LITTELFUSE INC /DE
Form DEF 14A
March 16, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES

EXCHANGE ACT OF 1934 (AMENDMENT NO.)

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

Check the appropriate box:

Preliminary Proxy Statement
CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material under Section 240.14a-12

LITTELFUSE, INC.
(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:
2) Aggregate number of securities to which transaction applies:
3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
4) Proposed maximum aggregate value of transaction:
5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:
2) Form, Schedule or Registration Statement No.:
3) Filing Party:
4) Date Filed:

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8755 West Higgins Road, Suite 500
Chicago, IL 60631

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

APRIL 27, 2018

The 2018 Annual Meeting of Stockholders of Littelfuse, Inc. (the "Company") will be held at the O'Hare Plaza, First Floor Conference Center, 8745 West Higgins Road, Chicago, Illinois 60631, on Friday, April 27, 2018 at 9:00 a.m. local time, for the following purposes as described in the attached Proxy Statement:

1. To elect nine directors to serve a term of one year and until their successors are duly elected and qualified
2. To conduct an advisory (non-binding) vote on the compensation of our named executive officers ("NEOs");
3. To approve and ratify the appointment by the Audit Committee of Grant Thornton LLP as the Company's independent auditors for the fiscal year ending December 29, 2018 and
4. To transact such other business as may properly come before the Annual Meeting or any postponement or adjournment thereof.

Stockholders of record at the close of business on March 1, 2018 will be entitled to vote at the meeting.

Ryan K. Stafford
Corporate Secretary

March 16, 2018

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on April 27, 2018:

Your vote is important. Please review our proxy materials, including the enclosed Proxy Statement, and vote your shares by using the Internet or telephone or by signing, dating and returning the enclosed proxy card. If you attend the Annual Meeting, you may revoke your proxy and vote in person if you so desire. The Proxy Statement and the 2017 Annual Report for the fiscal year ended December 30, 2017, are available at

www.proxyvote.com.

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GENERAL INFORMATION AND FREQUENTLY ASKED QUESTIONS

We are furnishing this Proxy Statement to the stockholders of Littelfuse, Inc. in connection with the solicitation by the Board of Directors of Littelfuse, Inc. (the "Board") of proxies to be voted at our annual meeting of stockholders to be held on April 27, 2018, (the "Annual Meeting"). The Annual Meeting will be held at the O'Hare Plaza, First Floor Conference Center, 8745 West Higgins Road, Chicago, Illinois 60631, at 9:00 a.m., local time, and at any postponements or adjournments of that meeting.

When used in this Proxy Statement, the terms "we," "us," "our," "the Company" and "Littelfuse" refer to Littelfuse, Inc.

The Notice of Internet Availability of Proxy Materials is first being mailed to stockholders on or about March 16, 2018 to notify stockholders of record that the proxy materials (this Proxy Statement, proxy card, and the 2017 Annual Report on Form 10-K) are available online at **www.proxyvote.com**, or in hard copy by request, free of charge. We encourage all stockholders to access their proxy materials online to reduce the environmental impact and the cost of our proxy solicitation. You may request a paper copy of the proxy materials using any of the following methods:

1. By Internet: go to www.proxyvote.com
2. By Phone: 1-800-579-1639
3. By Email: sendmaterial@proxyvote.com

We encourage you to access and review all of the important information in the proxy materials before voting.

What is required for a quorum at the Annual Meeting?

A quorum of stockholders is required for the transaction of business at our Annual Meeting. Our bylaws provide that a majority of all of the shares of common stock entitled to vote, whether present in person or represented by proxy, constitutes a quorum for the transaction of business at the meeting. Abstentions and "broker non-votes" will also be considered as present for purposes of determining the presence or absence of a quorum at the Annual Meeting.

How are proxies solicited and what is the cost?

The proxy accompanying this proxy statement is solicited on behalf of our Board, for use at the Annual Meeting. We will bear the cost of soliciting proxies. Copies of solicitation materials will be furnished to brokerage firms, fiduciaries and custodians holding shares in their names that are beneficially owned by others to forward to such beneficial owners. The Company may reimburse such persons for the costs they incur to forward the solicitation material to such beneficial owners. In addition to solicitation by mail, our officers and employees may solicit proxies by telephone or in person.

What is Householding?

Under SEC rules, only one copy of this proxy statement is being delivered to stockholders residing at the same address, unless the stockholders have notified the Company of their desire to receive multiple copies of the proxy statement. This process, which is commonly referred to as "householding," potentially means extra convenience for stockholders and cost savings for companies.

If you receive notice from your broker that it will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement and annual report, please notify your broker directly or direct your written request to our Corporate Secretary at 8755 West Higgins Road, Suite 500, Chicago, Illinois 60631.

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Who may vote at the Annual Meeting?

Stockholders of record at the close of business on March 1, 2018, the record date for the Annual Meeting, will be entitled to notice of and to vote at the meeting. On March 1, 2018, we had outstanding 24,889,436 shares of our common stock, par value $0.01 per share. Each outstanding share of common stock entitles the holder to one vote per share on each matter submitted to a vote at the meeting.

A list of the stockholders of record entitled to vote at the meeting will be available for examination by stockholders for any purpose germane to our Annual Meeting during ordinary business hours for a period of at least ten days prior to the meeting at our headquarters located at 8755 West Higgins Road, Suite 500, Chicago, Illinois 60631.

What shares are included on the proxy card?

If your shares are registered directly in your name with the Company's transfer agent, EQ Shareowner Services, you are considered a stockholder of record with respect to those shares. If your shares are held in a bank or brokerage account, you are considered the beneficial owner of those shares.

If you are a stockholder of record, you will receive only one notice or proxy card for all the shares you hold in certificate form, or book-entry form.

If you are a beneficial owner, you will receive voting instructions from the bank, broker or other nominee through which you own your shares.

What if I am a beneficial owner and do not give voting instructions to my broker?

If you are a beneficial owner and do not provide voting instructions to your bank, broker or other nominee, the following applies:

Non-Discretionary Items. The election of directors and the advisory vote on executive compensation are nondiscretionary items and may not be voted on by brokers, banks or other nominees that have not received specific voting instructions from beneficial owners. This is called a "broker non-vote."

Discretionary Items. The ratification of the appointment of the Company's independent registered public accounting firm (Grant Thornton LLP) is a discretionary item. Generally, banks, brokers and other nominees that do not receive voting instructions from beneficial owners may vote on this proposal in their discretion.

How do I vote?

Via Internet: Visit www.proxyvote.com	**By Mail:** Sign, date and return your proxy card to the address listed on the proxy card.
By Phone: Call 1-800-690-6903	**In Person:** All stockholders of record may vote in person at the annual meeting.

All shares entitled to vote and represented by properly executed and unrevoked proxies will be voted at the Annual Meeting in accordance with the instructions given therein. If no instructions are indicated on a properly executed proxy (other than broker non-votes), the shares represented by that proxy will be voted as recommended by the Board.

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What can I do if I change my mind after I vote my shares?

Any stockholder giving a proxy has the right to revoke it at any time prior to the time it is voted. A proxy may be revoked by (1) written notice to us sent to the attention of our Corporate Secretary at 8755 West Higgins Road, Suite 500, Chicago, Illinois 60631, (2) execution of a subsequent proxy, (3) voting on the Internet or by telephone, or (4) attending the Annual Meeting and voting in person. Mere attendance at the annual meeting will not automatically revoke the proxy. All shares represented by effective proxies will be voted at the annual meeting or at any postponements or adjournment thereof.

What are the voting standards for each of the Proposals to be voted on at the Annual Meeting?

Stockholders are being asked to vote on the following matters at the Annual Meeting. The voting standard and our Board's voting recommendation for each matter is described below:

Proposal	**Voting Standard***	**Board Recommendation**
Proposal 1: Election of Director Nominees	Majority of votes cast**	FOR ALL the nominees for director
Proposal 2: Advisory Vote on Executive Compensation	Majority of votes cast	FOR
Proposal 3: Approval and Ratification of the Appointment of Grant Thornton LLP as Independent Auditors	Majority of votes cast	FOR

***Majority of votes cast** means that the number of votes cast "For" the proposal exceeds the number of votes cast "Against."

****Except in the event of a contested election of directors. In the event of a contested election, directors shall be elected by plurality of votes cast. Also, our Corporate Governance Guidelines include a resignation policy, which provides, among other things, that if a director nominee does not receive a majority of the votes cast:

- such nominee must tender his or her resignation within ten days
- the Nominating and Governance Committee of the Board must recommend to our Board whether such resignation should be accepted or rejected and
- our Board must take final action no later than 90 days after the stockholder vote.

How are abstentions and broker non-votes counted?

Abstentions will not be included in vote totals and will have no effect on Proposal 1 – the election of director nominees. Abstention votes on each of Proposal 2 and 3 will have the same effect as a vote "Against."

Broker non-votes will not be included in vote totals and will have no effect on the outcome of any of the proposals to be voted on at the Annual Meeting.

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What do I need in order to attend the Annual Meeting?

Admittance information.
Attendance is limited to stockholders of record as of March 1, 2018. You should be prepared to present photo identification for admittance. Please note that cameras, sound or video recording equipment, or similar electronic devices, large bags, briefcases or packages will not be allowed in the meeting room.

Proof that you own shares of the Company as of March 1, 2018.
If you are a stockholder of record, your name is subject to verification against the list of stockholders of record on the record date prior to being admitted to the meeting. If you are a beneficial owner and your shares are held through a broker, bank or other nominee, you may also attend our Annual Meeting if you provide proof of beneficial ownership on the record date, such as your most recent account statement or similar evidence of ownership.

Who will tabulate and count the votes?

We retain an independent inspector of election from Broadridge Financial Solutions to attend our Annual Meeting and to certify the results of the vote.

When will the Company announce the voting results?

We will announce the preliminary voting results at the Annual Meeting. The Company will report the final results on a Current Report on Form 8-K, to be filed with the SEC within four business days following the Annual Meeting.

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PROPOSAL NO. 1 - ELECTION OF DIRECTORS

The Board currently consists of nine members. All of our current directors are standing for re-election. We are asking our stockholders to elect nine directors at the annual meeting to serve a term of one year and until their successors have been duly elected and qualified. The nominees for director, all of whom are now serving as directors, are listed below together with certain biographical information as of March 1, 2018.

Name	Position
Tzau-Jin Chung	Director
Cary T. Fu	Director
Anthony Grillo	Director
David W. Heinzmann	Director
Gordon Hunter	Chairman of the Board
John E. Major	Director
William P. Noglows	Lead Independent Director
Ronald L. Schubel	Director
Nathan Zommer	Director

The Board of Directors recommends that the stockholders vote FOR ALL of the director nominees.

	Tzau-Jin (T.J.) Chung, 55 Director since 2007
Committee Membership:	
Compensation Chair Nominating and Governance Technology	Mr. Chung has served as an Operating Partner of Core Industrial Partners LLC, a private equity firm investing in small to medium sized manufacturing companies in North America since 2017. From 2013 to May 2016, Mr. Chung served as president and chief executive officer of Navman Wireless and Teletrac Inc., a global market leader in GPS-based fleet management solutions. From 2007 to December 2012, Mr. Chung was chief executive officer of Navman Wireless. Previously, Mr. Chung served as president of the New Technologies Division of Brunswick Corporation (NYSE:BC) from 2002 to 2007. Prior to that, he served as vice

president — strategy of Brunswick Corporation, where he was responsible for corporate-wide strategic planning, mergers and acquisitions and information technology. Mr. Chung has served on the board of directors of MCBC Holdings, Inc. (NASDAQ:MCFT) since December 2016 and is a member of its compensation committee. Mr. Chung earned his bachelor's degree in science, electrical and computer engineering from the University of Texas — Austin. He also holds a MS in computer science from North Carolina State University and an MBA from the Fuqua School of Business at Duke University.

