GENERAL ELECTRIC CAPITAL CORP
Form 8-K
October 19, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) October 13, 2015

General Electric Capital Corporation
(Exact name of registrant as specified in its charter)

Delaware	001-06461	13-1500700
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

901 Main Avenue, Norwalk, Connecticut	06851-1168
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (203) 840-6300

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry Into a Material Definitive Agreement

On October 13, 2015, General Electric Capital Corporation ("GECC") and Wells Fargo Bank, N.A. ("Wells Fargo") entered into a Stock and Asset Purchase Agreement (the "Purchase Agreement") pursuant to which Wells Fargo will acquire GECC's global Commercial Distribution Finance, North American Vendor Finance and North American Corporate Finance businesses through a combination of asset and entity sales (the "Transaction"). The Transaction includes approximately $32 billion of assets and approximately 3,000 employees. The purchase price of approximately 1.4 times tangible book value in respect of the Transaction is subject to certain agreed adjustments and is payable in cash to be funded by Wells Fargo without any seller financing. The parties expect the closing of the Transaction will be staged across multiple jurisdictions and substantially completed in the first quarter of 2016. The Transaction is subject to regulatory approvals and other customary closing conditions, and the Purchase Agreement may be terminated by either party if the Transaction has not closed by November 1, 2016 (subject to a six-month extension at GECC's election in certain circumstances).

The Transaction is part of General Electric Company's ("GE") previously announced plan to reduce the size of its financial services businesses through the sale of most of the assets of GECC, its wholly owned subsidiary, and to focus on continued investment and growth in GE's industrial businesses. The businesses to be acquired by Wells Fargo in the Transaction were among the Commercial Lending and Leasing businesses that GECC began reporting in discontinued operations for the second quarter of 2015.

This document contains "forward-looking statements" – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance and financial condition, and often contain words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "see," "will," "would," or "target."

Forward-looking statements by their nature address matters that are, to different degrees, uncertain, such as statements about General Electric Company's ("GE's") announced plan to reduce the size of its financial services businesses, including expected cash and non-cash charges associated with this plan; expected income; revenues; net interest margin; cost structure; restructuring charges; cash flows; assets; return on capital or assets; capital structure, including Tier 1 common ratio; and dividends.

For us, particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include:

- obtaining (or the timing of obtaining) any required regulatory reviews or approvals or any other consents or approvals associated with GE's announced plan to reduce the size of its financial services businesses;
- our ability to complete incremental asset sales as part of that plan in a timely manner (or at all) and at the prices we have assumed;
- changes in law, economic and financial conditions, including interest and exchange rate volatility, commodity and equity prices and the value of financial assets, including the impact of these conditions on our ability to sell or the value of incremental assets to be sold as part of GE's announced plan to reduce the size of its financial services businesses as well as other aspects of that plan;
- the impact of conditions in the financial and credit markets on the availability and cost of GECC's funding, GECC's exposure to counterparties and GECC's ability to reduce asset levels as planned;
- the impact of conditions in the housing market and unemployment rates on the level of commercial and consumer credit defaults;
- pending and future mortgage loan repurchase claims and other litigation claims in connection with WMC, which may affect our estimates of liability, including possible loss estimates;
- our ability to maintain our current credit rating and the impact on our funding costs and competitive position if we do not do so;

(2)

- GECC's ability to pay dividends to GE at the planned level, which may be affected by GECC's cash flows and earnings, financial services regulation and oversight, and other factors;
- the level of demand and financial performance of the major industries and customers GE serves;
- the effectiveness of our risk management framework;
- the impact of regulation and regulatory, investigative and legal proceedings and legal compliance risks, including the impact of financial services regulation and litigation;
- adverse market conditions, timing of and ability to obtain required bank regulatory approvals, or other factors relating to GE or Synchrony Financial that could prevent GE from completing the Synchrony Financial split-off as planned;
- our success in completing, including obtaining regulatory approvals for, announced transactions, such as GE's announced plan to reduce the size of its financial services business;
- our success in integrating acquired businesses and operating joint ventures;
- the impact of potential information technology or data security breaches; and
- the other factors that are described in "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014.

These or other uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements. This document includes certain forward-looking projected financial information that is based on current estimates and forecasts. Actual results could differ materially.

(3)

SIGNATURES

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

General Electric Capital Corporation
(Registrant)

Date: October 19, 2015 /s/ Walter Ielusic
Walter Ielusic
Senior Vice President and Controller

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instrument is reported in Accumulated other comprehensive income (“AOCI”) and reclassified into interest expense over the life of the underlying debt. The ineffective portion for both cash flow and fair value hedges, which is not material for any year presented, is immediately recognized in earnings.

FOREIGN CURRENCY RISK MANAGEMENT

We manufacture and sell our products and finance operations in a number of countries throughout the world and, as a result, are exposed to movements in foreign currency exchange rates. The purpose of our foreign currency hedging program is to manage the volatility associated with the changes in exchange rates.

To manage this exchange rate risk, we have historically utilized a combination of forward contracts, options and currency swaps. Contracts that qualify are designated as cash flow hedges of certain forecasted transactions denominated in foreign currencies. The effective portion of the changes in fair value of these instruments is reported in AOCI and reclassified into earnings in the same financial statement line item and in the same period or periods during which the related hedged transactions affect earnings. The ineffective portion, which is not material for any year presented, is immediately recognized in earnings.

The change in value of certain non-qualifying instruments used to manage foreign exchange exposure of intercompany financing transactions and certain balance sheet items subject to revaluation is immediately recognized in earnings, substantially offsetting the foreign currency mark-to-market impact of the related exposure.

COMMODITY RISK MANAGEMENT

Certain raw materials used in our production processes are subject to price volatility caused by weather, supply conditions, political and economic variables and other unpredictable factors. To manage the volatility in earnings due to price fluctuations, we may utilize swap contracts or forward purchase contracts.

Derivative instruments are reported in the consolidated balance sheets at their fair values, unless the derivative instruments qualify for the normal purchase normal sale ("NPNS") exception under GAAP and such exception has been elected. If the NPNS exception is elected, the fair values of such contracts are not recognized on the balance sheet.

