. Accordingly, under certain circumstances, ADT may be obligated to pay amounts in excess of its agreed-upon share of its, Tyco's and Pentair's tax liabilities.

The Company recorded a receivable from Tyco for certain tax liabilities incurred by ADT but indemnified by Tyco under the 2012 Tax Sharing Agreement. This receivable totaled $41 million as of September 27, 2013, substantially all of which was released into other expense during fiscal year 2014. The actual amount that the Company may be entitled to receive could vary depending upon the outcome of certain unresolved tax matters, which may not be resolved for several years.

In conjunction with the Separation, substantially all of Tyco's outstanding equity awards were converted into like-kind awards of ADT, Tyco and Pentair. Pursuant to the terms of the 2012 Separation and Distribution Agreement, each of the three companies is responsible for issuing its own shares upon employee exercises of stock option awards or vesting of restricted stock units. However, the 2012 Tax Sharing Agreement provides that any allowable compensation tax deduction for such awards is to be claimed by the employee's current employer. The 2012 Tax Sharing Agreement requires the employer claiming a tax deduction for shares issued by the other companies to pay a percentage of the allowable tax deduction to the company issuing the equity. During the year ended September 25, 2015, amounts recorded in connection with this arrangement were immaterial.

7. Commitments and Contingencies

Lease Obligations

The Company has facility, vehicle and equipment leases that expire at various dates through fiscal year 2026. Rental expense under these leases was $56 million, $58 million and $50 million for fiscal years 2015, 2014 and 2013, respectively. Sublease income was immaterial for all years presented. In addition to operating leases, the Company has commitments under capital leases for certain facilities, which are not material to the Company's Consolidated Financial Statements.

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The following table provides a schedule of minimum lease payments for non-cancelable operating leases as of September 25, 2015 ($ in millions):

Fiscal 2016	$58
Fiscal 2017	52
Fiscal 2018	45
Fiscal 2019	35
Fiscal 2020	28
Thereafter	46
	264
Less sublease income	20
Total	$244

Purchase Obligations

The following table provides a schedule of commitments related to agreements to purchase certain goods and services, including purchase orders, entered into in the ordinary course of business, as of September 25, 2015 ($ in millions):

Fiscal 2016	$273
Fiscal 2017	182
Fiscal 2018	46
Fiscal 2019	1
Fiscal 2020	—
Thereafter	—
Total	$502

The purchase obligations in the table above primarily relate to an agreement with one of the Company's suppliers for the purchase of certain security system equipment and components. The agreement, which was amended during the third quarter of fiscal year 2015, provides that the Company meet minimum purchase requirements, which are subject to adjustments based on certain performance conditions for each of the calendar years 2015, 2016, and 2017. The agreement expires on December 31, 2017.

Legal Proceedings

The Company is subject to various claims and lawsuits in the ordinary course of business, including from time to time, contractual disputes, employment matters, product and general liability claims, claims that the Company has infringed on the intellectual property rights of others, claims related to alleged security system failures, and consumer and employment class actions. In the ordinary course of business, the Company is also subject to regulatory and governmental examinations, information requests and subpoenas, inquiries, investigations and threatened legal actions and proceedings. In connection with such formal and informal inquiries, the Company receives numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of its activities. The Company has recorded accruals for losses that it believes are probable to occur and are reasonably estimable. While the ultimate outcome of these matters cannot be predicted with certainty, the Company believes that the resolution of any such proceedings (other than matters specifically identified below), will not have a material effect on its financial position, results of operations or cash flows.

Environmental Matter

On October 25, 2013, the Company was notified by subpoena that the Office of the Attorney General of California, in conjunction with the Alameda County District Attorney, is investigating whether certain of the Company’s waste disposal policies, procedures and practices are in violation of the California Business and Professions Code and the California Health and Safety Code. The Company is cooperating fully with the respective authorities. The Company is currently unable to predict the outcome of this investigation or reasonably estimate a range of possible loss.

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Securities Litigation

On April 28, 2014, the Company and certain of its current and former officers and directors were named as defendants in a lawsuit filed in the United States District Court for the Southern District of Florida. The plaintiff alleges violations of the Securities Exchange Act of 1934 and SEC Rule 10b-5, and seeks monetary damages, including interest, and class action status on behalf of all plaintiffs who purchased the Company’s common stock during the period between November 27, 2012 and January 29, 2014, inclusive. The claims focus primarily on the Company's statements concerning its financial condition and future business prospects for fiscal 2013 and the first quarter of fiscal 2014, its stock repurchase program in 2012 and 2013 and the buyback of stock from Corvex Management LP ("Corvex") in November 2013. On June 27, 2014, another plaintiff filed a similar action in the same court. On July 14, 2014, the Court entered an order consolidating the two actions under the caption Henningsen v. The ADT Corporation, Case No. 14-80566-CIV-DIMITROULEAS, and appointing IBEW Local 595 Pension and Money Purchase Pension Plans, Macomb County Employees' Retirement System and KBC Asset Management NV as Lead Plaintiffs in the consolidated action. In addition to the Company, the defendants named in the action are Naren Gursahaney, Kathryn A. Mikells, Michael S. Geltzeiler, Keith A. Meister and Corvex. On September 25, 2014, defendants moved to dismiss this action. On November 13, 2014, Mr. Geltzeiler was dismissed as a defendant without prejudice from this action. On June 4, 2015, the Court entered an order granting the motions to dismiss and dismissed plaintiffs' complaint in its entirety. The Court granted plaintiffs leave to file an amended complaint on or before July 1, 2015. That deadline passed, and the Court dismissed the action with prejudice on July 8, 2015. Plaintiffs filed a notice of appeal on August 7, 2015. On August 21, 2015, defendants filed a motion to dismiss the appeal as untimely. The appeal and the motion to dismiss the appeal are pending before the United States Court of Appeals for the Eleventh Circuit.