In nominating Mr. Chung for election as a director, our Board focused on his past experience in developing new products and his experience with operations in Asia as important attributes for his continuing to serve as one of our directors.

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Cary T. Fu, 69 **Director since 2012**

Committee Membership:
Audit Chair
Technology

Mr. Fu is the co-founder of Benchmark Electronics, Inc. (NYSE:BHE), a solutions provider for high technology OEM customers. He served as chairman of the board of Benchmark from 2009 until his retirement in 2012, and served as a director from 1990 until 2012. Mr. Fu also served as the chief executive officer of Benchmark from 2004 to 2011, and was the president and chief executive officer from 2004 to 2006. From 1986 to 2004, Mr. Fu served in various capacities with Benchmark, including as executive vice president, treasurer and secretary. Mr. Fu has served on the board of directors of Teradata Corporation (NYSE:TDC) since 2008. Mr. Fu holds an MS in accounting from the University of Houston and is a certified public accountant.

In nominating Mr. Fu for election as a director, our Board focused on his past experience in the industry and unparalleled management experience.

Anthony Grillo, 62 **Director since 1991**

Committee Membership:
Audit

Mr. Grillo is the founder of American Securities Advisors, LLC and affiliates (now known as Ascribe Opportunities Management, LLC), an advisory and investment firm established in 2005. From 2001 through 2004, Mr. Grillo served as Senior Managing Director of Evercore Partners, Inc. (NYSE:EVR), an investment banking boutique providing advisory services to multinational corporations on significant mergers, acquisitions, divestitures, restructurings and other strategic corporate transactions, where he founded the restructuring practice for the firm. From 1999 through 2001, Mr. Grillo served as Senior Managing Director of Joseph Littlejohn & Levy, Inc., a private equity firm. From 1991 through 1999, Mr. Grillo was a Senior Managing Director of the Blackstone Group L.P., an investment banking firm. Mr. Grillo has served on the boards of directors of Lumeta Corporation since 2016, NarrativeWave, Inc. since July 2017 and WeR.AI, Inc. since February 2018. Mr. Grillo previously served as a director of GeoKinetics from 2013 through 2015.

In nominating Mr. Grillo for election as a director, our Board focused on his past experience in the financial markets, his experience with corporate acquisitions, his value as an audit committee financial expert and the knowledge of the Company that he has gained and shared from serving as a director since 1991 as important attributes for his continuing to serve as one of our directors.

David W. Heinzmann, 54 **Director since January 2017**

Committee Membership:

Technology Chair

Mr. Heinzmann has served as our President and Chief Executive Officer and a member of the Board since January 2017. He previously served as our Chief Operating Officer from 2014 to 2017. Mr. Heinzmann began his career at Littelfuse in 1985 as a manufacturing engineer and since then has held positions of increasing responsibility. From 2004 through 2007, he served as Vice President and General Manager, Automotive segment, and then as Vice President, Global Operations until 2014. Mr. Heinzmann has served on the board of directors of Pulse Electronics Corporation, since 2014. Mr. Heinzmann holds a BS in mechanical engineering from Missouri University of Science and Technology.

In nominating Mr. Heinzmann for election as a director, our Board focused on his extensive experience with Littelfuse as a key driver for continued growth and evolution of the Company.

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	Gordon Hunter, 66	**Director since 2002**

Committee Membership:

Technology

Mr. Hunter has served as the Chairman of the Board since January 2018. He previously served as Executive Chairman of the Board from January 2017 through December 2017. Prior to that, Mr. Hunter served as a director from 2002 to 2003, served as Chief Operating Officer from 2003 to 2005, and served as our Chairman of the Board, President and Chief Executive Officer from 2005 until January 2017. Prior to joining Littelfuse, Mr. Hunter served as vice president, Intel communications group, and general manager, optical products group for Intel Corporation (NASDAQ:INTC) from 2002 to 2003. Prior to joining Intel in 2002, he served as president of Elo TouchSystems, a subsidiary of Raychem Corporation. Mr. Hunter also served in a variety of positions during a 20-year career at Raychem Corporation, including vice president of commercial electronics and a variety of sales, marketing, engineering and management positions. Mr. Hunter served on the council of advisors of Shure Incorporated from 2003 through April 2016, and became a member of the board of directors in April 2016. He also has served on the board of directors of Veeco Instruments, Inc. (NASDAQ:VECO) since 2010, and the board of directors of CTS Corporation (NYSE:CTS) since 2011. Mr. Hunter holds a BS in electrical engineering from the University of Liverpool, England, and an MBA from London Business School.

In nominating Mr. Hunter for election as a director, our Board focused on his leadership, vision and execution as our Chief Executive Officer in growing and reshaping the Company and setting and communicating the proper cultural and behavioral tone as important attributes for his continuing to serve as one of our directors.

John E. Major, 72 **Director since 1991**

Committee Membership:

Nominating and Governance Chair

Audit

Technology

Mr. Major has served as president of MTSG, a strategic consulting, governance and investments company, since he founded it in 2003. From 2004 to 2006, Mr. Major served as chief executive officer of Apacheta Corporation, a mobile wireless software company. From 2000 to 2003, he served as chairman and chief executive officer of Novatel Wireless Inc., a wireless data access solutions company. Previously, Mr. Major was chairman and chief executive officer of Wireless Knowledge. Prior to that, Mr. Major served in executive level positions at Qualcomm Incorporated, including president of its wireless infrastructure division, and prior to that he held various leadership positions at Motorola, Inc., including senior vice president and chief technology officer. Mr. Major has served on the boards of directors of Lattice Semiconductor Corporation (NASDAQ:LSCC) since March 2018, Lennox International Inc. (NYSE:LII) since 1993, Pulse Electronics Corporation since 2013, Resonant, Inc. (NASDAQ:RESN) since 2013, and ORBCOMM Inc. (NASDAQ:ORBC) since 2007. He previously served as a director of Broadcom Corporation (NASDAQ: BRCM) from 2003 until its acquisition by Avago Technologies in February 2016. Mr. Major received a BS in Mechanical and Aerospace Engineering from the University of Rochester, an MS in Mechanical Engineering from the University of Illinois, an MBA from Northwestern University and a JD from Loyola University.

In nominating Mr. Major for election as a director, our Board focused on his seasoned experience from having served as an executive officer and on the boards and board committees of varied technology companies, his vision and expertise in matters of corporate governance, his expertise in technical development and the knowledge of the Company that he has gained and shared as a director since 1991 as important attributes for his continuing to serve as one of our directors.

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William P. Noglows, 60 **Director since 2007**

Committee Membership:

Compensation

Nominating and Governance

Mr. Noglows has served as chairman of the board of Cabot Microelectronics Corporation (NASDAQ:CCMP), a leading worldwide supplier of consumable products used in the semiconductor manufacturing process, since January 2016. He previously served as executive chairman of the board from 2014 until December 2015, and served as chairman, president and chief executive officer of Cabot from 2003 through 2014. Prior to that, Mr. Noglows served as executive vice president and general manager at Cabot. Mr. Noglows has served on the board of directors of Aspen Aerogels, Inc. (NYSE: ASPN) since 2014, and he also served on the Aspen board from 2011 to 2013. Mr. Noglows has also served as a director of NuMat Technologies since September 2017. He received a bachelor's degree in chemical engineering from the Georgia Institute of Technology.

In nominating Mr. Noglows for election as a director, our Board focused on his experience as chief executive officer of a leading public company and his expertise in developing technology as important attributes for his continuing to serve as one of our directors.

Ronald L. Schubel, 74 **Director since 2002**

Committee Membership:

Compensation

Technology

Mr. Schubel retired as corporate executive vice president and president of the Americas region for Molex Incorporated, a global manufacturer of interconnect systems, in 2007. He began his career with Molex in 1981, spending five years in Singapore as president of the far east south region. Prior to joining Molex, for 15 years Mr. Schubel held various leadership roles at General Motors, the most recent of which was director of operations for the Packard Electric division. Mr. Schubel is Chair of the Board of Trustees of Elmhurst Health Care Corporation and serves on the board of the Edward Cayman Corporation for investment and insurance support of Edward-Elmhurst Health Service Corporation, a nonprofit corporation, and its affiliate of the EHSC Cayman Segregated Portfolio Company, which is the insurance company of EHSC. He also serves as an advisor for Oaktree Capital, a global alternative investment management firm, working with the board of directors of Isola Group Ltd.

In nominating Mr. Schubel for election as a director, our Board focused on his knowledge of managing manufacturing operations and his experience with operations in Asia as important attributes for his continuing to serve as one of our directors.

Nathan Zommer, 69 **Director since January 2018**

Committee Membership:

None

Dr. Zommer was the founder of IXYS Corporation and served as the Chairman of the Board and Chief Executive Officer of IXYS from 1993 until its acquisition by Littelfuse, Inc. in January 2018. Mr. Zommer previously served in various other capacities with IXYS, including as President and Executive Vice President. Prior to founding IXYS, Dr. Zommer served in a variety of positions with Intersil, Hewlett Packard and General Electric, including as a scientist in the Hewlett Packard Laboratories and Director of the Power MOS Division for Intersil/General Electric. Dr. Zommer received his B.S. and M.S. degrees in Physical Chemistry from Tel Aviv University and a Ph.D. in Electrical Engineering from Carnegie Mellon University.

In nominating Dr. Zommer for election as a director, our Board focused on his historical experience with the IXYS business and more than 30 years of leadership in the semiconductor industry. Dr. Zommer was originally appointed as a director pursuant to the Agreement and Plan of Merger between IXYS Corporation, Littelfuse, Inc. and Iron Merger Co., Inc., as described on page 17.

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Director Compensation

For the 2017 fiscal year, non-employee directors were paid an annual retainer of $65,000, paid in quarterly installments, plus reimbursement of reasonable expenses relating to attendance at meetings. No fees are paid to directors who are employee directors. Additional annual retainers are paid to our Board leadership, as shown below:

Board Leadership Role	**Annual Retainer**
Lead Director	$15,000
Audit Committee Chairperson	$18,000
Compensation Committee Chairperson	$15,000
Nominating and Governance Committee Chairperson	$10,000
Technology Committee Chairperson	$10,000

In addition to cash compensation, each non-employee director receives an annual equity grant under the Amended and Restated Littelfuse, Inc. Long-Term Incentive Plan (the "Long-Term Plan") valued at approximately $105,000. The equity grant is comprised of (1) one-third stock options that vest equally on the first three annual anniversaries of the grant date, have an exercise price equal to the fair market value of our common stock on the date of grant, and expire seven years from the grant date, and (2) two-thirds restricted stock units ("RSUs") that are granted upon the non-employee director's election or reelection to the Board at the Company's annual meeting that vest equally on the first three annual anniversaries of the grant date. On April 28, 2017, Messrs. Chung, Fu, Grillo, Major, Noglows and Schubel were each granted 945 stock options having a per share exercise price of $154.15 and 505 RSUs.

During 2017, Mr. Hunter was considered an employee director for purposes of our director compensation program as he served as our Executive Chairman of the Board and therefore was compensated pursuant to his Executive Retirement Agreement, described on page 34. Dr. Zommer joined the Board on January 17, 2018, pursuant to the merger agreement with IXYS Corporation, and is compensated pursuant to a pre-existing employment agreement described on page 17.