Contracts that qualify are designated as cash flow hedges of forecasted commodity purchases. The effective portion of the changes in fair value for these instruments is reported in AOCI and reclassified into earnings in the same financial statement line item and in the same period or periods during which the hedged transactions affect earnings. The ineffective and non-qualifying portions, which are not material for any year presented, are immediately recognized in earnings.

The change in the fair value of certain non-qualifying instruments used to reduce commodity price volatility is immediately recognized in earnings.

The notional amounts of qualifying and non-qualifying instruments used in hedging transactions were as follows:

In millions	December 31, 2015	December 31, 2014
Derivatives in Cash Flow Hedging Relationships:		
Foreign exchange contracts (Sell / Buy; denominated in sell notional): (a)		
Brazilian real / U.S. dollar - Forward	—	166
British pounds / Brazilian real - Forward	—	5
European euro / Brazilian real - Forward	—	9
European euro / Polish zloty - Forward	260	280
Mexican peso / U.S. dollar - Forward	136	—
U.S. dollar / Brazilian real - Forward	—	125
Derivatives in Fair Value Hedging Relationships:		
Interest rate contracts (in USD)	17	230
Derivatives Not Designated as Hedging Instruments:		
Electricity contract (in Megawatt Hours)	1	—
Foreign exchange contracts (Sell / Buy; denominated in sell notional):		
European euro / British pounds	25	—
Indian rupee / U.S. dollar	49	43
Mexican peso / U.S. dollar	131	187
U.S. dollar / Brazilian real	—	11
Interest rate contracts (in USD)	38	—

(a) These contracts had maturities of three years or less as of December 31, 2015.

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The following table shows gains or losses recognized in AOCI, net of tax, related to derivative instruments:

In millions	Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion) 2015	2014	2013
Foreign exchange contracts	$(3)	$10	$—
Total	$(3)	$10	$—

During the next 12 months, the amount of the December 31, 2015 AOCI balance, after tax, that is expected to be reclassified to earnings is a gain of $3 million.

The amounts of gains and losses recognized in the consolidated statement of operations on qualifying and non-qualifying financial instruments used in hedging transactions were as follows:

In millions	Gain (Loss) Reclassified from AOCI into Income (Effective Portion) 2015	2014	2013	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
Derivatives in Cash Flow Hedging Relationships:				
Foreign exchange contracts	$(12)	$4	$7	Cost of products sold
Total	$(12)	$4	$7	

In millions	Gain (Loss) Recognized in Income 2015	2014	2013	Location of Gain (Loss) in Consolidated Statement of Operations
Derivatives in Fair Value Hedging Relationships:				
Interest rate contracts	$3	$1	$(1)	Interest expense, net
Debt	(3)	(1)	1	Interest expense, net
Total	$—	$—	$—	
Derivatives Not Designated as Hedging Instruments:				
Electricity Contracts	$(7)	$(2)	$4	Cost of products sold
Embedded derivatives	—	—	(1)	Interest expense, net
Foreign exchange contracts	(4)	(1)	(5)	Cost of products sold
Interest rate contracts	13 (a)	12 (b)	21	Interest expense, net
Total	$2	$9	$19	

(a) Excluding gain of $3 million related to debt reduction recorded to Restructuring and other charges.

(b) Excluding gain of $7 million, net related to debt issuance and debt reduction recorded to Restructuring and other charges.

The following activity is related to fully effective interest rate swaps designated as fair value hedges:

	2015			2014		
In millions	Issued	Terminated	Undesignated	Issued	Terminated	Undesignated
Second Quarter	$—	$175	$38	$—	$—	$—
First Quarter	—	—	—	55	—	—
Total	$—	$175	$38	$55	$—	$—

Fair Value Measurements

International Paper's financial assets and liabilities that are recorded at fair value consist of derivative contracts, including interest rate swaps, foreign currency forward contracts, and other financial instruments that are used to hedge exposures to interest rate, commodity and currency risks. In addition, a consolidated subsidiary of

International Paper has an embedded derivative. For these financial instruments and the embedded derivative, fair value is determined at each balance sheet date using an income approach.

The guidance for fair value measurements and disclosures sets out a fair value hierarchy that groups

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fair value measurement inputs into the following three classifications:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability reflecting the reporting entity's own assumptions or external inputs from inactive markets.

Transfers between levels are recognized at the end of the reporting period. All of International Paper's derivative fair value measurements use Level 2 inputs.

Below is a description of the valuation calculation and the inputs used for each class of contract:

Interest Rate Contracts

Interest rate contracts are valued using swap curves obtained from an independent market data provider. The market value of each contract is the sum of the fair value of all future interest payments between the contract counterparties, discounted to present value. The fair value of the future interest payments is determined by comparing the contract rate to the derived forward interest rate and present valued using the appropriate derived interest rate curve.

Foreign Exchange Contracts

Foreign currency forward contracts are valued using foreign currency forward and interest rate curves obtained from an independent market data provider. The fair value of each contract is determined by comparing the contract rate to the forward rate. The fair value is present valued using the applicable interest rate from an independent market data provider.

Electricity Contract

The electricity contract is valued using the Mid-C index forward curved obtained from the Intercontinental Exchange. The market value of the contract is the sum of the fair value of all future purchase payments between the contract counterparties, discounted to present value. The fair value of the future purchase payments is determined by comparing the contract price to the forward price and present valued using International Paper's cost of capital.

Embedded Derivative

Embedded derivatives are valued using a hypothetical interest rate derivative with identical terms. The hypothetical interest rate derivative contracts are fair valued as described above under Interest Rate Contracts.

Since the volume and level of activity of the markets that each of the above contracts are traded in has been normal, the fair value calculations have not been adjusted for inactive markets or disorderly transactions.