On January 14, 2015, the SEC sent the Company a letter stating that it is investigating the matters at issue in the foregoing litigation and requesting that the Company voluntarily provide the information and documents set forth in the letter concerning the same litigation. The Company is cooperating fully with the SEC in its investigation.

Derivative Litigation

In May and June 2014, four derivative actions were filed against a number of past and present officers and directors of the Company. Like the securities actions described above, the derivative actions focus primarily on the Company's stock repurchase program in 2012 and 2013, the buyback of stock from Corvex in November 2013 and the Company's statements concerning its financial condition and future business prospects for fiscal 2013 and the first quarter of fiscal 2014. Three of the derivative actions were filed in the United States District Court for the Southern District of Florida. On July 16, 2014, the Court consolidated those three actions under the caption In re The ADT Corporation Derivative Litigation, Lead Case No. 14-80570-CIV-DIMITROULEAS/SNOW, and on September 12, 2014, defendants moved to dismiss the consolidated action. The fourth derivative action, entitled Seidl v. Colligan, Case No. 2014CA007529, was filed in the Circuit Court of the 15th Judicial Circuit, Palm Beach County, Florida. The action is currently stayed pending the resolution of the appeal in the Ryan action, described below. A fifth derivative action asserting similar claims, entitled Ryan v. Gursahaney, C.A. No. 9992-VCP (the “Ryan action”), was filed in the Delaware Court of Chancery on August 1, 2014, and defendants moved to dismiss that action. In response to defendants' motion, plaintiff filed an amended complaint asserting similar claims and on October 13, 2014 defendants moved to dismiss the amended complaint. On April 28, 2015 the Court granted defendants' motion to dismiss the Ryan action for failure to make a litigation demand on ADT’s Board of Directors or to adequately plead that making such a demand would be futile. A sixth derivative action asserting similar claims against the same group of past and present officers and directors was filed in the Delaware Court of Chancery on January 27, 2015 under the caption entitled Binning v. Gursahaney, C.A. No. 10586-VCP (the “Binning action”). On February 18, 2015, the Delaware Court of Chancery entered an order staying the date for the defendants to respond to the Binning complaint until 45 days after its ruling on defendants' motion to dismiss the Ryan action. On May 15, 2015, plaintiffs in the consolidated derivative action in Florida federal court notified the Court that, in light of the Delaware Court of Chancery’s dismissal of the Ryan action, they had made a demand on ADT’s Board of Directors to bring the claims that plaintiffs had asserted in that action. Following that notice, on May 20, 2015, the Florida federal court entered an order dismissing the consolidated derivative action. On May 27, 2015, plaintiff in the Ryan action filed a notice of appeal to the Delaware Supreme Court. The appeal has been fully briefed and remains pending. On June 9, 2015, plaintiff in the Binning action filed an amended complaint asserting claims similar to his initial complaint. Defendants moved to dismiss Binning's amended complaint on July 7, 2015 and the motion is pending.

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Income Tax Matters

In connection with the Separation from Tyco, the Company entered into the 2012 Tax Sharing Agreement with Tyco and Pentair Ltd. that governs the rights and obligations of the Company, Tyco and Pentair, Ltd. for certain pre-Separation tax liabilities, including Tyco's obligations under the tax sharing agreement among Tyco, Covidien Ltd. ("Covidien"), and TE Connectivity Ltd. ("TE Connectivity") entered into in 2007 (the "2007 Tax Sharing Agreement"). The Company is responsible for all of its own taxes that are not shared pursuant to the 2012 Tax Sharing Agreement's sharing formulae. Tyco and Pentair Ltd. are likewise responsible for their tax liabilities that are not subject to the 2012 Tax Sharing Agreement's sharing formulae. Tyco has the right to administer, control and settle all U.S. income tax audits for the periods prior to and including the Separation.

With respect to years prior to and including the 2007 separation of Covidien and TE Connectivity by Tyco, tax authorities have raised issues and proposed tax adjustments that are generally subject to the sharing provisions of the 2007 Tax Sharing Agreement and which may require Tyco to make a payment to a taxing authority, Covidien or TE Connectivity. Although Tyco has advised ADT that it has resolved a substantial number of these adjustments, a few significant items raised by the Internal Revenue Service ("IRS") remain open with respect to the audits of the 1997 through 2007 tax years. On July 1, 2013, Tyco announced that the IRS issued Notices of Deficiency to Tyco primarily related to the treatment of certain intercompany debt transactions (the "Tyco IRS Notices"). These notices assert that additional taxes of $883 million plus penalties of $154 million are owed based on audits of the 1997 through 2000 tax years of Tyco and its subsidiaries, as they existed at that time. Further, Tyco reported receiving Final Partnership Administrative Adjustments (the "Partnership Notices") for certain U.S. partnerships owned by its former U.S. subsidiaries, for which Tyco has indicated that it estimates an additional tax deficiency of approximately $30 million will be asserted. The additional tax assessments related to the Tyco IRS Notices and the Partnership Notices exclude interest and do not reflect the impact on subsequent periods if the IRS challenge to Tyco's tax filings is proved correct. Tyco has filed petitions with the U.S. Tax Court to contest the IRS assessments. Consistent with its petitions filed with the U.S. Tax Court, Tyco has advised the Company that it strongly disagrees with the IRS position and believes (i) it has meritorious defenses for the respective tax filings, (ii) the IRS positions with regard to these matters are inconsistent with applicable tax laws and Treasury regulations, and (iii) the previously reported taxes for the years in question are appropriate. No payments with respect to the Tyco IRS Notices would be required until the dispute is resolved in the U.S. Tax Court. At the request of the IRS the trial start date was postponed and rescheduled for October 2016.