For the fiscal 2018 year, in consultation with our independent compensation consultant, the following changes were made to non-employee director compensation to better align with peer group practices:

Non-employee annual retainer increased to $70,000
Lead Director annual retainer increased to $20,000
Audit Committee Chairperson retainer increased to $20,000
Chairman annual retainer approved in the amount of $50,000
Annual equity grant value increased to $120,000

Non-employee directors may elect to defer receipt of their cash fees under the Littelfuse Deferred Compensation Plan for Non-employee Directors (the "Directors Plan") and defer payout of their equity grants and any related dividend distributions. All deferrals are deposited with a third-party trustee, where they (and any distributions thereon) are invested in Littelfuse common stock. Deferred cash fees are generally paid in a lump sum or in installments when the director ceases to be a director of Littelfuse. Deferrals under the Directors Plan are generally paid out when the director ceases to be a director or the date specified by the director at the time of the non-employee director's deferral election. Deferred payments owing to Mr. Hunter as a result of his prior service as a non-employee director are expected to be delayed an additional six months following his separation from service as both a director and employee of Littelfuse as required by law due to his status as a "specified employee" under Section 409A of the Internal Revenue Code of 1986, as amended.

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The following table sets forth compensation paid to non-employee directors during 2017:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(2)	Option Awards ($)(3)	Total
T.J. Chung	$80,000	$76,528	$29,078	$185,605
Cary T. Fu	$83,000	$76,528	$29,078	$188,605
Anthony Grillo (1)	$65,000	$76,528	$29,078	$170,605
John E. Major	$75,000	$76,528	$29,078	$180,605
William P. Noglows	$80,000	$76,528	$29,078	$185,605
Ronald L. Schubel	$65,000	$76,528	$29,078	$170,605

(1) Fees earned by Mr. Grillo include amounts deferred under the Directors Plan.

(2) On April 28, 2017, each director received an annual RSU award of 505 shares of common stock. The amounts shown reflect the grant date fair value of restricted stock unit awards computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718, based on assumptions described in Note 9 to our audited financial statements included in our 2017 Annual Report on Form 10-K for fiscal year ended December 30, 2017. As of December 30, 2017, each director held the following outstanding RSUs (including RSUs that have been deferred under the Long-Term Plan): Mr. Chung, 8,513 shares Mr. Fu, 1,205 shares Mr. Grillo, 1,979 shares Mr. Major, 1,205 shares Mr. Noglows, 3,420 shares and Mr. Schubel, 1,205 shares.

(3) On April 28, 2017, each director received an annual stock option award of 945 shares with a per share exercise price equal to $154.15 (determined based on the closing stock price on that date reported by NASDAQ) . The amounts shown reflect the grant date fair value of stock option awards computed in accordance with FASB ASC Topic 718, based on assumptions described in Note 9 to our audited financial statements included in our 2017 Annual Report on Form 10-K for fiscal year ended December 30, 2017. As of December 30, 2017, each director held the following outstanding option awards: Mr. Chung, 6,658 shares Mr. Fu, 6,658 shares Mr. Grillo, 8,306 shares Mr. Major, 8,306 shares Mr. Noglows, 8,306 shares and Mr. Schubel, 10,069 shares.

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CERTAIN GOVERNANCE MATTERS

Board Leadership

In conjunction with his retirement as President and Chief Executive Officer on January 1, 2017, Gordon Hunter became the Executive Chairman of the Board. Effective January 1, 2018, Mr. Hunter transitioned into his current role as Chairman of the Board, and no longer serves as an employee of the Company. Additionally, William Noglows serves as the independent Lead Director. Among other things, the Lead Director convenes and chairs regular and special executive sessions of the independent directors and serves as a liaison between the independent directors and our Chief Executive Officer ("CEO"). We believe that our leadership structure allows the Board to have better control of the direction of management, while still retaining independent oversight.

Attendance at Meetings

The Board held nine meetings during fiscal year 2017. All of the directors, other than Dr. Zommer who joined the Board in January 2018, attended 100% of the meetings of the Board and 100% of the meetings of the committees on which they served. Consistent with our policy, all of our directors attended our 2017 annual meeting of stockholders. Independent members of our Board regularly meet in executive session without management present.

Director Independence; Financial Experts

There is no arrangement or understanding between any of our directors and any other person or entity other than the company to which any director was or is to be selected as a director. The Board has affirmatively determined that each current board member, except Messrs. Hunter and Heinzmann and Dr. Zommer, (i) is "independent" within the definitions contained in the current NASDAQ listing standards and the rules and regulations of the SEC, and (ii) has no other "material relationship" with the Company that could interfere with his ability to exercise independent judgment. In addition, the Board has determined that (i) each Audit Committee member is "independent" within the enhanced requirements for audit committee members under NASDAQ and SEC rules, (ii) each Compensation Committee member is a "non-employee director" under SEC rules, and (iii) each Compensation Committee member qualifies as an "outside director" pursuant to IRS Code Section 162(m). Furthermore, the Board has determined that Messrs. Fu and Grillo are "audit committee financial experts" as defined by the SEC.

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Board Committees

We have four standing committees: the Audit Committee, Compensation Committee, Nominating and Governance Committee and Technology Committee. Each of these committees has a written charter approved by our Board, copies of which are posted under the "Corporate Governance" section of the Company's website at http://investor.littelfuse.com/governance. Current membership of each committee is provided below, followed by a description of each committee's responsibilities.

Director	Audit Committee	Compensation Committee	Nominating and Governance Committee	Technology Committee
T.J. Chung		Chairman	X	X
Cary T. Fu	Chairman			X
Anthony Grillo	X			
David W. Heinzmann				Chairman
Gordon Hunter				X
John E. Major	X		Chairman	X
William P. Noglows		X	X	
Ronald L. Schubel		X		X
Nathan Zommer				

Audit Committee

Meetings held in 2017: 6

The Audit Committee is responsible to, among other things:

- Appoint, compensate, retain and oversee the independent registered public accounting firm (including resolving any disagreements with management regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.
- Review the adequacy and effectiveness of the accounting and financial controls and procedures of the Company.
- Review the annual internal audit plan and performance of the internal audit function.
- Review any legal or regulatory matters that may have a material effect on the financial statements of the Company or related Company compliance policies.
- Review the Company's risk assessment and risk management process.
- Review procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- Review swap transactions, reliance on end-user exception and related policies and procedures.

Prepare the Audit Committee report required to be included in the Company's annual proxy statement.

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Compensation Committee

Meetings held in 2017: 5

The Compensation Committee is responsible to, among other things:

- Review the Company's compensation philosophy, practices and policies, and through an annual compensation risk assessment provide input to management regarding compensation arrangements that may incentivize unnecessary and excessive risk taking.
- Review and recommend to the Board for its consideration and determination the compensation for the Chief Executive Officer and the other executive officers.
- Review and recommend to the Board for its consideration and determination any employment agreements, severance agreements, change-in-control arrangements and any special or supplemental benefits for the executive officers of the Company.
- Establish and certify the achievement of performance goals for performance-based compensation.
- Evaluate Chief Executive Officer performance.
- Review and recommend to the Board for its consideration and determination the director compensation fees and equity-based awards.
- Review and report to the Board on the Company's organizational structure, succession plans for executive officers and programs for development of individuals to assume positions of higher responsibility.
- Review and recommend to the Board for its consideration and determination the appropriate stock ownership guidelines applicable to directors and executive officers.
- Review (i) submission to stockholders of executive compensation matters, including advisory votes on executive compensation and the frequency of such votes, (ii) engagement with proxy advisory firms or other stockholder groups on executive compensation matters, and (iii) the results of such advisory votes from stockholders and consider any implications to the Company's compensation programs.
- Review and report on our compensation discussion and analysis and recommend its inclusion in our Annual Report on Form 10-K and Proxy Statement each year.

The Compensation Committee has the authority under its charter to engage services of outside advisors to assist in carrying out its duties. Under this authority, the Compensation Committee retained Compensation Strategies, Inc. as its independent compensation consultant during the 2017 fiscal year to assist the Compensation Committee with compiling a comprehensive analysis of market data and analyzing its implications for executive compensation at the Company, as well as various other executive compensation matters such as: (1) providing an update on renewal of change of control agreements; (2) conducting a competitive benchmark study for compensation data for board of directors and executive officers for the formulation of board and executive compensation recommendations in 2018; (3) reviewing our annual incentive and long-term incentive programs and (4) providing an update on executive compensation trends and pending and enacted legislation relevant to the compensation of our executive officers. The Compensation Committee has assessed the independence of Compensation Strategies, Inc. and determined that Compensation Strategies, Inc. did not have any economic interests or other relationships that would conflict with its obligation to provide impartial and objective advice.

Nominating and Governance Committee

Meetings held in 2017: 4

The Nominating and Governance Committee is responsible to, among other things:

- Identify individuals qualified to serve on our Board and to recommend director nominees to the Board for nomination at our annual meeting of stockholders.
- Evaluate and present to the Board of Directors on an annual basis its determination as to (a) the independence of each director and director nominee under the independence standards established by the SEC and NASDAQ listing standards, (b) the classification of each director and director nominee as "independent," "interested," "non-management," or similarly situated for purposes of committee assignments, and (c) whether the Audit Committee has an "audit committee financial expert."

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- Initiate and oversee an annual self-evaluation of the Board and its committees.
- Monitor the orientation and training needs of directors.
- Review new legislation, rules, regulations and other developments affecting corporate governance and make recommendations to the Board, as appropriate.
- Review all potential related party transactions that require the Committee's approval.
- Review the Company's Code of Conduct and monitor the communication thereof.
- Develop and annually assess the adequacy of the Corporate Governance Guidelines for the Company.

Technology Committee

Meetings held in 2017: 4

The Technology Committee is responsible to, among other things:

- Review the technology program scope, direction, quality, investment levels and execution of the technology strategies presented by the Company's management.
- Review the Company's key information technology controls.
- Review significant emerging technology issues and trends that may affect the Company, its business and strategy.
- Review the Company's technology competitiveness, including the effectiveness of its technological efforts and investments in developing new products and business.

Director Candidates

In considering a person as a nominee as a director, the Nominating and Governance Committee believes that the promotion of gender diversity on our Board is important. While we have not recently appointed any new non-employee directors to our Board, we remain committed to ensuring that candidates of diverse ethic and/or gender backgrounds are considered when we next do so. In addition, the Nominating and Governance Committee takes into consideration such other factors as it deems appropriate, including:

- Experience as an executive or director of a publicly traded company
- Familiarity with our business and our industry
- Availability to actively participate in meetings of the Board and attend the annual meeting of stockholders
- Knowledge and experience in the preparation or evaluation of financial statements
- Diversity of background, including gender and ethnic diversity, knowledge, skills and experience to create a well-rounded Board
- Satisfaction of the criteria for independence established by the SEC and NASDAQ listing standards, as they may be amended from time to time and

Ability to interact in a productive manner with the other members of the Board.

The Nominating and Governance Committee used the same criteria to evaluate Mr. Hunter and determine it to be in the best interest of the Company to nominate him as a director through the 2018 annual meeting of stockholders, pursuant to the CEO transition described on page 24.

The Nominating and Governance Committee will consider director nominees recommended by stockholders using the same evaluation process as for any other nominee. Recommendations must comply with the procedures in our bylaws and be submitted to the Corporate Secretary at 8755 West Higgins Road, Suite 500, Chicago, Illinois 60631. Any recommendation must include:

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- The name and address of the candidate
- A brief biographical description, including his or her occupation for at least the last five years, and a statement of the qualifications of the candidate, taking into account the qualification factors set forth above and
- The candidate’s signed consent to be named in the Proxy Statement if nominated and to serve as a director if elected.