The following table provides a summary of the impact of our derivative instruments in the consolidated balance sheet:

Fair Value Measurements
Level 2 – Significant Other Observable Inputs

In millions	Assets December 31, 2015		December 31, 2014		Liabilities December 31, 2015		December 31, 2014	
Derivatives designated as hedging instruments								
Foreign exchange contracts – cash flow	$5	(a)	$16	(b)	$1	(c)	$14	(c)
Total derivatives designated as hedging instruments	$5		$16		$1		$14	
Derivatives not designated as hedging instruments								
Electricity contract	$—		$—		$7	(d)	$2	(c)
Foreign exchange contracts	—		1	(a)	—		2	(c)
Total derivatives not designated as hedging instruments	$—		$1		$7		$4	
Total derivatives	$5		$17		$8		$18	

(a) Included in Other current assets in the accompanying consolidated balance sheet.

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(b) Includes $14 million recorded in Other current assets and $2 million recorded in Deferred charges and other assets in the accompanying consolidated balance sheet.
(c) Included in Other accrued liabilities in the accompanying consolidated balance sheet.
(d) Includes $4 million recorded in Other accrued liabilities and $3 million recorded in Other liabilities in the accompanying consolidated balance sheet.

The above contracts are subject to enforceable master netting arrangements that provide rights of offset with each counterparty when amounts are payable on the same date in the same currency or in the case of certain specified defaults. Management has made an accounting policy election to not offset the fair value of recognized derivative assets and derivative liabilities in the consolidated balance sheet. The amounts owed to the counterparties and owed to the Company are considered immaterial with respect to each counterparty and in the aggregate with all counterparties.

Credit-Risk-Related Contingent Features

International Paper evaluates credit risk by monitoring its exposure with each counterparty to ensure that exposure stays within acceptable policy limits. Credit risk is also mitigated by contractual provisions with the majority of our banks. Certain of the contracts include a credit support annex that requires the posting of collateral by the counterparty or International Paper based on each party's rating and level of exposure. Based on the Company's current credit rating, the collateral threshold is generally $15 million.

If the lower of the Company's credit rating by Moody's or S&P were to drop below investment grade, the Company would be required to post collateral for all of its derivatives in a net liability position, although no derivatives would terminate. The fair values of derivative instruments containing credit-risk-related contingent features in a net liability position were $1 million as of December 31, 2015 and December 31, 2014, respectively. The Company was not required to post any collateral as of December 31, 2015 or 2014.

NOTE 15 CAPITAL STOCK

The authorized capital stock at both December 31, 2015 and 2014, consisted of 990,850,000 shares of common stock, $1 par value; 400,000 shares of cumulative $4 preferred stock, without par value (stated value $100 per share); and 8,750,000 shares of serial preferred stock, $1 par value. The serial preferred stock is issuable in one or more series by the Board of Directors without further shareholder action.

The following is a rollforward of shares of common stock for the three years ended December 31, 2015, 2014 and 2013:

	Common Stock	
In thousands	Issued	Treasury
Balance at January 1, 2013	439,894	13
Issuance of stock for various plans, net	7,328	(533)
Repurchase of stock	—	11,388
Balance at December 31, 2013	447,222	10,868
Issuance of stock for various plans, net	1,632	(4,668)
Repurchase of stock	—	22,534
Balance at December 31, 2014	448,854	28,734
Issuance of stock for various plans, net	62	(4,230)
Repurchase of stock	—	12,272
Balance at December 31, 2015	448,916	36,776

NOTE 16 RETIREMENT PLANS

International Paper sponsors and maintains the Retirement Plan of International Paper Company (the “Pension Plan”), a tax-qualified defined benefit pension plan that provides retirement benefits to substantially all U.S. salaried employees and hourly employees (receiving salaried benefits) hired prior to July 1, 2004, and substantially all other U.S. hourly and union employees who work at a participating business unit regardless of hire date. These employees generally are eligible to participate in the Pension Plan upon attaining 21 years of age and completing one year of eligibility service. U.S. salaried employees and hourly employees (receiving salaried benefits) hired after June 30, 2004 are not eligible to participate in the Pension Plan, but receive a company contribution to their individual savings plan accounts (see Other U.S. Plans); however, salaried employees hired by Temple Inland prior to March 1, 2007 also participate in the Pension Plan. The Pension Plan provides defined pension benefits based on years of credited service and either final average earnings (salaried employees and hourly employees receiving salaried benefits), hourly job rates or specified benefit rates (hourly and union employees).

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In connection with the Temple-Inland acquisition in February 2012, International Paper assumed administrative responsibility for the Temple-Inland Retirement Plan, a defined benefit plan which covers substantially all employees of Temple-Inland. The Temple-Inland Retirement Plan merged with the Retirement Plan of International Paper Company on December 31, 2014.

The Company also has three unfunded nonqualified defined benefit pension plans: a Pension Restoration Plan available to employees hired prior to July 1, 2004 that provides retirement benefits based on eligible compensation in excess of limits set by the Internal Revenue Service, and two supplemental retirement plans for senior managers (SERP), which is an alternative retirement plan for salaried employees who are senior vice presidents and above or who are designated by the chief executive officer as participants. These nonqualified plans are only funded to the extent of benefits paid, which totaled $62 million, $38 million and $28 million in 2015, 2014 and 2013, respectively, and which are expected to be $22 million in 2016.

The Company will freeze participation, including credited service and compensation, for salaried employees under the Pension Plan, the Pension Restoration Plan and the two SERP plans for all service on or after January 1, 2019. Credited service was previously frozen for the Temple Retirement Plans. This change will not affect benefits accrued through December 31, 2018. For service after this date, employees affected by the freeze will receive Retirement Savings Account contributions as described later in this Note 16.

Many non-U.S. employees are covered by various retirement benefit arrangements, some of which are considered to be defined benefit pension plans for accounting purposes.

OBLIGATIONS AND FUNDED STATUS

The following table shows the changes in the benefit obligation and plan assets for 2015 and 2014, and the plans' funded status. The U.S. combined benefit obligation as of December 31, 2015 decreased by $302 million, due to an increase in the discount rate assumption used in computing the estimated benefit obligation partially offset by updated demographic assumptions. Our mortality assumption for the year ended December 31, 2014 reflects adoption of the newly issued Society of Actuaries longevity improvement sale, with Company specific adjustments. U.S. plan assets increased by $5 million, primarily reflecting a $750 million qualified pension contribution in 2015 offset by benefit payments.