During fiscal year 2015, the IRS concluded its field examination of certain of Tyco's U.S. federal income tax returns for the 2008 and 2009 tax years of Tyco and its subsidiaries. Tyco received anticipated Revenue Agents' Reports ("RARs") proposing adjustments to certain Tyco entities' previously filed tax return positions, including the predecessor to ADT, relating primarily to certain intercompany debt. In response, Tyco filed a formal, written protest with the IRS Office of Appeals requesting review of the RARs. Tyco has advised the Company that it strongly disagrees with the IRS position and intends to vigorously defend its prior filed tax return positions and believes the previously reported taxes for the years in question are appropriate.

If the IRS should successfully assert its positions with respect to the matters described above, the Company's share of the collective liability, if any, would be determined pursuant to the 2012 Tax Sharing Agreement. In accordance with the 2012 Tax Sharing Agreement, Tyco is responsible for the first $500 million of tax, interest and penalty assessed against pre-2013 tax years including its 27% share of the tax, interest and penalty assessed for periods prior to Tyco's 2007 spin transaction ("Pre-2007 Spin Periods"). In accordance with the 2012 Tax Sharing Agreement, the amount ultimately assessed against Pre-2007 Spin Periods with respect to the Tyco IRS Notices and the Partnership Notices would have to be in excess of $1.85 billion, including other assessments for unrelated historical tax matters Tyco has, or may settle in the future, before the Company would be required to pay any of the amounts assessed. In addition to the Company's share of cash taxes pursuant to the 2012 Tax Sharing Agreement, the Company's NOL and credit carryforwards may be significantly reduced or eliminated by audit adjustments to pre-2013 tax periods. NOL and credit carryforwards may be reduced prior to incurring any cash tax liability, and will not be compensated for under the tax sharing agreement. The Company believes that its income tax reserves and the liabilities recorded in the Consolidated Balance Sheet for the 2012 Tax Sharing Agreement continue to be appropriate. However, the ultimate resolution of these matters is uncertain, and if the IRS were to prevail, it could have a material adverse impact on the Company's financial position, results of operations and cash flows, potentially including a significant reduction in or the elimination of the Company's available NOL and credit carryforwards. Further, to the extent ADT is responsible for any liability under the 2012 Tax Sharing Agreement, there could be a material impact on its financial position, results of operations, cash flows or its effective tax rate in future reporting periods.

In fiscal year 2014, Tyco advised the Company of pending IRS settlements related to certain intercompany corporate expenses deducted on the U.S. income tax returns for the 2005 through 2009 tax years. The settlements reduced the Company's NOL carryforwards, resulting in a decrease to the Company's net deferred tax asset of approximately $17 million.

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Other liabilities in the Company's Consolidated Balance Sheets as of both September 25, 2015 and September 26, 2014 include $19 million for ADT's obligations under certain tax related agreements entered into in conjunction with the Separation. The maximum amount of potential future payments is not determinable as they relate to unknown conditions and future events that cannot be predicted.

8. Retirement Plans

The Company measures its retirement plans as of its fiscal year end.

Defined Benefit Plans—The Company provides a defined benefit pension plan and certain other postretirement benefits to certain employees. These plans were frozen prior to Separation and are not material to the Company's financial statements. As of September 25, 2015 and September 26, 2014, the fair values of pension plan assets were $59 million and $62 million, respectively, and the fair values of projected benefit obligations in aggregate were $87 million and $84 million, respectively. As a result, the plans were underfunded by approximately $28 million and $22 million at September 25, 2015 and September 26, 2014, respectively, and were recorded as a net liability in the Consolidated Balance Sheets. Net periodic benefit cost was not material for fiscal years 2015, 2014 and 2013.

Defined Contribution Retirement Plans— The Company maintains several qualified defined contribution plans, which include 401(k) matching programs in the U.S., as well as similar matching programs outside the U.S. Expense for the defined contribution plans is computed as a percentage of participants' compensation and was $25 million, $20 million and $20 million for fiscal years 2015, 2014 and 2013, respectively.

Deferred Compensation Plan—The Company maintains a nonqualified Supplemental Savings and Retirement Plan ("SSRP"), which permits eligible employees to defer a portion of their compensation. A record keeping account is set up for each participant and the participant chooses from a variety of measurement funds for the deemed investment of their accounts. The measurement funds correspond to a number of funds in the Company's 401(k) plan and the account balance fluctuates with the investment returns on those funds. Deferred compensation liabilities were $17 million as of September 25, 2015 and September 26, 2014. Deferred compensation expense was not material for fiscal years 2015, 2014 and 2013.