To be considered by the Nominating and Governance Committee for nomination and inclusion in our proxy statement for the 2019 annual meeting of stockholders, stockholder recommendations for director must have been received by us no later than November 16, 2018. Each stockholder recommendation must include the name and address of the nominating stockholder and the number of shares beneficially owned by such stockholder.

Pursuant to our Corporate Governance Guidelines, the retirement age for directors is set at 75. Absent a finding of exceptional circumstances by a majority of the Nominating and Governance Committee, no person 75 years or older at the time of election or re-election will be nominated to serve as a director.

Board Evaluation

Our Board conducts an annual self-evaluation to assess its effectiveness and to identify opportunities for improvement as described below.

1. Each director provides written responses to board and committee evaluations, assessing performance and identifying areas for improvement.
2. The Nominating and Governance Committee Chairperson conducts individual interviews with all members of the board.
3. The Nominating and Governance Committee Chairperson reports to the Nominating and Governance Committee on the results of the individual interviews.
4. The Nominating and Governance Committee analyzes evaluation responses and reports on the results to the full Board.

Role in Risk Oversight

The Board’s role in risk oversight includes receiving regular reports from members of management on areas of material risk to the Company, including operational, financial, legal, regulatory, compensation and strategic risks. The full Board, or the appropriate committee, receives these reports from management to enable it to understand our risk identification, risk management and risk mitigation strategies. All Board committees meet regularly and report to the full Board on risk management matters. This enables the Board and its committees to coordinate the risk oversight role, particularly with respect to risk interrelationships.

Compensation Risk

At the direction of the Compensation Committee, management conducts a comprehensive risk assessment of our compensation policies and practices and presents its findings to the Compensation Committee. The assessment includes a review of the risk areas within the Company's compensation programs to ensure that there are no design flaws which motivate inappropriate or excessive risk taking. Management conducted this assessment of all compensation policies and practices for all employees, including the NEOs, and determined that the compensation programs are not reasonably likely to have a material adverse effect on the Company.

During the review, several risk mitigating factors in our programs were noted, including:

- Our annual incentive program awards are capped to limit compensation in any given year
- The Compensation Committee has the ability to apply negative discretion over annual incentive program payouts and to adjust any performance measure for extraordinary events or circumstances
- Our equity incentive awards vest over several years, so while the potential compensation payable for equity incentive awards is tied directly to appreciation of our stock price, taking excessive risk for a short-term gain is discouraged because it would not maximize the value of equity incentive awards over the long term and
- Our executive officers and directors are subject to a stock ownership policy with minimum stock holding requirements that aligns their interests with the interests of our stockholders.

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Stock Ownership Policy

The Board maintains a stock ownership policy that requires our executive officers and directors to hold and maintain a certain number of shares of common stock of the Company. The policy provides for the following:

Each executive officer and non-employee director is required to reach stock ownership levels, detailed below, within five years of their election or appointment.
Non-Employee Directors: 5 times annual retainer
Chief Executive Officer and other Employee Directors: 5 times base salary
Chief Financial Officer and Executive Vice Presidents: 3 times base salary
Senior Vice Presidents: 2 times base salary
Until such time as the director or executive officer achieves the required stock ownership level, the director or executive officer is required to retain 50% of the net after-tax shares of common stock realized from any equity awards granted by the Company.
Failure of a director or named executive officer to satisfy the applicable stock ownership level within the required compliance period may result in their removal of participation in the Company's annual equity grants, and/or being subject to a 100% retention requirement.

All of our directors are in compliance with the guidelines and requirements set forth in our stock ownership policy. The named executive officers' compliance with the stock ownership policy is discussed further in the Compensation Discussion and Analysis Section on page 32.

Anti-Pledging

Under our Insider Trading Policy, our directors, executive officers and certain key employees are prohibited from holding our common stock in a margin account or otherwise pledging our common stock as collateral for a loan.

Corporate Governance Guidelines; Code of Conduct

The Board has adopted Corporate Governance Guidelines. These guidelines address items such as the qualifications and responsibilities of our directors and director candidates and the corporate governance policies and standards applicable to the Board. In addition, the Board has adopted a Code of Conduct that applies to all our directors, principal executive officer, principal financial officer, principal accounting officer and controller, and all employees. The full text of our Corporate Governance Guidelines and our Code of Conduct is available on our website at: http://investor.littelfuse.com/governance. We will also disclose on this page of our website any amendments to, or waivers from the Code of Conduct.

Certain Relationships and Related Transactions

The Board maintains a Related Person Transactions Policy that governs the review, approval and ratification of transactions involving the Company and related persons where the amount involved exceeds $120,000. The Nominating and Governance Committee reviews and approves all proposed Related Person Transactions (as defined below).

Related persons include:

- any person who is, or at any time since the beginning of our last fiscal year was, a director, executive officer, or a nominee to become a director of Littelfuse
- any person who is known to be the beneficial owner of more than 5% of any class of our voting securities
- any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the director, executive officer, nominee, or more than 5% beneficial owner

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- any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee, or more than 5% beneficial owner
- any firm, corporation or other entity in which any of the foregoing persons is employed or is a partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest and
- any charitable or non-profit organization in which any of the foregoing persons is actively involved in fundraising or otherwise serves as a director, trustee or in a similar capacity.

The policy defines a Related Person Transaction as a transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships in which the Company (including any of our subsidiaries) was, is or will be a participant, the amount involved exceeds $120,000, and in which any Related Person had, has or will have a direct or indirect interest.

Our Executive Vice President, Chief Legal and Human Resources Officer and Corporate Secretary ("CHRO") determines for purposes of the policy whether a proposed transaction is a Related Person Transaction that must be approved by the Nominating and Governance Committee.

The Nominating and Governance Committee will consider all of the relevant facts and circumstances available to the Nominating and Governance Committee, including (if applicable) but not limited to:

- the benefits to the Company
- the impact on a director's independence in the event the Related Person is a director, an immediate family member of a director or an entity in which a director is a partner, stockholder or executive officer
- the availability of other sources for comparable products or services
- the terms of the transaction and
- the terms available to unrelated third parties or to employees generally.

The Nominating and Governance Committee will approve only those Related Person Transactions that are in, or are not inconsistent with, our best interests and the best interest of our stockholders, as the Nominating and Governance Committee determines in good faith.

We did not enter into any Related Person Transactions in 2017. See also the IXYS Acquisition – Dr. Zommer discussion below for information regarding transactions in 2018.

IXYS Acquisition – Dr. Zommer

On January 17, 2018, the Company completed its acquisition of IXYS Corporation (“IXYS”), pursuant to the Agreement and Plan of Merger (the “Merger Agreement”), dated as of August 25, 2017, as amended on December 4, 2017. Pursuant to the Merger Agreement, effective January 17, 2018, the Board increased the number of members of the Board from eight to nine and appointed IXYS founder Dr. Nathan Zommer to fill the resulting vacancy.

Upon the completion of the acquisition of IXYS, Dr. Zommer is party to a Seventh Amended Executive Employment Agreement, dated as of August 25, 2017, with IXYS (the “Zommer Employment Agreement”), which became effective on January 17, 2018. The Zommer Employment Agreement has an initial three-year term ending on the third anniversary of the effective date, and will automatically be extended for successive one-year periods thereafter unless either party elects not to renew the term of the agreement by notifying the other party in writing of such election at least 90 days prior to the commencement of any renewal period.

Pursuant to the Zommer Employment Agreement, Dr. Zommer receives an annual base salary of $525,000 and is eligible for a discretionary annual performance bonus, stock options, restricted stock and/or other equity award grants in the Company’s discretion. He is also eligible to participate in the Company’s retirement, health and welfare benefit plans and programs generally made available to similarly situation executives from time to time. Under the Zommer Employment Agreement, Dr. Zommer is entitled to (i) payment or reimbursement for reasonable costs of a yearly medical exam, (ii) company-maintained life insurance, (iii) payment or reimbursement for personal tax and/or investment advisor services (capped at $2,000 per year), and (iv) either (a) a company-provided car and reimbursement for the costs incurred in connection with the use of such car for business purposes or (b) payment of a monthly car allowance.

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The Zommer Employment Agreement provides that if Dr. Zommer's employment is terminated without "cause," for "good reason," or due to a non-renewal of the term by the Company (provided that Dr. Zommer is willing and able to continue his employment on similar terms and conditions at such time), then, subject to his execution and non-revocation of a general release of claims, Dr. Zommer will be entitled to receive the following payments and benefits (the "Qualifying Termination Benefits"): (i) a lump-sum payment equal to three times his average annual cash compensation over the three prior years, payable within 60 days following termination; (ii) continued provision of employee benefits (or their cash equivalent) for 18 months following termination; and (iii) accelerated vesting of all stock options and other equity awards then held by him.

Under the Zommer Employment Agreement, all IXYS stock options held by Dr. Zommer became vested as of the completion of the IXYS acquisition by Littelfuse. The Zommer Employment Agreement also provides that, to the extent that any payment, distribution or other benefit provided in connection with a change in control would be subject to an excise tax under Section 4999 of the Internal Revenue Code, such payments, distributions and/or benefits will be subject to a "best pay cap" reduction if such reduction would result in Dr. Zommer receiving a greater net after-tax amount than receiving the full amount of such payments after payment by Dr. Zommer of such excise tax.

Compensation Committee Interlocks and Insider Participation

T.J. Chung, William P. Noglows and Ronald L. Schubel served on the Compensation Committee during fiscal year 2017, and none of them is now or ever was an employee of the Company. None of our executive officers served as a member of the compensation committee, or on a board of directors performing equivalent functions, of any entity that had one or more of its executive officers serving as a director or member of our Compensation Committee.

Board Communication

Stockholders wishing to communicate directly with the Board or individual directors should communicate in writing at the following address:

Littelfuse, Inc.

8755 West Higgins Road, Suite 500

Chicago, Illinois 60631

Attention: Corporate Secretary

All written communications are received and processed by the Corporate Secretary prior to being forwarded to the chairman of the board or other appropriate members of the Board. Directors generally will not be forwarded communications that are primarily commercial in nature, relate to improper or irrelevant topics, or request general information about the Company.

In addition to internal reporting procedures, the Audit Committee has established communication procedures through an independent Ethics Helpline that can be accessed globally. The Ethics Helpline provides for communication, either anonymously or identified, from employees, vendors, and other interested parties to communicate concerns, including concerns with respect to our accounting, internal controls or financial reporting, to the Audit Committee and CHRO. Concerns may be reported via telephone in the U.S. at 1-800-803-4135 or online at https://littelfusehelpline.alertline.com.

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OWNERSHIP OF LITTELFUSE, INC. COMMON STOCK

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of March 5, 2018, by (1) each person known by us to be the beneficial owner of more than 5% of our outstanding common stock, (2) each director, (3) each NEO, and (4) all of our directors and executive officers as a group. Information concerning persons known to us to be beneficial owners of more than 5% of our common stock is based upon our review of Schedules 13D, 13F and 13G, and amendments thereto, as filed with the SEC. Of the shares reported, none are subject to pledge or lien in a margin account or pursuant to a loan agreement.

Beneficial Ownership Table

	Shares of Common Stock Beneficially Owned (1)	Percentage of Common Stock (2)	
5% Principal Stockholders			
BlackRock, Inc. (3) 55 East 52nd Street New York, New York 10055	2,388,492	9.6	%
The Vanguard Group (4) 100 Vanguard Boulevard Malvern, Pennsylvania 19355	1,950,148	7.8	%
Neuberger Berman Group LLC Neuberger Berman Investment Advisers LLC (5) 1290 Avenue of the Americas New York, New York 10104	1,289,242	5.2	%
Directors			
T.J. Chung (6)	18,691	*	
Cary T. Fu (7)	9,112	*	

Anthony Grillo (8)	55,620	*	
David W. Heinzmann (9)	80,838	*	
Gordon Hunter (10)	99,223	*	
John E. Major (11)	31,471	*	
William P. Noglows (12)	27,190	*	
Ronald L. Schubel (13)	31,033	*	
Nathan Zommer (14)	483,172	1.9	%
Named Executive Officers			
Meenal A. Sethna (15)	14,900	*	
Ryan K. Stafford (16)	40,401	*	
Michael P. Rutz (17)	23,200	*	
All current directors and executive officers as a group (15 persons) (18)	**947,453**	**3.8**	**%**

*Indicates ownership of less than 1% of common stock.