In millions	2015 U.S. Plans	2015 Non-U.S. Plans	2014 U.S. Plans	2014 Non-U.S. Plans
Change in projected benefit obligation:				
Benefit obligation, January 1	$14,741	$233	$12,903	$228
Service cost	161	6	145	5
Interest cost	597	10	600	13
Curtailments	—	—	—	(4)
Settlements	(43)	(12)	—	—
Actuarial loss (gain)	(254)	(1)	1,755	12
Divestitures	—	—	(23)	—
Other	—	—	—	12
Plan amendments	—	—	133	—
Benefits paid	(764)	(7)	(772)	(13)
Effect of foreign currency exchange rate movements	—	(25)	—	(20)

Benefit obligation, December 31	$14,438	$204	$14,741	$233
Change in plan assets:				
Fair value of plan assets, January 1	$10,918	$180	$10,706	$181
Actual return on plan assets	(1)	4	593	13
Company contributions	813	9	391	8
Benefits paid	(764)	(7)	(772)	(13)
Settlements	(43)	(12)	—	—
Other	—	—	—	6
Effect of foreign currency exchange rate movements	—	(19)	—	(15)
Fair value of plan assets, December 31	$10,923	$155	$10,918	$180
Funded status, December 31	$(3,515)	$(49)	$(3,823)	$(53)
Amounts recognized in the consolidated balance sheet:				
Non-current asset	$—	$7	$—	$8
Current liability	(22)	(2)	(62)	(3)
Non-current liability	(3,493)	(54)	(3,761)	(58)
	$(3,515)	$(49)	$(3,823)	$(53)
Amounts recognized in accumulated other comprehensive income under ASC 715 (pre-tax):				
Prior service cost	$166	$—	$209	$—
Net actuarial loss	4,899	42	4,812	40
	$5,065	$42	$5,021	$40

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The components of the $44 million and $2 million increase related to U.S. plans and non-U.S. plans, respectively, in the amounts recognized in OCI during 2015 consisted of:

In millions	U.S. Plans	Non-U.S. Plans
Current year actuarial (gain) loss	$530	$5
Amortization of actuarial loss	(428)	(1)
Amortization of prior service cost	(43)	—
Settlements	(15)	—
Effect of foreign currency exchange rate movements	—	(2)
	$44	$2

The accumulated benefit obligation at December 31, 2015 and 2014 was $14.3 billion and $14.6 billion, respectively, for our U.S. defined benefit plans and $189 million and $208 million, respectively, at December 31, 2015 and 2014 for our non-U.S. defined benefit plans.

The following table summarizes information for pension plans with an accumulated benefit obligation in excess of plan assets at December 31, 2015 and 2014:

	2015		2014	
In millions	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Projected benefit obligation	$14,438	$182	$14,741	$196
Accumulated benefit obligation	14,282	168	14,559	176
Fair value of plan assets	10,923	126	10,918	135

ASC 715, “Compensation – Retirement Benefits” provides for delayed recognition of actuarial gains and losses, including amounts arising from changes in the estimated projected plan benefit obligation due to changes in the assumed discount rate, differences between the actual and expected return on plan assets and other assumption changes. These net gains and losses are recognized prospectively over a period that approximates the average remaining service period of active employees expected to receive benefits under the plans to the extent that they are not offset by gains in subsequent years. The estimated net loss and prior service cost that will be amortized from AOCI into net periodic pension cost for the U.S. plans during the next fiscal year are expected to be $374 million and $41 million, respectively.

NET PERIODIC PENSION EXPENSE

Service cost is the actuarial present value of benefits attributed by the plans’ benefit formula to services rendered by employees during the year. Interest cost represents the increase in the projected benefit obligation, which is a discounted amount, due to the passage of time. The expected return on plan assets reflects the computed amount of current-year earnings from the investment of plan assets using an estimated long-term rate of return.

Net periodic pension expense for qualified and nonqualified U.S. and non-U.S. defined benefit plans comprised the following:

	2015		2014		2013	
In millions	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	$161	$6	$145	$5	$188	$4

Interest cost	597	10	600	13	576	11
Expected return on plan assets	(783)	(11)	(762)	(14)	(738)	(11)
Actuarial loss / (gain)	428	1	374	—	485	1
Amortization of prior service cost	43	—	30	—	34	—
Curtailment gain	—	—	—	(4)	—	—
Settlement loss	15	—	—	—	—	—
Net periodic pension expense (a)	$461	$6	$387	$—	$545	$5

(a) Excludes $1 million in curtailments in 2014 related to the pension freeze remeasurement that were recorded in restructuring and other charges.

The increase in 2015 pension expense reflects a decrease in the discount rate from 4.65% in 2014 to 4.10% in 2015, updated mortality assumptions, higher amortization of unrecognized actuarial losses and a settlement charge in 2015.

ASSUMPTIONS

International Paper evaluates its actuarial assumptions annually as of December 31 (the measurement date) and considers changes in these long-term factors based upon market conditions and the requirements for employers' accounting for pensions. These assumptions are used to calculate benefit obligations as of December 31 of the current year and pension expense to be recorded in the following year (i.e., the discount rate used to determine the benefit obligation as of December 31, 2015 was also the discount rate used to determine net pension expense for the 2016 year).

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Major actuarial assumptions used in determining the benefit obligations and net periodic pension cost for our defined benefit plans are presented in the following table:

	2015		2014		2013	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Actuarial assumptions used to determine benefit obligations as of December 31:						
Discount rate	4.40 %	4.64 %	4.10 %	4.72 %	4.90 %	5.07 %
Rate of compensation increase	3.75 %	4.12 %	3.75 %	4.03 %	3.75 %	4.13 %
Actuarial assumptions used to determine net periodic pension cost for years ended December 31:						
Discount rate (a)	4.10 %	4.72 %	4.65 %	5.07 %	4.10 %	4.96 %
Expected long-term rate of return on plan assets (b)	7.75 %	6.64 %	7.75 %	7.53 %	8.00 %	7.04 %
Rate of compensation increase	3.75 %	4.03 %	3.75 %	4.13 %	3.75 %	3.17 %

(a) Represents the weighted average rate for 2014 due to the remeasurement in the first quarter of 2014.