9. Share Plans

Stock Compensation Plans

Prior to the Separation, the Company adopted The ADT Corporation 2012 Stock Incentive Plan (the "Plan"). The Plan provides for the award of stock options, stock appreciation rights, annual performance bonuses, long-term performance awards, restricted units, restricted stock, deferred stock units, promissory stock and other stock-based awards (collectively, "Awards"). In addition to the incentive equity awards converted from Tyco awards, the Plan provides for a maximum of 8 million common shares to be issued as Awards, subject to adjustment as provided under the terms of the Plan.

Stock-based compensation expense is included in selling, general and administrative expenses in the Consolidated Statements of Operations. The stock-based compensation expense recognized and the associated tax benefit for fiscal years 2015, 2014 and 2013 are as follows ($ in millions):

	2015	2014	2013
Stock-based compensation expense recognized	$23	$20	$19
Tax benefit associated with stock-based compensation	9	8	7

Stock Options—Options are granted to purchase common shares at prices that are equal to the fair market value of the common shares on the date the option is granted. Conditions of vesting are determined at the time of grant under the Plan. Options granted under the Plan generally vest in equal annual installments over a period of four years and generally expire 10 years after the date of grant. The grant-date fair value of each option grant is estimated using the Black-Scholes option pricing model and amortized on a straight-line basis over the requisite service period of the awards, which is generally the vesting period. The compensation expense recognized is net of estimated forfeitures. Forfeitures are estimated based on expected termination behavior, as well as an analysis of actual option forfeitures.

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Use of a valuation model requires management to make certain assumptions with respect to selected model inputs. Expected volatility for fiscal year 2015 is calculated based on a weighted average of ADT's own historical and implied volatility. Fiscal 2014 and 2013 volatility is calculated based on an analysis of historic and implied volatility measures for a set of peer companies. The average expected life is based on the contractual term of the option and expected employee exercise and post-vesting employment termination behavior. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant. The assumptions used in the Black-Scholes option pricing model for fiscal years 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Risk-free interest rate	1.73-1.87 %	1.73-2.10 %	0.81-1.62 %
Expected life of options (years)	6	6	5.75 - 6.00
Expected annual dividend yield	2.23 %	1.95 %	1.09%
Expected stock price volatility	29 %	41 %	33%

The weighted-average grant-date fair value of options granted during fiscal years 2015, 2014, and 2013 was $8.41, $14.20 and $13.06, respectively, and the intrinsic value of options exercised during fiscal years 2015, 2014 and 2013 was $10 million, $8 million and $59 million, respectively.

The following table summarizes the stock option activity for fiscal year 2015:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value ($ in millions)
Outstanding as of September 26, 2014	4,820,964	$ 31.77		
Granted	796,660	35.99		
Exercised	(971,503)	27.52		
Canceled	(277,472)	41.33		
Outstanding as of September 25, 2015	4,368,649	$ 32.88	5.54	$13
Shares expected to vest as of September 25, 2015[1]	1,413,712	$ 38.71	8.30	$—
Exercisable as of September 25, 2015	2,828,424	$ 29.73	4.01	$12

[1] Shares expected to vest includes an estimate of expected forfeitures.

As of September 25, 2015, total unrecognized compensation cost related to non-vested stock options granted under the Company's share option plan was approximately $10 million. This expense, net of forfeitures, is expected to be recognized over a weighted-average period of 2.4 years.

Restricted Stock Units—Restricted stock units are granted subject to certain restrictions. Conditions of vesting are determined at the time of grant under the Plan. Restrictions on the award generally lapse upon normal retirement, if more than twelve months from the grant date, and death or disability of the employee. Recipients of restricted stock units have no voting rights and receive dividend equivalent units. Dividend equivalent units are subject to forfeiture if the underlying awards do not vest.

The fair market value of restricted stock units, both time vesting and those subject to specific performance criteria, are expensed over the period of vesting. Restricted stock units that vest based upon passage of time generally vest over a period of four years. Restricted stock units that vest dependent upon attainment of various levels of performance ("performance share awards") generally vest in their entirety three years from the grant date. The fair value of restricted stock units is generally determined based on the closing market price of the underlying stock on the grant date.

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The following table summarizes the restricted stock unit activity, including performance share awards, for fiscal year 2015:

	Shares	Weighted-Average Grant-Date Fair Value
Non-vested as of September 26, 2014	1,112,692	$39.39
Granted	766,508	34.53
Vested	(315,484)	33.00
Canceled	(133,539)	39.53
Non-vested as of September 25, 2015	1,430,177	38.16

The weighted-average grant-date fair value of restricted stock units granted during fiscal years 2015, 2014 and 2013 was $34.53, $40.57 and $45.91, respectively. The total fair value of restricted stock units that vested during fiscal years 2015, 2014 and 2013 was $10 million, $15 million and $32 million, respectively. No performance share awards vested during fiscal year 2015.

As of September 25, 2015, total unrecognized compensation cost related to non-vested restricted stock units was approximately $25 million. This expense, net of forfeitures, is expected to be recognized over a weighted-average period of 2.2 years.

10. Equity

Common Stock

Shares Authorized and Outstanding—As of September 25, 2015, the Company had 1,000,000,000 shares of $0.01 par value common stock authorized, of which 165,850,306 shares were outstanding.