(1) Shares beneficially owned includes all outstanding stock options, restricted stock units, and deferred restricted stock units exercisable for or convertible into our common stock either currently or within 60 days after March 5, 2018.

(2) Applicable ownership percentage is based upon 24,894,948 shares of common stock outstanding as of March 5, 2018.

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(3) The information is based on a Schedule 13G/A filed by BlackRock, Inc. with the SEC on January 19, 2018 reporting beneficial ownership as of December 31, 2017. BlackRock, Inc. reported that they have sole voting power with respect to 2,340,680 shares, and sole dispositive power with respect to all of the shares reported.

(4) The information is based on a Schedule 13G/A filed by The Vanguard Group with the SEC on February 9, 2018 reporting beneficial ownership as of December 31, 2017. The Vanguard Group reported that they have sole voting power with respect to 43,701 shares, shared voting power with respect to 2,598 shares, shared dispositive power with respect to 44,597 shares, and sole dispositive power with respect to 1,905,551 shares.

(5) The information is based on a Schedule 13G/A filed by Neuberger Berman Group LLC and Neuberger Berman Investment Advisers LLC with the SEC on February 15, 2018 reporting beneficial ownership as of December 31, 2017. The Neuberger Berman Group LLC and its affiliates reported that they have shared voting power with respect to 1,281,042 and shared dispositive power with respect to all of the shares reported.

(6) Includes (i) 1,597 stock options currently exercisable or that become exercisable within 60 days, (ii) 645 restricted stock units that vest within 60 days, and (iii) 7,308 deferred restricted stock units granted pursuant to the directors deferred compensation plan that are deferred until termination of service from the Board.

(7) Includes (i) 6,028 stock options currently exercisable or that become exercisable within 60 days, and (ii) 645 restricted stock units that vest within 60 days.

(8) Includes (i) 7,676 stock options currently exercisable or that become exercisable within 60 days, (ii) 645 restricted stock units that vest within 60 days, and (iii) 774 deferred restricted stock units granted pursuant to the directors deferred compensation plan that are deferred until termination of service from the Board.

(9) Includes (i) 51,388 stock options currently exercisable or that become exercisable within 60 days, (ii) 5,278 restricted stock units that vest within 60 days, and (iii) 6,349 shares held indirectly by trust.

1,104 Costs and expenses 38 32 70 Interest expense 10 10 38 42 80 Income (loss) from continuing operations before income tax expense 261 1,062 (299) 1,024 Income tax (expense) benefit (1) (1) Income (loss) from continuing operations 260 1,062 (299) 1,023 Less: Income attributable to non-controlling interests from
continuing operations (763) (763) Income attributable to Icahn Enterprises from continuing operations $260 $299 $(299) $260

(1) We made investments aggregating $950 million (of which $700 million was made during fiscal 2007 and $250 million was made during the fourth quarter of fiscal 2008) in the Private Funds for which no special profits interest allocation effective January 1, 2008 (and prior to January 1, 2008, management fees) or incentive allocations are applicable. As of December 31, 2008, the total value of this investment is $660 million, with an unrealized loss of $274 million and $16 million for fiscal 2008 and fiscal 2007, respectively. These amounts are reflected in the Private Funds net assets and earnings.

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Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007

For fiscal 2008, the Target Special Profits Interest Amount was $70 million, net of a hypothetical loss from the Investment Funds and forfeited amounts based on redemptions in full. (See above for further discussion regarding the Target Special Profits Interest Amount.) No accrual for special profits interest allocation was made for fiscal 2008 due to losses in the Investment Funds. The Target Special Profits Interest Amount of $70 million representing the entire fiscal 2008 Target Special Profits Amount will be carried forward into future periods and will be accrued to the extent that there are sufficient net profits in the Investment Funds during the investment period to cover such amounts. There was no special profits interest allocation for fiscal 2007 because the special profits interest allocations commenced effective January 1, 2008.

There were no management fees in fiscal 2008 as these fees were terminated on January 1, 2008. Management fees were $128 million for fiscal 2007.

There was no incentive allocation to the General Partners in fiscal 2008 as compared to an incentive allocation of $71 million in fiscal 2007. The decrease of $71 million was due to the decline in performance of the Private Funds during fiscal 2008 compared to fiscal 2007 as the Private Funds largest core equity positions declined in value. Incentive allocations earned from the Private Funds are accrued on a quarterly basis and are generally allocated to the General Partners at the end of the Private Funds fiscal year (or sooner on redemptions).

The net loss from investment activities in fiscal 2008 was $303 million compared to a net gain of $21 million in fiscal 2007 and consists of two components. The first component reflects a net loss of $29 million in fiscal 2008 relating to the decrease in the General Partners investment in the Private Funds as a result of the decline in the performance of the General Partners investment, compared to a gain of $37 million in fiscal 2007. The second component includes a net investment loss in fiscal 2008 of $274 million as compared to $16 million in fiscal 2007 on the aggregate $950 million invested in the Private Funds by us.

Net realized and unrealized losses of the Private Funds on investment activities were $3.0 billion for fiscal 2008, compared to a gain of $355 million for fiscal 2007. This decrease relates primarily to the decline in performance of the Private Funds during fiscal 2008 caused primarily by the decline in the value of the Private Funds largest equity positions.

Interest and dividend income increased by $20 million, or 9.0%, to $242 million for fiscal 2008 as compared to the fiscal 2007. The increase was primarily attributable to amounts earned on interest-paying investments.

The General Partners and Icahn Capital s costs and expenses decreased by $15 million, or 31.9%, to $32 million for fiscal 2008 as compared to fiscal 2007. This decrease is due to a decrease in compensation awards during fiscal 2008 that were primarily tied to the performance of the Investment Funds and unpaid re-invested compensation balances that declined in value.

Private Funds costs and expenses, including interest expense, decreased by $20 million, or 37.7%, to $33 million in fiscal 2008 as compared to fiscal 2007. This decrease is primarily attributable to net loss accrued on the deferred management fee payable by the consolidated Offshore Fund.

Loss attributable to non-controlling interests from continuing operations in fiscal 2008 was $2.5 billion as compared to income attributable to non-controlling interests of $314 million in fiscal 2007. This change was due to the decline in performance of the Private Funds during fiscal 2008.

Year Ended December 31, 2007 Compared to the Year Ended December 31, 2006

Management fees increased by $46 million, or 56.1%, to $128 million for fiscal 2007 as compared to fiscal 2006. The increase was attributable to increased AUM due mainly to net capital inflows and capital appreciation.

Incentive allocations decreased by $119 million, or 62.6%, to $71 million for fiscal 2007, as compared to fiscal 2006. This decrease relates to the decline in performance of the Private Funds during fiscal 2007. The General Partners incentive allocations earned from the Private Funds are accrued on a quarterly basis and are allocated to the General Partners at the end of the Private Funds fiscal year (or sooner on redemptions).

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The net gain from investment activities of $21 million earned by our interests in the Investment Management segment in fiscal 2007 consists of two components. The first reflects a net gain of $37 million relating to the increase in the General Partners investment in the Private Funds as a result of earned incentive allocations and the return on the General Partners investment. This compares with $27 million in fiscal 2006. The second component includes a net investment loss in fiscal 2007 of $16 million on the original $700 million invested in the Private Funds by us which were primarily made in the fourth quarter of fiscal 2007.

Net realized and unrealized gains of the Private Funds on investment activities were $355 million for fiscal 2007, compared to $1.0 billion for fiscal 2006. This decrease relates to the decline in performance of the Private Funds during fiscal 2007 relating to the economic and market factors discussed above but partially offset by increased AUM.

Interest and dividend income increased by $149 million, or 204%, to $222 million for fiscal 2007, as compared to fiscal 2006. The increase was primarily attributable to increases in AUM and the amounts invested in interest-paying investments.

The General Partners and New Icahn Managements costs and expenses increased by $9 million, or 23.7%, to $47 million for fiscal 2007, as compared to fiscal 2006. This increase is primarily due to vested compensation awards relating to management fees and earned incentive allocations and the return thereon.

Private Funds costs and expenses increased by $11 million, or 26.2%, to $53 million for fiscal 2007 as compared to fiscal 2006. This increase is primarily attributable to increases in financing expenses and interest expense relating to securities sold, not yet purchased and an increase in fees paid to the Private Funds administrator that are based on AUM.

Income attributable to non-controlling interests from continuing operations was $314 million for fiscal 2007, as compared to $763 million for fiscal 2006. This decrease was due to the decline in performance of the Private Funds during fiscal 2007 as discussed above.

Automotive

Our Automotive segment consists of Federal-Mogul, a leading global supplier of a broad range of components, accessories and systems to the automotive, small engine, heavy-duty, marine, railroad, agricultural, off-road, aerospace and industrial, energy and transport markets, including customers in both the OEM market and the aftermarket. Effective July 3, 2008, we acquired a majority interest in Federal-Mogul.

Federal-Mogul believes that its sales are well balanced between OEM and aftermarket as well as domestic and international. During 2008, Federal-Mogul derived 62% of its sales from the OE market and 38% from the aftermarket. Federal-Mogul s customers include the world s largest automotive OEMs and major distributors and retailers in the independent aftermarket. Geographically, Federal-Mogul derived 38% of its 2008 sales in North America and 62% internationally. Federal-Mogul is organized into five product groups: Powertrain Energy, Powertrain Sealing and Bearings, Vehicle Safety and Protection, Automotive Products and Global Aftermarket. Federal-Mogul has operations in established markets including Canada, France, Germany, Italy, Japan, Spain, the United Kingdom and the United States, and emerging markets including Brazil, China, Czech Republic, Hungary, India, Korea, Mexico, Poland, Russia, Thailand and Turkey. The attendant risks of Federal-Mogul s international operations are primarily related to currency fluctuations, changes in local economic and political conditions, and changes in laws and regulations.

In accordance with U.S. GAAP, assets transferred between entities under common control are accounted for at historical cost similar to a pooling of interests. As of February 25, 2008 (the effective date of control by Thornwood and, indirectly, by Carl C. Icahn) and thereafter, as a result of our acquisition of a majority interest in Federal-Mogul on July 3, 2008, we consolidated the financial position, results of operations and cash flows of Federal-Mogul. We evaluated the activity between February 25, 2008 and February 29, 2008 and, based on the immateriality of such activity, concluded that the use of an accounting convenience date of February 29, 2008 was appropriate. For comparative purposes, revenues and earnings of Federal-Mogul for the ten months ended December 31, 2007 are provided in the tables and discussion below and are not included in our consolidated results, and exclude income and expenses relating to their emergence from bankruptcy.

The five product groups of our Automotive segment have been aggregated for purposes of reporting our operating results below. Summarized statements of operations and performance data for the Automotive segment for the period March 1, 2008 through December 31, 2008 and 2007 are as follows (in millions of dollars):

	Period March 1 through December 31,	
	2008	2007
Net sales	$5,652	$ 5,822
Cost of goods sold	4,730	4,820
Gross margin	922	1,002
Expenses:		
Selling, general and administrative	709	785
Restructuring and impairment	566	103
Total expenses	1,275	888
(Loss) income from continuing operations before interest, income taxes, and other income, net	$(353)	$ 114

The percentage of Federal-Mogul s net sales by region for the ten months ended December 31, 2008 and 2007 are listed below.