(b) Represents the expected rate of return for International Paper's qualified pension plan for 2014 and 2013. The weighted average rate for the Temple-Inland Retirement Plan was 7.00% and 6.16% for 2014 and 2013, respectively.

The expected long-term rate of return on plan assets is based on projected rates of return for current and planned asset classes in the plan’s investment portfolio. Projected rates of return are developed through an asset/liability study in which projected returns for each of the plan’s asset classes are determined after analyzing historical experience and future expectations of returns and volatility of the various asset classes.

Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio is developed considering the effects of active portfolio management and expenses paid from plan assets. The discount rate assumption was determined from a universe of high quality corporate bonds. A settlement portfolio is selected and matched to the present value of the plan’s projected benefit payments. To calculate pension expense for 2016, the Company will use an expected long-term rate of return on plan assets of 7.75% for the Retirement Plan of International Paper,
a discount rate of 4.40% and an assumed rate of compensation increase of 3.75%. The Company estimates that it will record net pension expense of approximately $364 million for its U.S. defined benefit plans in 2016, with the decrease from expense of $461 million in 2015 reflecting an increase in the discount rate to 4.40% in 2016 from 4.10% in 2015, updated demographic assumptions, and lower amortization of unrecognized losses.

For non-U.S. pension plans, assumptions reflect economic assumptions applicable to each country.

The following illustrates the effect on pension expense for 2016 of a 25 basis point decrease in the above assumptions:

In millions	2016
Expense/(Income):	
Discount rate	$36
Expected long-term rate of return on plan assets	27
Rate of compensation increase	(2)

PLAN ASSETS

International Paper's Board of Directors has appointed a Fiduciary Review Committee that is responsible for fiduciary oversight of the U.S. Pension Plan, approving investment policy and reviewing the management and control of plan assets. Pension Plan assets are invested to maximize returns within prudent levels of risk.

The Pension Plan maintains a strategic asset allocation policy that designates target allocations by asset class. Investments are diversified across classes and within each class to minimize the risk of large losses. Derivatives, including swaps, forward and futures contracts, may be used as asset class substitutes or for hedging or other risk management purposes. Periodic reviews are made of investment policy objectives and investment manager performance. For non-U.S. plans, assets consist principally of common stock and fixed income securities.

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International Paper’s U.S. pension allocations by type of fund at December 31, and target allocations were as follows:

Asset Class	2015	2014	Target Allocations
Equity accounts	48	%47	%43% - 54%
Fixed income accounts	33	%33	%25% - 35%
Real estate accounts	10	%10	%7% - 13%
Other	9	%10	%8% - 17%
Total	100	%100	%

The 2014 actual allocations shown represent a weighted average of International Paper and Temple-Inland plan assets as the TIN plan was fully merged into the IP plan by 2015.

The fair values of International Paper’s pension plan assets at December 31, 2015 and 2014 by asset class are shown below. Plan assets included an immaterial amount of International Paper common stock at December 31, 2015 and 2014. Hedge funds disclosed in the following table are allocated equally between equity and fixed income accounts for target allocation purposes.

Fair Value Measurement at December 31, 2015

Asset Class	Total	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
In millions				
Equities – domestic	$2,150	$1,382	$768	$—
Equities – international	2,563	1,818	745	—
Corporate bonds	1,286	—	1,286	—
Government securities	518	—	518	—
Mortgage backed securities	217	—	217	—
Other fixed income	275	—	265	10
Commodities	118	—	118	—
Hedge funds	894	—	—	894
Private equity	492	—	—	492
Real estate	1,094	—	—	1,094
Risk parity funds	341	—	1	340
Cash and cash equivalents	975	975	—	—
Total Investments	$10,923	$4,175	$3,918	$2,830

Fair Value Measurement at December 31, 2014

Asset Class	Total	Quoted Prices in Active Markets For Identical	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)

In millions		Assets (Level 1)		
Equities – domestic	$2,268	$1,380	$888	$—
Equities – international	2,397	1,815	582	—
Corporate bonds	1,230	—	1,230	—
Government securities	1,282	—	1,282	—
Mortgage backed securities	172	—	172	—
Other fixed income	207	—	197	10
Commodities	170	—	170	—
Hedge funds	867	—	—	867
Private equity	519	—	—	519
Real estate	1,101	—	—	1,101
Risk parity funds	376	—	—	376
Cash and cash equivalents	329	329	—	—
Total Investments	$10,918	$3,524	$4,521	$2,873

Equity securities consist primarily of publicly traded U.S. companies and international companies. Publicly traded equities are valued at the closing prices reported in the active market in which the individual securities are traded.

Fixed income consists of government securities, mortgage-backed securities, corporate bonds and common collective funds. Government securities are valued by third-party pricing sources. Mortgage-backed security holdings consist primarily of agency-rated holdings. The fair value estimates for mortgage securities are calculated by third-party pricing sources chosen by the custodian's price matrix. Corporate bonds are valued using either the yields currently available on comparable securities of issuers with similar credit ratings or using a discounted cash flows approach that utilizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks. Common collective funds are valued at the net asset value per share multiplied by the number of shares held as of the measurement date.

Commodities consist of commodity-linked notes and commodity-linked derivatives. Commodities are valued at closing prices determined by calculation agents for outstanding transactions.

Hedge funds are investment structures for managing private, loosely-regulated investment pools that can pursue a diverse array of investment strategies with a wide range of different securities and derivative instruments. These investments are made through funds-of-funds (commingled, multi-manager fund structures) and through direct investments in individual hedge funds. Hedge funds are primarily valued by each

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fund’s third-party administrator based upon the valuation of the underlying securities and instruments and primarily by applying a market or income valuation methodology as appropriate depending on the specific type of security or instrument held. Funds-of-funds are valued based upon the net asset values of the underlying investments in hedge funds.

Private equity consists of interests in partnerships that invest in U.S. and non-U.S. debt and equity securities. Partnership interests are valued using the most recent general partner statement of fair value, updated for any subsequent partnership interest cash flows.