Dividends—Holders of shares of the Company's common stock are entitled to receive dividends when, as and if declared by its Board of Directors out of funds legally available for that purpose. Future dividends are dependent on the Company's financial condition and results of operations, the capital requirements of its business, covenants associated with debt obligations, legal requirements, regulatory constraints, industry practice and other factors deemed relevant by its Board of Directors.

During fiscal years 2015, 2014 and 2013, the Company's Board of Directors declared the following dividends on ADT's common stock:

Declaration Date	Dividend per Share	Record Date	Payment Date
July 17, 2015	$0.21	July 29, 2015	August 19, 2015
March 17, 2015	$0.21	April 29, 2015	May 20, 2015
January 8, 2015	$0.21	January 28, 2015	February 18, 2015
September 19, 2014	$0.20	October 29, 2014	November 19, 2014
July 18, 2014	$0.20	July 30, 2014	August 20, 2014
March 13, 2014	$0.20	April 30, 2014	May 21, 2014
January 9, 2014	$0.20	January 29, 2014	February 19, 2014
September 20, 2013	$0.125	October 30, 2013	November 20, 2013
July 19, 2013	$0.125	July 31, 2013	August 21, 2013
March 14, 2013	$0.125	April 24, 2013	May 15, 2013
January 10, 2013	$0.125	January 30, 2013	February 20, 2013
November 26, 2012	$0.125	December 10, 2012	December 18, 2012

Voting Rights—The holders of the Company's common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders.

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Other Rights—Subject to any preferential liquidation rights of holders of preferred stock that may be outstanding, upon the Company's liquidation, dissolution or winding-up, the holders of ADT's common stock are entitled to share ratably in the Company's assets legally available for distribution to its stockholders.
Fully Paid—The issued and outstanding shares of the Company's common stock are fully paid and non-assessable. Any additional shares of common stock that the Company may issue in the future will also be fully paid and non-assessable.
The holders of the Company's common stock do not have preemptive rights or preferential rights to subscribe for shares of its capital stock.
Preferred Stock
The Company's certificate of incorporation authorizes its Board of Directors to designate and issue from time to time one or more series of preferred stock without stockholder approval. The Board of Directors may fix and determine the preferences, limitations and relative rights of each series of preferred stock. As of September 25, 2015, there were 50,000,000 shares of $0.01 par value preferred stock authorized of which none were outstanding. The Company does not currently plan to issue any shares of preferred stock.
Share Repurchase Programs
On November 26, 2012, the Company's Board of Directors approved a $2 billion, three-year share repurchase program ("FY2013 Share Repurchase Program") expiring November 26, 2015. Pursuant to this approval, the Company may enter into accelerated share repurchase plans as well as repurchase shares on the open market. During fiscal year 2013, the Company made open market repurchases of 15.5 million shares of ADT's common stock at an average price of $43.01 per share. The total cost of open market repurchases for fiscal year 2013 was approximately $668 million, of which $635 million was paid during fiscal year 2013.
On January 29, 2013, the Company entered into an accelerated share repurchase agreement under which it repurchased 12.6 million shares of ADT's common stock for $600 million at an average price of $47.60 per share. This accelerated share repurchase program, which was funded with proceeds from the January 2013 Debt Offering, was completed on April 2, 2013.
On November 18, 2013, the Company's Board of Directors authorized a $1 billion increase to the previously approved, $2 billion authorized repurchases under the FY2013 Share Repurchase Program expiring November 26, 2015. During fiscal year 2014, the Company made open market repurchases of 14 million shares of ADT's common stock at an average price of $35.72 per share under the FY2013 Share Repurchase Program. The total cost of open market repurchases for fiscal year 2014 was $500 million, all of which was paid during fiscal year 2014.
On November 19, 2013, the Company entered into an accelerated share repurchase agreement under which it paid $400 million for an initial delivery of approximately 8 million shares of ADT's common stock. This accelerated share repurchase program was completed on February 25, 2014. In total during fiscal year 2014, the Company repurchased 10.9 million shares of ADT's common stock at an average price of $36.86 per share under this accelerated share repurchase agreement in accordance with the previously approved repurchase program.
On November 24, 2013, the Company entered into a Share Repurchase Agreement ("Share Repurchase Agreement") with Corvex. Pursuant to the Share Repurchase Agreement, the Company repurchased 10.2 million shares from Corvex for a price per share equal to $44.01, resulting in $451 million of cash paid during fiscal year 2014. This repurchase was completed on November 29, 2013.
During fiscal year 2015, the Company made open market repurchases of 9.8 million shares of ADT's common stock at an average price of $33.16 per share. The total cost of open market repurchases for fiscal year 2015 was $324 million, all of which was paid during fiscal year 2015.
Open market share repurchases during fiscal years 2015, 2014 and 2013, including shares repurchased from Corvex and shares repurchased under the accelerated share repurchase agreement, were made in accordance with the FY2013 Share Repurchase Program. As of September 25, 2015, $57 million remains authorized for repurchase under the FY2013 Share Repurchase Program.
On July 17, 2015, the Company’s Board of Directors approved a new, three-year share repurchase program ("FY2015 Share Repurchase Program") authorizing the Company to purchase up to $1 billion of its common stock. Pursuant to this approval, the Company may enter into accelerated share repurchase plans, as well as repurchase shares on the

open market pursuant to pre-set trading plans meeting the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934, in private transactions or otherwise. The FY2015 Share Repurchase Program expires on July 17, 2018 and may be terminated at any time. The FY2015 Share Repurchase Program authorized amount of $1 billion is incremental to the remaining $57 million authorized to be repurchased under the FY2013 Share Repurchase Program noted above. As of September 25, 2015, no shares have been repurchased under the approved FY2015 Share Repurchase Program.