2008	Ten Months
U.S. and Canada	40 %
Europe	46 %
Rest of world	14 %

2007	Ten Months
U.S. and Canada	42 %
Europe	45 %
Rest of world	13 %

Net Sales

During the first half of fiscal 2008, Federal-Mogul experienced significant sales growth in all regions and business units. Starting during the third quarter of fiscal 2008, North American light vehicle OE production began to lose pace, with significant production declines in both North American and European light vehicle OE production during the fourth quarter. In total, the number of light vehicles produced was 16.4 million in the Americas, 22.4 million in Europe, the Middle East and Africa, or EMEA, and 27.2 million in Asia, compared to 2007 light vehicle production of 18.5 million, 24.0 million and 27.2 million in the Americas, EMEA and Asia, respectively. Federal-Mogul expects continued downward pressure on fiscal 2009 production volumes when compared to the volumes experienced during fiscal 2008.

Net sales decreased by $170 million, or 2.9%, to $5.7 billion for the ten months ended December 31, 2008 as compared to the corresponding prior year period. Decreased OE production in North America and Europe as well as decreased demand in aftermarket resulted in overall sales volume declines, which were partially offset by customer pricing increases and incremental sales resulting from acquisitions. Additionally, approximately 60% of Federal-Mogul s net sales for the ten months ended December 31, 2008 originated outside the United States; therefore, the weakening of the U.S. dollar, primarily against the euro, resulted in increased reported sales from non-U.S. operations, thereby partially offsetting the overall net sales decrease for the ten months ended December 31, 2008 as compared to the corresponding prior year period.

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Gross Margin

Gross margin decreased by $80 million, or 8.0%, to $922 million for the ten months ended December 31, 2008 as compared to the corresponding prior year period. During the period March 1, 2008 through December 31, 2008, our Automotive segment recognized $60 million as additional cost of goods sold which consisted of fair value adjustments based on our purchase of the controlling interest in Federal-Mogul, thereby reducing gross margin by the same amount. Before considering the impact of this one-time inventory charge of $60 million, gross margin would have been 17.4% of net sales as compared to 17.2% in the corresponding prior year period. Improved productivity, net of labor and benefits inflation, lower depreciation of fixed assets revalued in conjunction with the purchase accounting adjustments to fair value, and customer price increases were more than offset by decreased sales volumes and increased costs of materials and services.

Selling, General and Administrative

Selling, general and administrative, or SG&A expenses, decreased by $76 million, or 9.7%, to $709 million for the ten months ended December 31, 2008 as compared to the corresponding prior year period. SG&A expenses were 12.5% and 13.5% of net sales for the ten months ended December 31, 2008 and 2007, respectively. The unfavorable impact of exchange movements increased SG&A expenses which was more than offset by a constant-dollar reduction, primarily due to reduced pension costs and other productivity improvements, net of labor and benefits inflation.

Included in SG&A expense above were research and development, or R&D, costs, including product engineering and validation costs, of $142 million for the ten months ended December 31, 2008 compared to $149 million in the comparable prior year period. As a percentage of OEM sales, research and development was 4% for each of the ten months ended December 31, 2008 and 2007.

Restructuring and Impairment

Restructuring and impairment increased by $463 million to $566 million for the ten months ended December 31, 2008, as compared the corresponding prior year period. The increase is primarily due to impairment charges relating to goodwill and other indefinite-lived intangible assets as discussed below.

Included in restructuring and impairment charges are a total of $434 million related to impairment charges as follows:

	Amount
Long-lived tangible assets	$ 19
Goodwill	222
Other indefinite-lived intangible assets	130
Investments in unconsolidated affiliates	63
	$ 434

Given the complexity of the calculation and the significance of fourth quarter economic activity, Federal-Mogul has not yet completed its annual impairment assessment. Federal-Mogul evaluates its recorded goodwill and other indefinite-lived intangible assets for impairment annually as of October 1 and in accordance with Statement of Financial Accounting Standards, or SFAS, No. 142, *Accounting for Goodwill and Other Intangible Assets*, or SFAS No. 142. Based upon the draft valuations and preliminary assessment, our Automotive segment recorded impairment charges of $222 million and $130 million for goodwill and other indefinite-lived intangible assets, respectively, for the period March 1, 2008 through December 31, 2008. To the extent that the finalization of Federal-Mogul s assessment of goodwill and other indefinite-lived intangible requires adjustment to the preliminary impairment charge, such adjustment would be recorded in the first quarter of fiscal 2009. These charges were required to adjust the carrying value of goodwill and other indefinite-lived intangible assets to estimated fair value. The goodwill impairment charge is net of $17 million related to recorded goodwill resulting from our purchase of the controlling interest in Federal-Mogul. This net adjustment was recorded in conjunction with Federal-Mogul s goodwill impairment as Federal-Mogul s impairment also impacts our underlying values related to our inventory revaluation and recorded goodwill related to the acquisition. The estimated fair values were determined based upon consideration of various valuation methodologies, including guideline transaction multiples, multiples of current earnings, and projected

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future cash flows discounted at rates commensurate with the risk involved. Although the annual assessment was conducted as of October 1, 2008, Federal-Mogul incorporated general economic and company specific factors subsequent to this date into its assessment, including updated discount rates, costs of capital, market capitalization of Federal-Mogul, and financial projections, all in order to give appropriate consideration to the unprecedented economic downturn in the automotive industry that continued throughout the fourth quarter of 2008.

The impairment charge is primarily attributable to significant decreases in forecasted future cash flows as Federal-Mogul adjusts to the known and anticipated changes in industry production volumes.

As of December 31, 2008, Federal-Mogul evaluated the recorded value of its investments in non-consolidated affiliates for potential impairment. Due to the economic downturn in the global automotive industry and the related declines in anticipated production volumes, Federal-Mogul concluded that its investments in non-consolidated affiliates were impaired, and an impairment charge of $63 million was recorded as of December 31, 2008.

Federal-Mogul recorded impairment charges of $19 million for the ten months ended December 31, 2008 to adjust definite-lived long-lived assets to their estimated fair values in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, or SFAS No. 144. These impairment charges were primarily related to operating facilities for which Federal-Mogul will announce closures in 2009 as part of its ongoing Restructuring 2009 program. In assessing indications of impairment for its definite-lived assets, Federal-Mogul compares the estimated future cash flows of such assets against their carrying values. Federal-Mogul records impairment amounts by assessing carrying values associated with definite-lived assets such as property, plant and equipment in relation to their estimated net realizable values.

The unprecedented downturn in the global automotive industry and global financial markets led Federal-Mogul to announce, in September 2008 and December 2008, certain restructuring actions, herein referred to as Restructuring 2009, designed to improve operating performance and respond to increasingly challenging conditions in the global automotive market. This plan, when combined with other workforce adjustments, is expected to reduce Federal Mogul s global workforce by approximately 8,600 positions. Federal-Mogul continues to solidify certain components of this plan, and will announce those components as plans are finalized. For the ten months ended December 31, 2008, Federal-Mogul has recorded $132 million in restructuring charges associated with Restructuring 2009 and other restructuring programs, and expects to incur additional restructuring charges up to $37 million through fiscal 2010. As the majority of the costs expected to be incurred in relation to Restructuring 2009 are related to severance, such activities are expected to yield future annual savings at least equal to the costs incurred.

Metals

Our Metals segment is conducted through our wholly owned subsidiary, PSC Metals. PSC Metals completed the acquisitions of substantially all of the assets of four scrap metal recyclers in fiscal 2007 and fiscal 2008. The aggregate purchase price for the acquisitions was $55 million, the most significant of which was $42 million relating to the September 2007 acquisition of substantially all of the assets of WIMCO Operating Company, Inc., a full-service scrap metal recycler in Ohio. The results of operations for yards acquired are reflected in the consolidated results of PSC Metals from the dates of acquisition.

Summarized statements of operations and performance data for PSC Metals for the years ended December 31, 2008, 2007 and 2006 are as follows (in millions, except units of weight):

	Year Ended December 31,		
	2008	2007	2006
Net sales	$1,239	$834	$710
Cost of goods sold	1,102	778	652
Gross profit	137	56	58
Selling, general and administrative	34	18	15
Income from continuing operations before interest, income taxes and other income, net	$103	$38	$43
Ferrous tons sold (000s)	1,858	1,707	1,560
Non-ferrous pounds sold (000s)	125,140	120,470	114,086

Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007

Net sales for fiscal 2008 increased by $405 million, or 48.6%, to a record $1.2 billion as compared to fiscal 2007. This increase was primarily driven by improvement in ferrous revenues during fiscal 2008. Ferrous average pricing was approximately $178 per gross ton higher and ferrous shipments were 151,000 gross tons, or 8.8%, higher in fiscal 2008 as compared to fiscal 2007. Ferrous pricing reached historically high levels during fiscal 2008, with shredded material prices quoted as high as $594 per gross ton in the July American Metals Market Scrap Composites Index. The increased prices were driven by strong worldwide demand for recycled metals. All product lines except non-ferrous contributed to the revenue increase in fiscal 2008. Scrap yards acquired during fiscal 2007 and early fiscal 2008 contributed $141 million to the revenue increase in fiscal 2008.

Although net sales for fiscal 2008 were greater than fiscal 2007, prices and demand deteriorated during the second half of fiscal 2008 as the distressed global economic conditions have affected the scrap industry. We cannot predict whether, or how long, current market conditions will continue to persist. However, in response to these conditions, PSC Metals has implemented various measures to align its cost structure to the current market environment. Some of these measures include significant staff reductions and salary freezes, temporary idling of major equipment and certain operations, and reduced capital spending.

Gross profit for fiscal 2008 increased by $81 million, or 144.6%, to $137 million as compared to fiscal 2007. As a percentage of net sales, cost of goods sold was 89.0% and 93.3% for fiscal 2008 and fiscal 2007, respectively. The increase in gross profit and lower cost of goods sold percentage are primarily due to increased selling prices during fiscal 2008 that exceeded the increased cost of scrap supply. Yards acquired during fiscal 2007 and early fiscal 2008 also contributed to the increase in gross profit in fiscal 2008.

Selling, general and administrative expenses increased $16 million, or 88.9%, to $34 million as compared to fiscal 2007. The increase was primarily attributable to employee-related costs, which include headcount increases during the year supporting growth and acquired yards and higher incentive compensation expenses relating to our Metals segment s strong operating performance, and increased professional fees.

Year Ended December 31, 2007 Compared to the Year Ended December 31, 2006

Net sales for fiscal 2007 increased by $124 million, or 17.5%, to $834 million as compared to fiscal 2006. The increase was primarily due to the increase in ferrous sales generated by both an increase in the average selling price of ferrous scrap and increased volume of shipped ferrous production. For fiscal 2007, average pricing increased approximately $35 per gross ton while ferrous shipments increased by 147,000 gross tons as compared to fiscal 2006. The average selling price of non-ferrous scrap increased $.04 per pound, and non-ferrous shipments increased by 6.4 million pounds in fiscal 2007 compared to fiscal 2006. In fiscal 2007, our non-ferrous operations benefited from higher prices for copper. The increase in price was evident in data published by the London Market Exchange and COMEX. We believe the non-ferrous prices were higher than historical average prices due to strong increases in industrial production and demand from industrializing countries such as China during fiscal 2007.