Real estate includes commercial properties, land and timberland, and generally includes, but is not limited to, retail, office, industrial, multifamily and hotel properties. Real estate fund values are primarily reported by the fund manager and are based on valuation of the
underlying investments which include inputs such as cost, discounted cash flows, independent appraisals and market based comparable data.

Risk Parity Funds are defined as engineered beta exposure to a wide range of asset classes and risk premia, including equity, interest rates, credit, and commodities. Risk parity funds seek to provide high risk-adjusted returns while providing a high level of diversification relative to a traditional equity/fixed income portfolio. These funds seek to achieve this objective with the use of modest leverage applied to lower-risk, more diverse asset classes. Investments in Risk parity funds are valued using monthly reported net asset values. Also included in these funds are related derivative instruments which are generally employed as asset class substitutes for managing asset/liability mismatches, or bona fide hedging or other appropriate risk management purposes. Derivative instruments are generally valued by the investment managers or in certain instances by third-party pricing sources.

The fair value measurements using significant unobservable inputs (Level 3) at December 31, 2015 were as follows:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

In millions	Other fixed income	Hedge funds	Private equity	Real estate	Risk parity funds	Total
Beginning balance at December 31, 2014	$10	$867	$519	$1,101	$376	$2,873
Actual return on plan assets:						
Relating to assets still held at the reporting date	—	27	27	41	(39)	56
Relating to assets sold during the period	—	3	(9)	27	(7)	14
Purchases, sales and settlements	—	(3)	(45)	(75)	10	(113)
Transfers in and/or out of Level 3	—	—	—	—	—	—
Ending balance at December 31, 2015	$10	$894	$492	$1,094	$340	$2,830

FUNDING AND CASH FLOWS

The Company’s funding policy for the Pension Plan is to contribute amounts sufficient to meet legal funding requirements, plus any additional amounts that the Company may determine to be appropriate considering the funded status of the plans, tax deductibility, cash flow generated by the Company, and other factors. The Company continually reassesses the amount and timing of any discretionary contributions. Contributions to the qualified plan totaling $750 million, $353 million and $31 million were made by the Company in 2015, 2014 and 2013, respectively. Generally, International Paper's non-U.S. pension plans are funded using the projected benefit as a target, except in certain countries where funding of benefit plans is not required.

At December 31, 2015, projected future pension benefit payments, excluding any termination benefits, were as follows:

In millions	
2016	$782
2017	792
2018	803
2019	818
2020	832
2021 – 2025	4,365

OTHER U.S. PLANS

International Paper sponsors the International Paper Company Salaried Savings Plan and the International Paper Company Hourly Savings Plan, both of which are tax-qualified defined contribution 401(k) savings plans.

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Substantially all U.S. salaried and certain hourly employees are eligible to participate and may make elective deferrals to such plans to save for retirement. International Paper makes matching contributions to participant accounts on a specified percentage of employee deferrals as determined by the provisions of each plan. For eligible employees hired after June 30, 2004, the Company makes Retirement Savings Account contributions equal to a percentage of an eligible employee's pay.

The Company also sponsors the International Paper Company Deferred Compensation Savings Plan, which is an unfunded nonqualified defined contribution plan. This plan permits eligible employees to continue to make deferrals and receive company matching contributions when their contributions to the International Paper Salaried Savings Plan are stopped due to limitations under U.S. tax law. Participant deferrals and company matching contributions are not invested in a separate trust, but are paid directly from International Paper's general assets at the time benefits become due and payable.

Company matching contributions to the plans totaled approximately $100 million, $112 million and $120 million for the plan years ending in 2015, 2014 and 2013, respectively.

NOTE 17 POSTRETIREMENT BENEFITS

U.S. POSTRETIREMENT BENEFITS

International Paper provides certain retiree health care and life insurance benefits covering certain U.S. salaried and hourly employees. These employees are generally eligible for benefits upon retirement and completion of a specified number of years of creditable service. Excluded from company-provided medical benefits are salaried employees whose age plus years of employment with the Company totaled less than 60 as of January 1, 2004. International Paper does not fund these benefits prior to payment and has the right to modify or terminate certain of these plans in the future.

In addition to the U.S. plan, certain Brazilian and Moroccan employees are eligible for retiree health care and life insurance benefits.

The components of postretirement benefit expense in 2015, 2014 and 2013 were as follows:

In millions		2015		2014		2013
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	$1	$1	$1	$1	$2	$2
Interest cost	11	5	14	6	14	5
Actuarial loss	6	1	5	1	7	—
Amortization of prior service credits	(10)	(2)	(13)	(1)	(24)	—
Net postretirement (benefit) expense (a)	$8	$5	$7	$7	$(1)	$7

(a) Excludes $7 million of curtailment gains in 2013 related to the sale of Building Products that were recorded in Net (gains) losses on sales and impairments of businesses in the consolidated statement of operations.

International Paper evaluates its actuarial assumptions annually as of December 31 (the measurement date) and considers changes in these long-term factors based upon market conditions and the requirements of employers' accounting for postretirement benefits other than pensions.

The discount rates used to determine net U.S. and non-U.S. postretirement benefit cost for the years ended December 31, 2015, 2014 and 2013 were as follows:

	2015 U.S. Plans	2015 Non-U.S. Plans	2014 U.S. Plans	2014 Non-U.S. Plans	2013 U.S. Plans	2013 Non-U.S. Plans
Discount rate	3.90 %	11.52 %	4.50 %	11.94 %	3.70 %	8.43 %

The weighted average assumptions used to determine the benefit obligation at December 31, 2015 and 2014 were as follows:

	2015 U.S. Plans	2015 Non-U.S. Plans	2014 U.S. Plans	2014 Non-U.S. Plans
Discount rate	4.20 %	12.23 %	3.90 %	11.52 %
Health care cost trend rate assumed for next year	7.00 %	11.41 %	7.00 %	11.38 %
Rate that the cost trend rate gradually declines to	5.00 %	5.94 %	5.00 %	6.11 %
Year that the rate reaches the rate it is assumed to remain	2022	2026	2022	2025

A 1% increase in the assumed annual health care cost trend rate would have increased the U.S. and non-U.S. accumulated postretirement benefit obligations at December 31, 2015 by approximately $11 million and $7 million, respectively. A 1% decrease in the annual trend rate would have decreased the U.S. and non-U.S. accumulated postretirement benefit obligation at December 31, 2015 by approximately $10 million and $6 million, respectively. The effect on net postretirement

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benefit cost from a 1% increase or decrease would be approximately $1 million for both U.S. and non-U.S. plans.