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All of the Company's repurchases were treated as effective retirements of the purchased shares and therefore reduced reported shares issued and outstanding by the number of shares repurchased. In addition, the Company recorded the excess of the purchase price over the par value of the common stock as a reduction to additional paid-in capital.

Accumulated Other Comprehensive (Loss) Income

The components of accumulated other comprehensive (loss) income reflected on the Consolidated Balance Sheets are as follows ($ in millions):

	Currency Translation Adjustments	Deferred Pension Losses[1]	Accumulated Other Comprehensive (Loss) Income
Balance as of September 28, 2012	$117	$(24)	$93
Pre-tax current period change	(19)	10	(9)
Income tax expense	—	(4)	(4)
Balance as of September 27, 2013	98	(18)	80
Pre-tax current period change	(41)	(1)	(42)
Income tax benefit	—	—	—
Balance as of September 26, 2014	57	(19)	38
Pre-tax current period change	(123)	(9)	(132)
Income tax benefit	—	4	4
Balance as of September 25, 2015	$(66)	$(24)	$(90)

(1) The balances of deferred pension losses as of September 25, 2015, September 26, 2014 and September 27, 2013 are reflected net of tax benefit of $16 million, $12 million and $11 million, respectively.

Other

During fiscal year 2013, the Company made adjustments to additional paid-in capital, which primarily resulted from the receipt of $61 million in cash from Tyco and Pentair related to the allocation of funds in accordance with the 2012 Separation and Distribution Agreement.

11. Earnings Per Share

Basic earnings per share is computed by dividing net income attributable to common shares by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution of securities that could participate in earnings, but not securities that are anti-dilutive. The computation of basic and diluted earnings per share for fiscal years 2015, 2014 and 2013 are as follows:

(in millions, except per share amounts)	2015	2014	2013
Basic Earnings Per Share			
Numerator:			
Net income	$296	$304	$421
Denominator:			
Basic weighted-average shares outstanding	171	182	222
Basic earnings per share	$1.73	$1.67	$1.90

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Diluted Earnings Per Share	2015	2014	2013
Numerator:			
Net income	$296	$304	$421
Denominator:			
Basic weighted-average shares outstanding	171	182	222
Effect of dilutive securities:			
Stock options	1	1	1
Restricted stock	—	—	1
Diluted weighted-average shares outstanding	172	183	224
Diluted earnings per share	$1.72	$1.66	$1.88

The computation of diluted earnings per share excludes potentially dilutive securities whose effect would have been anti-dilutive in the amount of 2.3 million shares for fiscal year 2015, 1.7 million shares for fiscal year 2014 and 0.8 million shares for fiscal year 2013.

12. Segment Data

As discussed in Note 1, during the fourth quarter of fiscal year 2015, the manner in which the CODM evaluates performance and makes decisions about how to allocate resources changed, resulting in the reorganization of the Company's operating segments. The Company now has two reportable segments, which are the Company’s operating segments, United States and Canada. This change provides greater clarity and transparency regarding the markets, financial performance and business model of the United States and Canada businesses. All discussions and amounts reported below are based on the new segment structure.

The United States segment includes sales, installation and monitoring for residential, business, and health customers in the United States and Puerto Rico, as well as corporate expenses and other operating costs associated with support functions in the U.S.

The Canada segment includes sales, installation and monitoring for residential, business, and health customers in Canada as well as operating expenses associated with certain support functions in Canada.

The accounting policies of the Company’s reportable segments are the same as those described in Note 1.

The Company's CODM evaluates segment performance based on several factors, of which the primary financial measures is on the basis of revenue and Adjusted EBITDA. Revenues are attributed to individual countries based upon the operating entity that records the transaction. Adjusted EBITDA is defined as net income adjusted for interest, taxes and certain non-cash items which include depreciation of subscriber system assets and other fixed assets, amortization of deferred costs and deferred revenue associated with customer acquisitions, and amortization of dealer and other intangible assets. Adjusted EBITDA is also adjusted to exclude charges and gains related to acquisitions, restructurings, impairments, and other income or charges. Such items are excluded to eliminate the impact of items that management does not consider indicative of the Company's core operating performance and/or business trends of the Company.

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Segment results for the years ended September 25, 2015, September 26, 2014 and September 27, 2013 are as follows ($ in millions):

	2015	2014	2013
Revenue:			
United States	$3,294	$3,206	$3,123
Canada	280	202	186
Total	$3,574	$3,408	$3,309

	2015	2014	2013
Adjusted EBITDA:			
United States	$1,685	$1,671	$1,592
Canada	123	96	98
Total	$1,808	$1,767	$1,690

	2015	2014	2013
Depreciation and Amortization:			
United States	$1,176	$1,104	$1,004
Canada	89	67	61
Total	$1,265	$1,171	$1,065

The Company's CODM does not evaluate the performance of the Company's assets on a segment basis for internal management reporting and, therefore, such information is not presented.