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Gross profit for fiscal 2007 decreased by $2 million, or 3.4%, to $56 million as compared to fiscal 2006. As a percentage of net sales, cost of sales was 93.3% and 91.8% in fiscal 2007 and fiscal 2006, respectively. The increase is due to increased cost of secondary products caused by reduced supply of material from PSC Metals key suppliers.

Selling, general and administrative expenses increased $3 million, or 20.0%, to $18 million in fiscal 2007 as compared to fiscal 2006. The increase is primarily due to additional headcount and employee-related costs.

Real Estate

Our Real Estate segment is comprised of rental real estate, property development and resort activities associated with property development. The three related operating lines of our real estate segment have been aggregated for purposes of reporting our operating results below. Certain properties are reclassified as discontinued operations when subject to a contract and are excluded from income from continuing operations.

The following table summarizes the key operating data for real estate activities for the years ended December 31, 2008, 2007 and 2006 (in millions of dollars):

	Year Ended December 31,		
	2008	2007	2006
Revenues[(1)]	$101	$ 106	$ 134
Expenses	82	92	105
Income from continuing operations before interest, income taxes and other income, net	$19	$ 14	$ 29

(1) Revenues include net sales from Development and Resort operations, and rental and financing lease income from Rental operations.

Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007

Total revenues decreased by $5 million, or 4.7%, to $101 million as compared to fiscal 2007. The decrease was primarily attributable to a decrease in property development sales activity due to the general slowdown in residential and vacation home sales, and was partially offset by an increase in rental income, due to the acquisitions of two net leased properties acquired in August 2008. In fiscal 2008, we sold 39 residential units for $42 million at an average price of $1.1 million. In fiscal 2007, we sold 76 residential units for $61 million at an average price of $0.8 million.

Total expenses decreased by $10 million, or 10.9%, to $82 million in fiscal 2008 as compared to fiscal 2007. The decrease was primarily due to a decrease in property development sales activity. In fiscal 2008, property development expenses included asset impairment charges of $4 million, primarily attributable to inventory units in our Grand Harbor and Oak Harbor, Florida subdivisions. These decreases were partially offset by increased depreciation expenses attributable to the acquisition of two net lease properties. In fiscal 2007, property development expenses included an asset impairment charge of $3 million related to certain condominium land in our Oak Harbor, Florida subdivision and a litigation loss reserve of $2 million.

Based on current residential sales conditions, coupled with the completion of our Westchester, New York properties and the depressed Florida real estate market, we anticipate that property development sales will likely continue to decline in fiscal 2009. We may incur additional asset impairment charges if sales price assumptions and unit absorptions are not achieved.

Year Ended December 31, 2007 Compared to the Year Ended December 31, 2006

Total revenues decreased by $28 million, or 20.9%, to $106 million in fiscal 2007 as compared to fiscal 2006. The decrease was primarily attributable to a decrease in property development sales activity due to the general slowdown in residential and vacation home sales. In fiscal 2007, we sold 76 units for $61 million at an average price of $0.8 million. In fiscal 2006, we sold 128 units for $91 million at an average price of $0.7 million. In fiscal 2006, our New Seabury, MA property sales and margins were stronger principally due to closings from its grand opening in fiscal 2005.

Total expenses decreased by $13 million, or 12.4%, to $92 million in fiscal 2007 as compared to fiscal 2006. The decrease was primarily due to a decrease in property development sales activity. Contributing to the

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overall decrease in fiscal 2007 was the reversal of a prior year hurricane loss provision of $1 million related to our rental properties. Included in total expenses for fiscal 2007 was a litigation loss reserve of $2 million, an impairment charge of $3 million related to our development properties and a $1 million impairment charge related to our rental properties. Impairment charges in our property development segment primarily related to decreased condominium land values in our Oak Harbor, FL subdivision caused by the current real estate slowdown. Impairment charges in our rental real estate were primarily due to a decrease in rental renewal rates at certain of our commercial properties.

Home Fashion

WPI has been adversely affected by a variety of unfavorable conditions, including the following factors that have negatively impacted operating results:

adverse competitive conditions for U.S. manufacturing facilities compared to manufacturing facilities located outside of the United States;
growth of low-priced competitive imports from Asia and Latin America resulting from lifting of import quotas; and
a difficult retail market for home textiles driven by both the current economy and the slowdown in residential home sales.

Summarized statements of operations for the years ended December 31, 2008, 2007 and 2006 are as follows (in millions of dollars):

	Year Ended December 31,		
	2008	2007	2006
Net sales	$425	$ 683	$ 891
Cost of goods sold	394	681	858
Gross margin	31	2	33
Expenses:			
Selling, general and administrative	89	112	130
Restructuring and impairment	37	49	46
Total expenses	126	161	176
Loss from continuing operations before interest, income taxes, and other income, net	$(95)	$ (159)	$ (143)

Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007

Net sales decreased by $258 million, or 37.8%, to $425 million for fiscal 2008 as compared to fiscal 2007. Gross margin for fiscal 2008 increased by $29 million to $31 million as compared to fiscal 2007. The decrease in net sales continued to reflect lower sales due to the weak home textile retail environment and the elimination of unprofitable programs, but has been mitigated by improvements in both gross margin and operating earnings as a result of shifting manufacturing capacity from the United States to lower-cost countries, lowering selling, general and administrative expenditures and reduced restructuring and impairment charges. We shifted manufacturing capacity from the United States to lower-cost countries and closed numerous U.S. plants during fiscal 2007 and early fiscal 2008. WPI will continue to realign its manufacturing operations to optimize its cost structure, pursuing offshore sourcing arrangements that employ a combination of owned and operated facilities, joint ventures and third-party supply contracts.

Selling, general and administrative expenses for fiscal 2008 decreased by $23 million, or 20.5%, to $89 million as compared to fiscal 2007, reflecting WPI s continuing efforts to reduce its selling, warehousing, shipping and general and administrative expenses. WPI continues to lower its selling, general and administrative expenditures by consolidating its locations, reducing headcount and applying more stringent oversight of expense areas where potential savings may be realized.

Restructuring and impairment charges decreased by $12 million, or 24.5%, to $37 million in fiscal 2008 as compared to fiscal 2007. The decrease in fiscal 2008 is due to lower impairment charges, partially offset by

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higher restructuring charges. Restructuring and impairment charges include severance costs, non-cash impairment charges related to plants that have closed, and continuing costs of closed plants and transition expenses. Additionally in fiscal 2008 and fiscal 2007, in accordance with SFAS No. 142, WPI reduced the fair value of the trademarks and recorded intangible asset impairment charges of $6 million and $5 million, respectively.

WPI continues its restructuring efforts and, accordingly, anticipates that restructuring charges (particularly with respect to the carrying costs of closed facilities until such time as these locations are sold) and operating losses will continue to be incurred throughout fiscal 2009. If WPI s restructuring efforts are unsuccessful or its existing strategic manufacturing plans are amended, it may be required to record additional impairment charges related to the carrying value of long-lived assets.

WPI s business is significantly influenced by the overall economic environment, including consumer spending, at the retail level, for home textile products. Certain U.S. retailers continue to report comparable store sales that were either negative or below their stated expectations. Many of these retailers are customers of WPI. Based on prevailing difficult economic conditions, it will likely be challenging for these same retailers during fiscal 2009. WPI believes that it provides adequate reserves against its accounts receivable to mitigate exposure to known or likely bad debt situations, as well as sufficient overall reserve for reasonably estimated situations, should this arise.

Year Ended December 31, 2007 Compared to the Year Ended December 31, 2006

Fiscal 2007 represented a challenging combination of efforts to reduce revenue from less profitable programs, a weaker home textile retail environment, competition from other manufacturers, repositioning WPI s manufacturing operations offshore and realigning selling, general and administrative expenditures. Net sales were $683 million, a decrease of 23.3% as compared to fiscal 2006. The decrease, which affected all lines of business, was primarily attributable to our continuing efforts to reduce revenues from less profitable programs coupled with a continued weaker retail sales environment in the United States for home textile products.

Gross margins for fiscal 2007 were $2 million, or 0.3% of net sales, compared with $33 million, or 3.7% of net sales, during fiscal 2006. Gross margins were affected by competitive pricing and a weaker retail environment, and lower manufacturing plant utilizations at our U.S. plants, which were closed in fiscal 2007.

Selling, general and administrative expenses for fiscal 2007 decreased $18 million, or 13.8% to $112 million as compared to fiscal 2006, reflecting WPI s efforts to reduce its selling, warehousing, shipping and general and administrative expenses during fiscal 2007. WPI lowered its selling, general and administrative expenditures primarily by consolidating its locations and reducing headcount during fiscal 2007.

Restructuring and impairment charges increased by $3 million, or 6.5%, to $49 million as compared to fiscal 2006. The increase in fiscal 2007 is due to higher restructuring charges, partially offset by lower impairment charges. Additionally, in accordance with SFAS No. 142, WPI reduced the carrying value of the trademarks and recorded intangible asset impairment charges of $5 million in fiscal 2007. Restructuring and impairment charges include severance costs, non-cash impairment charges related to plants that have closed, and continuing costs of closed plants and transition expenses.

WPI closed all of its 30 retail stores based on a comprehensive evaluation of the stores long-term growth prospects and their on-going value to the business. On October 18, 2007, WPI entered into an agreement to sell the inventory at all of its retail stores. The net impact of these closings during fiscal 2007 was $14 million of related closure charges and impairments (including lease terminations), which has been included as part of discontinued operations.

Holding Company

The Holding Company engages in various investment activities. The activities include those associated with investing its available liquidity, investing to earn returns from increases or decreases in the market price of securities, and investing with the prospect of acquiring operating businesses that we would control. Holding Company expenses, excluding interest expense, are principally related to payroll, legal and other professional fees.

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Summarized operating revenues and expenses for the Holding Company for the years ended December 31, 2008, 2007 and 2006 are as follows (in millions of dollars):

	Year Ended December 31,		
	2008	2007	2006
Net gain from investment activities	$102	$ 84	$ 91
Interest and dividend income	51	129	43
Gain on debt extinguishment	146		
Other income, net		37	18
Holding Company revenues	299	250	152
Holding Company expenses	34	37	26
Income from continuing operations before interest expense and income taxes	$265	$ 213	$ 126

Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007

Net gain from investment activities increased by $18 million, or 21.4%, to $102 million in fiscal 2008 as compared to fiscal 2007. The increase was primarily due to higher realized gains recorded on the investment portfolio in fiscal 2008.

Interest and dividend income decreased by $78 million, or 60.5%, to $51 million for fiscal 2008 as compared to fiscal 2007. This decrease was primarily due to lower yields on lower cash balances in fiscal 2008 as compared to fiscal 2007.

During the fourth quarter of fiscal 2008, we purchased outstanding debt of entities included in our consolidated financial statements in the principal amount of $352 million and recognized an aggregate gain of $146 million.

Expenses, excluding interest expense, decreased by $3 million, or 8.1%, to $34 million in fiscal 2008 as compared to fiscal 2007. The decrease is primarily due to lower professional and legal fees.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Net gain from investment activities decreased by $7 million, or 7.7%, to $84 million in fiscal 2007 as compared to fiscal 2006. The decrease was primarily due to lower realized gains recorded on the investment portfolio in fiscal 2007.

Interest and dividend income increased by $86 million, or 200.0%, to $129 million in fiscal 2007 as compared to fiscal 2006. This increase was primarily due to the increase in the Holding Company s cash position relating to the sale of our Oil and Gas operations and Atlantic City gaming operations in the fourth quarter of fiscal 2006 and the proceeds from the issuance of additional 7.125% senior notes in January 2007 and variable rate notes in April 2007.

Expenses, excluding interest expense, increased by $11 million, or 42.3%, to $37 million for fiscal 2007 as compared to fiscal 2006. The increase is primarily attributable to professional fees and legal expenses related to the acquisition of the Investment Management business on August 8, 2007.