The plan is only funded in an amount equal to benefits paid. The following table presents the changes in benefit obligation and plan assets for 2015 and 2014:

In millions	2015 U.S. Plans	2015 Non-U.S. Plans	2014 U.S. Plans	2014 Non-U.S. Plans
Change in projected benefit obligation:				
Benefit obligation, January 1	$306	$59	$322	$72
Service cost	1	1	1	1
Interest cost	11	5	14	6
Participants' contributions	12	—	15	—
Actuarial (gain) loss	—	(1)	14	19
Other	—	—	—	(26)
Plan amendments	—	1	—	(7)
Benefits paid	(57)	(1)	(62)	(1)
Less: Federal subsidy	2	—	2	—
Currency Impact	—	(19)	—	(5)
Benefit obligation, December 31	$275	$45	$306	$59
Change in plan assets:				
Fair value of plan assets, January 1	$—	$—	$—	$—
Company contributions	45	1	47	1
Participants' contributions	12	—	15	—
Benefits paid	(57)	(1)	(62)	(1)
Fair value of plan assets, December 31	$—	$—	$—	$—
Funded status, December 31	$(275)	$(45)	$(306)	$(59)
Amounts recognized in the consolidated balance sheet under ASC 715:				
Current liability	$(29)	$(2)	$(33)	$(2)
Non-current liability	(246)	(43)	(273)	(57)
	$(275)	$(45)	$(306)	$(59)
Amounts recognized in accumulated other comprehensive income under ASC 715 (pre-tax):				
Net actuarial loss (gain)	$42	$15	$44	$23
Prior service credit	(12)	(2)	(22)	(5)
	$30	$13	$22	$18

The non-current portion of the liability is included with the postemployment liability in the accompanying consolidated balance sheet under Postretirement and postemployment benefit obligation.

The components of the $8 million and ($5) million increase and decrease in the amounts recognized in OCI during 2015 for U.S. and non-U.S. plans, respectively, consisted of:

In millions	U.S. Plans	Non-U.S. Plans
Current year actuarial gain	$4	$—
Amortization of actuarial (loss) gain	(6)	(1)

Current year prior service cost	—	1
Amortization of prior service credit	10	2
Currency impact	—	(7)
	$8	$(5)

The portion of the change in the funded status that was recognized in either net periodic benefit cost or OCI for the U.S. plans was $17 million, $33 million and $63 million in 2015, 2014 and 2013, respectively. The portion of the change in funded status for the non-U.S. plans was $0 million, $14 million, and $19 million in 2015, 2014 and 2013, respectively.

The estimated amounts of net loss and prior service credit that will be amortized from OCI into net U.S. postretirement benefit cost in 2016 are expected to be $6 million and $(4) million, respectively. The estimated amounts for non-U.S. plans in 2016 are expected to be $1 million and $(2) million, respectively.

At December 31, 2015, estimated total future postretirement benefit payments, net of participant contributions and estimated future Medicare Part D subsidy receipts, were as follows:

In millions	Benefit Payments	Subsidy Receipts	Benefit Payments
	U.S. Plans	U.S. Plans	Non-U.S. Plans
2016	$31	$1	$2
2017	28	1	2
2018	27	1	2
2019	25	1	2
2020	24	1	3
2021 – 2025	98	6	21

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NOTE 18 INCENTIVE PLANS

International Paper currently has an Incentive Compensation Plan (ICP) which, upon the approval by the Company’s shareholders in May 2009, replaced the Company’s Long-Term Incentive Compensation Plan (LTICP). The ICP authorizes grants of restricted stock, restricted or deferred stock units, performance awards payable in cash or stock upon the attainment of specified performance goals, dividend equivalents, stock options, stock appreciation rights, other stock-based awards, and cash-based awards at the discretion of the Management Development and Compensation Committee of the Board of Directors (the Committee) that administers the ICP. Additionally, restricted stock, which may be deferred into RSU’s, may be awarded under a Restricted Stock and Deferred Compensation Plan for Non-Employee Directors.

STOCK OPTION PROGRAM

International Paper accounts for stock options in accordance with guidance under ASC 718, “Compensation – Stock Compensation.” Compensation expense is recorded over the related service period based on the grant-date fair market value. Since all outstanding options were vested as of July 14, 2005, only replacement option grants are expensed.

During each reporting period, diluted earnings per share is calculated by assuming that “in-the-money” options are exercised and the exercise proceeds are used to repurchase shares in the marketplace. When options are actually exercised, option proceeds are credited to equity and issued shares are included in the computation of earnings per common share, with no effect on reported earnings. Equity is also increased by the tax benefit that International Paper will receive in its tax return for income reported by the employees in their individual tax returns.

Under the program, upon exercise of an option, a replacement option may be granted under certain circumstances with an exercise price equal to the market price at the time of exercise and with a term extending to the expiration date of the original option.

The Company has discontinued the issuance of stock options for all eligible U.S. and non-U.S. employees. In the United States, the stock option program was replaced with a performance-based restricted share program to more closely tie long-term incentive compensation to Company performance on two key performance drivers: return on invested capital (ROIC) and total shareholder return (TSR). All outstanding options expired on March 15, 2015.

The following summarizes the status of the Stock Option Program and the changes during the three years ending December 31, 2015:

	Options (a,b)	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic Value (thousands)
Outstanding at December 31, 2012	9,136,060	$38.79	1.15	$1,077
Granted	4,744	48.11		
Exercised	(7,317,825)	38.57		
Expired	(70,190)	37.15		
Outstanding at December 31, 2013	1,752,789	39.80	0.67	16,175
Granted	3,247	49.13		
Exercised	(1,634,858)	39.80		
Expired	(49,286)	41.50		
Outstanding at December 31, 2014	71,892	39.03	0.18	1,046

Granted	—	—		
Exercised	(62,477)	39.05		
Expired	(9,415)	38.92		
Outstanding at December 31, 2015	—	$—	0.00	$—

(a) The table does not include Continuity Award tandem stock options described below. No fair market value is assigned to these options under ASC 718. The tandem restricted shares accompanying these options are expensed over their vesting period.