The following table sets forth a reconciliation of segment Adjusted EBITDA to the Company's consolidated income before income taxes ($ in millions):

	2015	2014	2013
Income before income taxes	$437	$432	$642
Interest expense, net	205	192	117
Depreciation and intangible asset amortization	1,124	1,040	942
Amortization of deferred subscriber acquisition costs	141	131	123
Amortization of deferred subscriber acquisition revenue	(163)	(151)	(135)
Restructuring and other, net	6	17	(1)
Acquisition and integration costs	4	7	2
Radio conversion costs	55	44	—
Separation costs	—	17	23
Separation related other (income) expense	(1)	38	(23)
Adjusted EBITDA	$1,808	$1,767	$1,690

Entity-Wide Disclosure

Long-lived assets, which are comprised of subscriber system assets, net and property and equipment, net, located in the United States approximate 95% and 94% of total long-lived assets as of September 25, 2015 and September 26, 2014, respectively, with the remainder residing in Canada.

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13. Quarterly Financial Data (Unaudited)

Summarized quarterly financial data for fiscal years 2015 and 2014 are as follows ($ in millions, except per share data):

	2015			
	December 26, 2014	March 27, 2015	June 26, 2015	September 25, 2015
Revenue	$887	$890	$898	$899
Operating income	158	148	163	170
Net income	72	68	75	81
Net income per share:				
Basic	$0.41	$0.40	$0.44	$0.48
Diluted	$0.41	$0.40	$0.44	$0.48
	2014			
	December 27, 2013	March 28, 2014	June 27, 2014	September 26, 2014
Revenue	$839	$837	$849	$883
Operating income	165	164	169	161
Net income	77	63	82	82
Net income per share:				
Basic	$0.39	$0.35	$0.47	$0.47
Diluted	$0.39	$0.34	$0.47	$0.47

During the fourth quarter of fiscal year 2014, the Company acquired Protectron. The operating results of Protectron have been included from the date of the acquisition and impact quarter over quarter and year over year comparability. See Note 2 for details about this acquisition.

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14. Subsequent Events
Dividend
On October 14, 2015, the Company's Board of Directors declared a quarterly dividend on ADT's common stock of $0.21 per share. This dividend will be paid on November 18, 2015 to stockholders of record on October 28, 2015.
Calendar Month Change
On October 14, 2015, the Company's Board of Directors approved a change to the Company’s fiscal year end from the last Friday in September to September 30 of each year, and thereafter the end of each fiscal quarter will be the last day of the calendar month end. The fiscal year change is effective beginning with the Company’s 2016 fiscal year, which began on September 26, 2015, the day after the last day of the Company’s 2015 fiscal year, and will end on September 30, 2016. This change better aligns the Company's external reporting with the monthly recurring nature of revenues and expenses associated with the Company's customer base.
Share Repurchases
Subsequent to September 25, 2015, the Company repurchased 985 thousand shares of its common stock at an average price of $30.01 per share under the FY2013 Share Repurchase Program. The total cost of these share repurchases was approximately $29.6 million.

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THE ADT CORPORATION
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
($ in millions)

Description	Balance at Beginning of Year	Additions Charged to Income	Deductions	Balance at End of Year
Allowance for Doubtful Accounts:				
Year Ended September 27, 2013	$25	$49	$(47)	$27
Year Ended September 26, 2014	27	43	(46)	24
Year Ended September 25, 2015	24	60	(61)	23

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INDEX TO EXHIBITS

Exhibit Number	Exhibits	
2.1	Separation and Distribution Agreement, dated September 26, 2012 by and among Tyco International Ltd., Tyco International Finance S.A., The ADT Corporation and ADT LLC	(6)
2.2	Separation and Distribution Agreement with respect to Tyco Flow Control Distribution, dated as of March 27, 2012, among Tyco International Ltd., Tyco Flow Control International Ltd. and The ADT Corporation	(1)
2.3	Amendment No. 1 to the Separation and Distribution Agreement, dated as of July 25, 2012, among Tyco International Ltd., Tyco Flow Control International Ltd. and The ADT Corporation	(3)
3.1	Amended and Restated Certificate of Incorporation of The ADT Corporation, dated September 14, 2012	(4)
3.2	Certificate of Amendment of the Amended and Restated Certificate of Incorporation of The ADT Corporation, dated September 26, 2012	(5)
3.3	Amended and Restated Bylaws of The ADT Corporation, dated October 14, 2015	(7)
4.1	Indenture, dated as of July 5, 2012, by and between The ADT Corporation and Wells Fargo Bank, National Association	(2)
4.2	First Supplemental Indenture, dated as of July 5, 2012, by and among The ADT Corporation, Tyco International Ltd. and Wells Fargo Bank, National Association	(2)
4.3	Second Supplemental Indenture, dated as of July 5, 2012, by and among The ADT Corporation, Tyco International Ltd. and Wells Fargo Bank, National Association	(2)
4.4	Third Supplemental Indenture, dated as of July 5, 2012, by and among The ADT Corporation, Tyco International Ltd. and Wells Fargo Bank, National Association	(2)
4.5	Fourth Supplemental Indenture, dated as of January 14, 2013, by and between The ADT Corporation and Wells Fargo Bank, National Association	(9)
4.6	Fifth Supplemental Indenture, dated as of October 1, 2013, by and between The ADT Corporation and Wells Fargo Bank, National Association	(10)
4.7	Indenture, dated as of March 19, 2014, by and between The ADT Corporation and Wells Fargo Bank, National Association	(11)
4.8	Officer's Certificate, dated as of March 19, 2014, of The ADT Corporation, establishing the terms of its 4.125% Senior Notes due 2019 (including form Note)	(11)
4.9	Officer's Certificate, dated as of December 18, 2014, of The ADT Corporation, establishing the terms of its 5.250% Senior Notes due 2020 (including form Note)	(15)
10.1		(6)