Interest Expense and Income (Loss) Attributable to Non-Controlling Interests Automotive, Holding Company and Other

Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007

Interest expense increased by $176 million, or 130.4%, to $311 million in fiscal 2008 as compared to fiscal 2007. The increase is primarily due to $166 million in interest expense incurred by our Automotive segment related to their Exit Facilities. Our Automotive segment results are included in our results for the period March 1, 2008 through December 31, 2008.

Loss attributable to non-controlling interests for fiscal 2008 was $132 million as compared to loss attributable to non-controlling interests of $53 million for fiscal 2007, as a result of the impact of the non-controlling interests share of losses of Federal-Mogul and WPI.

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Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Interest expense increased by $48 million, or 55.2%, to $135 million in fiscal 2007 as compared to fiscal 2006. This increase is a result of interest incurred on the $500 million of additional 7.125% senior notes issued in January 2007 and the $600 million of variable rate notes issued in April 2007.

Loss attributable to non-controlling interests for fiscal 2007 decreased $13 million, or 19.7%, to $53 million as compared to fiscal 2006, primarily as a result of the impact of the non-controlling interests share of the losses incurred by WPI.

Income Taxes

For fiscal 2008, we recorded an income tax provision of $47 million on pre-tax loss of $3.1 billion. For fiscal 2007, we recorded an income tax provision of $9 million on pre-tax income of $489 million. For fiscal 2006, we recorded an income tax benefit of $1 million on pre-tax income of $1.0 billion. Our effective income tax rate was (1.5)%, 1.8% and (0.1)% for the respective periods. The difference between the effective tax rate and statutory federal rate of 35% is principally due to changes in the valuation allowance and partnership income not subject to taxation, as such taxes are the responsibility of the partners.

Discontinued Operations

Gaming

On November 17, 2006, within our former Gaming segment, our indirect majority owned subsidiary, Atlantic Coast Entertainment Holdings, Inc., or Atlantic Coast, completed the sale to Pinnacle Entertainment, Inc., or Pinnacle, of the outstanding membership interests in ACE Gaming LLC, or ACE, the owner of The Sands Hotel and Casino in Atlantic City, N.J., and 100% of the equity interests in certain subsidiaries of Icahn Enterprises Holdings which owned parcels of real estate adjacent to The Sands, including the Traymore site. The aggregate purchase price was $275 million, of which approximately $201 million was paid to Atlantic Coast and $74 million was paid to affiliates of Icahn Enterprises Holdings for subsidiaries which owned the Traymore site and the adjacent properties.

On February 20, 2008, we consummated the sale of our subsidiary, ACEP, to an affiliate of Whitehall Street Real Estate Fund for $1.2 billion, realizing a gain of $472 million, after taxes. The sale of ACEP included the Stratosphere and three other Nevada gaming properties, which represented all of our remaining gaming operations.

In connection with the closing, we repaid all of ACEP s outstanding 7.85% senior secured notes due 2012, which were tendered pursuant to ACEP s previously announced tender offer and consent solicitation. In addition, ACEP repaid in full all amounts outstanding, and terminated all commitments, under its credit facility with Bear Stearns Corporate Lending Inc., as administrative agent, and the other lenders thereunder.

We elected to deposit $1.2 billion of the gross proceeds from the sale into escrow accounts to fund investment activities through tax-deferred exchanges under Section 1031 of the Code. During the third quarter of fiscal 2008, we invested $465 million of the gross proceeds to purchase two net leased properties, resulting in a deferral of $103 million in taxes. The balance of escrow accounts was subsequently released.

Real Estate

Operating properties are reclassified to held for sale when subject to a contract. The operations of such properties are classified as discontinued operations. Upon entry into a contract to sell a property, the operating results and cash flows associated with the property are reclassified to discontinued operations and historical financial statements are reclassified to conform to the current classification.

Home Fashion

WPI closed all of its retail stores based on a comprehensive evaluation of the stores long-term growth prospects and their on-going value to the business. On October 18, 2007, WPI entered into an agreement to sell the inventory at all of its retail stores and subsequently ceased operations of its retail stores. Accordingly, it has reported the retail outlet stores business as discontinued operations for all periods presented. As of December 31, 2008 and December 31, 2007, the accrued lease termination liability balance was $3 million and $7 million, respectively, which is included in liabilities of discontinued operations in our consolidated balance sheets.

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Results of Discontinued Operations

The financial position and results of these operations are presented as other assets in the consolidated balance sheets and discontinued operations in the consolidated statements of operations, respectively, for all periods presented in accordance with SFAS No. 144. For further discussion, see Note 5, Discontinued Operations and Assets Held for Sale, to the consolidated financial statements.

Summarized financial information for discontinued operations for the years ended December 31, 2008, 2007 and 2006 as follows (in millions of dollars):

	Year Ended December 31,		
	2008	2007	2006
Revenues:			
Oil and Gas	$	$	$ 354
Gaming[(1)]	60	444	524
Real Estate	1	3	5
Home Fashion retail stores		47	67
Total revenues	$61	$ 494	$ 950
Income (loss) from discontinued operations:			
Oil and Gas	$	$	$ 183
Gaming	13	100	45
Real Estate	1	2	3
Home Fashion retail stores		(20)	(7)
Total income from discontinued operations before income taxes, interest and other income	14	82	224
Interest expense	(3)	(21)	(46)
Interest and other income		21	13
Income from discontinued operations before income tax expense	11	82	191
Income tax expense	(4)	(19)	(17)
	7	63	174
Gain on dispositions, net of income tax expense	478	21	676
Income from discontinued operations	485	84	850
Income (loss) from discontinued operations attributable to non-controlling interests		5	(53)
Income from discontinued operations attributable to Icahn Enterprises	$485	$ 89	$ 797

(1) Gaming segment results for fiscal 2008 are through February 20, 2008, the date of the ACEP sale.

Interest and other income for fiscal 2007 includes $8 million relating to a real estate tax refund received by Atlantic Coast and $10 million representing the net gain on settlement of litigation relating to GB Holdings Inc.

The gain on dispositions for fiscal 2008 includes $472 million, net of income taxes of $260 million, recorded on the sale of ACEP. Of the $260 million in taxes recorded on the sale of ACEP, $103 million was deferred in a Code 1031 Exchange transaction during the third quarter of fiscal 2008. The gain on sales of discontinued operations for fiscal 2007 includes $12 million of gain on sales of real estate assets and $9 million relating to a working capital adjustment to the gain recorded on the sale of the Oil and Gas business in November 2006. The gain on sales of discontinued operations in fiscal 2006 includes $599 million of gain on sale of our Oil and Gas business, $13 million of gain on sales of real estate assets and $62 million on the gain on the sale of our Atlantic City gaming operations.

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Liquidity and Capital Resources

Holding Company

As of December 31, 2008, we had cash and cash equivalents of $1.4 billion, investments of $16 million and total debt of $1.9 billion. We have made investments aggregating $950 million in the Private Funds for which no special profits interest allocations (and prior to January 1, 2008, management fees) or incentive allocations are applicable. As of December 31, 2008, the total value of this investment is $660 million, with an unrealized loss of $274 million for fiscal 2008. As of January 1, 2009, we made an additional $250 million investment in the Private Funds. These amounts are reflected in the Private Funds net assets and earnings. In addition, we also have the ability to draw down on our credit facility. In August 2006, we entered into a credit agreement with a consortium of banks pursuant to which we will be permitted to borrow up to $150 million. As of December 31, 2008, there were no borrowings under the facility. See Note 13, Debt to the consolidated financial statements for additional information concerning credit facilities for our subsidiaries.

We are a holding company. Our cash flow and our ability to meet our debt service obligations and make distributions with respect to depositary units and preferred units likely will depend on the cash flow resulting from divestitures, equity and debt financings, interest income and the payment of funds to us by our subsidiaries in the form of loans, dividends and distributions. We may pursue various means to raise cash from our subsidiaries. To date, such means include payment of dividends from subsidiaries, obtaining loans or other financings based on the asset values of subsidiaries or selling debt or equity securities of subsidiaries through capital market transactions. To the degree any distributions and transfers are impaired or prohibited, our ability to make payments on our debt or distributions on our depositary units and preferred units could be limited. The operating results of our subsidiaries may not be sufficient for them to make distributions to us. In addition, our subsidiaries are not obligated to make funds available to us, and distributions and intercompany transfers from our subsidiaries to us may be restricted by applicable law or covenants contained in debt agreements and other agreements.

Consolidated Cash Flows

Operating Activities

Net cash provided by operating activities in fiscal 2008 was $841 million as compared to net cash used in operating activities of approximately $2.9 billion in fiscal 2007. Of the $841 million in net cash provided by operating activities in fiscal 2008, $299 million was provided by continuing operations from our Investment Management segment and $549 million was provided by continuing operations from our Automotive, Holding Company and other operations.

Within our Investment Management segment, net cash provided by operating activities during fiscal 2008 of $299 million is primarily due to proceeds from securities transactions of approximately $10.3 billion offset in part by purchases relating to securities transactions of $9.8 billion. Additionally, investment losses were offset by loss attributable to non-controlling interests and changes in operating assets and liabilities. This compares to $3.0 billion used in operating activities in fiscal 2007 which was primarily the result of purchases relating to securities transactions of $11.2 billion offset in part by proceeds from securities transactions of $7.9 billion.

Within our Automotive, Holding Company and other operations, net income before non-cash charges was $277 million. Non-cash charges included $450 million in asset impairment charges for fiscal 2008. Net cash provided by continuing operations from our Holding Company and other operations for fiscal 2007 was $27 million. We acquired our Automotive segment in fiscal 2008, and accordingly, our cash flows in fiscal 2007 did not include our Automotive segment s results.

Investing Activities

Net cash provided by investing activities in fiscal 2008 was $823 million as compared to $91 million for fiscal 2007. Within continuing operations, our net cash used in investing activities was $246 million, resulting primarily from capital expenditures of $794 million offset in part by proceeds from the sale of marketable securities of $565 million. Net cash provided by investing activities from discontinued operations in fiscal 2008 was approximately $1.1 billion, primarily due to net proceeds from the sale of our gaming segment.

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Financing Activities

Net cash used in financing activities in fiscal 2008 was approximately $1.2 billion as compared to net cash provided by financing activities of approximately $3.1 billion in fiscal 2007. Net cash used in financing activities from our Investment Management segment in fiscal 2008 was $585 million due to capital distributions of $1.3 billion offset primarily by capital contributions of $685 million. Net cash used in financing activities from continuing operations from our Automotive, Holding Company and other operations was $337 million in fiscal 2008, resulting primarily from payments of borrowings of $302 million. Additionally, in fiscal 2008, we invested an additional $250 in the Private Funds, the effect of which has been eliminated in consolidation. Within financing activities from discontinued operations is $255 million paid for debt relating to our former gaming segment.

In fiscal 2007, net cash provided by financing activities within our Investment Management segment was approximately $2.4 billion primarily from capital contributions by non-controlling interests. Net cash provided by financing activities from continuing operations from our Holding Company and other operations was $753 million primarily from proceeds from the issuance of notes payables and other borrowings totaling approximately $1.2 billion, offset in part by the $335 million payment in connection with our acquisition of PSC Metals.

Borrowings

Long-term debt consists of the following (in millions of dollars):

	December 31, 2008	December 31, 2007
Senior unsecured variable rate convertible notes due 2013 Icahn Enterprises	$ 556	$ 600
Senior unsecured 7.125% notes due 2013 Icahn Enterprises	961	973
Senior unsecured 8.125% notes due 2012 Icahn Enterprises	352	352