	Tax Sharing Agreement, dated as of September 28, 2012, by and among Pentair Ltd., Tyco International Ltd., Tyco International Finance S.A., and The ADT Corporation	
10.2	Non-Income Tax Sharing Agreement dated as of September 28, 2012, by and among Tyco International Ltd., Tyco International Finance S.A., and The ADT Corporation	(6)
10.3	Trademark Agreement, dated as of September 25, 2012, by and among ADT Services GmbH, ADT US Holdings, Inc., Tyco International Ltd. and The ADT Corporation	(6)
10.4	Patent Agreement, dated as of September 26, 2012, by and between Tyco International Ltd. and The ADT Corporation	(6)
10.5	Five Year Senior Unsecured Revolving Credit Agreement, dated as of June 22, 2012, by and among The ADT Corporation, Tyco International Ltd., the lender parties thereto, Citibank, N.A., Citigroup Global Markets Inc. and J.P. Morgan Securities LLC, as bookrunners and lead arrangers, and JPMorganChase Bank, N.A., as syndication agent	(2)
10.6*	The ADT Corporation 2012 Stock and Incentive Plan	(5)
10.7*	The ADT Corporation Severance Plan for U.S. Officers and Executives	(6)
10.8*	The ADT Corporation Change in Control Severance Plan	(6)
10.9*	ADT LLC Supplemental Savings and Retirement Plan	(6)

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10.10	Agreement, dated as of December 17, 2012, by and among The ADT Corporation, Keith A. Meister, Corvex Management LP and Soros Fund Management LLC	(8)
10.11*	Form of ADT Indemnification Agreement, by and between The ADT Corporation and Directors and Officers	(12)
10.12	Master Confirmation and form of Supplemental Confirmation, by and between, The ADT Corporation and JPMorgan Chase Bank dated November 19, 2013	(14)
10.13	Share Repurchase Agreement, dated as of November 24, 2013, by and between The ADT Corporation and Corvex Management LP	(13)
10.14	Amendment to Agreement, dated as of November 24, 2013, by and among The ADT Corporation, Keith Meister and Corvex Management LP	(13)
12.1	Ratio of Earnings to Fixed Charges	
21	List of subsidiaries of The ADT Corporation	
23	Consent of Deloitte & Touche LLP	
24	Powers of Attorney	
31.1	Certification of CEO required by Securities and Exchange Commission Rule 13a-14(a) or 15d-14(a)	
31.2	Certification of CFO required by Securities and Exchange Commission Rule 13a-14(a) or 15d-14(a)	
32	Certification by the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	
101	Financial statements from the annual report on Form 10-K of The ADT Corporation for the year ended September 25, 2015 formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income (iv) the Consolidated Statements of Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements	

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*	Management contract or compensatory plan or arrangement.
(1)	Incorporated by reference from the respective exhibit to The ADT Corporation's Registration Statement on Form 10 filed on April 10, 2012 (File No. 001-35502)
(2)	Incorporated by reference from the respective exhibit to Amendment No. 2 to The ADT Corporation's Registration Statement on Form 10 filed on July 9, 2012 (File No. 001-35502)
(3)	Incorporated by reference from the respective exhibit to Amendment No. 3 to The ADT Corporation's Registration Statement on Form 10 filed on July 27, 2012 (File No. 001-35502)
(4)	Incorporated by reference from the respective exhibit to The ADT Corporation's Current Report on Form 8-K filed on September 20, 2012
(5)	Incorporated by reference from the respective exhibit to The ADT Corporation's Form S-8 Registration Statement, as filed on September 27, 2012 (File No. 333-184144)
(6)	Incorporated by reference from the respective exhibit to The ADT Corporation's Current Report on Form 8-K filed on October 1, 2012
(7)	Incorporated by reference from the respective exhibit to The ADT Corporation's Current Report on Form 8-K filed on October 16, 2015
(8)	Incorporated by reference from the respective exhibit to The ADT Corporation's Current Report on Form 8-K filed on December 18, 2012
(9)	Incorporated by reference from the respective exhibit to The ADT Corporation's Current Report on Form 8-K filed on January 14, 2013
(10)	Incorporated by reference from the respective exhibit to The ADT Corporation's Current Report on Form 8-K filed on October 1, 2013
(11)	Incorporated by reference from the respective exhibit to The ADT Corporation's Current Report on Form 8-K filed on March 19, 2014
(12)	Incorporated by reference from the respective exhibit to The ADT Corporation's Current Report on Form 10-K filed on November 20, 2013
(13)	Incorporated by reference from the respective exhibit to The ADT Corporation's Current Report on Form 8-K filed on November 29, 2013
(14)	Incorporated by reference from the respective exhibit to The ADT Corporation's Current Report on Form 8-K filed on November 25, 2013
(15)	Incorporated by reference from the respective exhibit to The ADT Corporation's Current Report on Form 8-K filed on December 18, 2014