(b) The table includes options outstanding under an acquired company plan under which options may no longer be granted.

PERFORMANCE SHARE PLAN

Under the Performance Share Plan (PSP), contingent awards of International Paper common stock are granted by the Committee. The PSP awards are earned evenly over a three-year period. PSP awards are earned based on the achievement of defined performance rankings of ROIC and TSR compared to ROIC and TSR peer groups of companies. Awards are weighted 75% for ROIC and 25% for TSR for all participants except for officers for whom the awards are weighted 50% for ROIC and 50% for TSR. The ROIC component of the PSP awards is valued at the closing stock price on the day prior to the grant date. As the ROIC component contains a performance condition, compensation expense, net of estimated forfeitures, is recorded over the requisite service period based on the most probable number of awards expected to vest. The TSR component of the PSP awards is valued using a Monte Carlo simulation as the TSR component contains a market condition. The Monte Carlo simulation estimates the fair value of the TSR component based on the expected term of the award, a risk-free rate, expected dividends, and the expected volatility for the Company and its competitors. The expected term is estimated based on the vesting period of the awards, the risk-free rate is based on the yield on U.S. Treasury securities matching the vesting period, and the volatility is based on the Company’s historical volatility over the expected term.

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PSP grants are made in performance-based restricted stock units. The 2012 PSP awards issued to certain members of senior management were accounted for as liability awards, which were remeasured at fair value at each balance sheet date. The valuation of these PSP liability awards was computed based on the same methodology as the PSP equity awards. On December 8, 2014, IP eliminated the election for executives to withhold more than the minimum tax withholding for the 2013 and 2014 grants making them equity awards.

The following table sets forth the assumptions used to determine compensation cost for the market condition component of the PSP plan:

	Twelve Months Ended December 31, 2015
Expected volatility	19.01%-36.02%
Risk-free interest rate	0.21%-1.10%

The following summarizes PSP activity for the three years ending December 31, 2015:

	Share/Units	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2012	8,660,855	$28.37
Granted	3,148,445	40.76
Shares issued	(3,262,760)	32.48
Forfeited	(429,051)	34.58
Outstanding at December 31, 2013	8,117,489	31.20
Granted	3,682,663	46.82
Shares issued	(4,025,111)	37.18
Forfeited	(499,107)	43.10
Outstanding at December 31, 2014	7,275,934	34.98
Granted	1,863,623	53.25
Shares issued	(2,959,160)	37.09
Forfeited	(322,664)	53.97
Outstanding at December 31, 2015	5,857,733	$38.69

EXECUTIVE CONTINUITY AND RESTRICTED STOCK AWARD PROGRAMS

The Executive Continuity Award program provides for the granting of tandem awards of restricted stock and/or nonqualified stock options to key executives. Grants are restricted and awards conditioned on attainment of a specified age. The awarding of a tandem stock option results in the cancellation of the related restricted shares. The final award under this program was paid in 2013.

The service-based Restricted Stock Award program (RSA), designed for recruitment, retention and special recognition purposes, also provides for awards of restricted stock to key employees.

The following summarizes the activity of the Executive Continuity Award program and RSA program for the three years ending December 31, 2015:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2012	151,549	$30.49

Granted	67,100	44.41
Shares issued	(88,775	) 32.30
Forfeited	(17,500	) 37.75
Outstanding at December 31, 2013	112,374	36.24
Granted	89,500	48.19
Shares issued	(83,275	) 33.78
Forfeited	(4,000	) 45.88
Outstanding at December 31, 2014	114,599	47.03
Granted	36,300	50.06
Shares issued	(27,365	) 45.35
Forfeited	(3,166	) 50.04
Outstanding at December 31, 2015	120,368	$48.24

At December 31, 2015, 2014 and 2013 a total of 16.2 million, 16.3 million and 17.8 million shares, respectively, were available for grant under the ICP.

Stock-based compensation expense and related income tax benefits were as follows:

In millions	2015	2014	2013
Total stock-based compensation expense (included in selling and administrative expense)	$114	$118	$137
Income tax benefits related to stock-based compensation	88	92	74

At December 31, 2015, $126 million of compensation cost, net of estimated forfeitures, related to unvested restricted performance shares, executive continuity awards and restricted stock attributable to future performance had not yet been recognized. This amount will be recognized in expense over a weighted-average period of 1.6 years.

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NOTE 19 FINANCIAL INFORMATION BY INDUSTRY SEGMENT AND GEOGRAPHIC AREA

International Paper’s industry segments, Industrial Packaging, Printing Papers and Consumer Packaging Businesses, are consistent with the internal structure used to manage these businesses. All segments are differentiated on a common product, common customer basis consistent with the business segmentation generally used in the Forest Products industry.

For management purposes, International Paper reports the operating performance of each business based on earnings before interest and income taxes (EBIT). Intersegment sales and transfers are recorded at current market prices.

External sales by major product is determined by aggregating sales from each segment based on similar products or services. External sales are defined as those that are made to parties outside International Paper’s consolidated group, whereas sales by segment in the Net Sales table are determined using a management approach and include intersegment sales.

The Company also holds a 50% interest in Ilim that is a separate reportable industry segment. The Company recorded equity earnings (losses), net of taxes, of $131 million, $(194) million and $(46) million in 2015, 2014, and 2013, respectively, for Ilim. Equity earnings (losses) includes an after-tax foreign exchange gain (loss) of $(75) million, $(269) million and $(32) million in 2015, 2014 and 2013, respectively, primarily on the remeasurement of U.S. dollar-denominated net debt.

Summarized financial information for Ilim which is accounted for under the equity method is presented in the following table.

Balance Sheet		
In millions	2015	2014
Current assets	$455	$458
Noncurrent assets	968	1,223
Current liabilities	665	899
Noncurrent liabilities	715	742
Noncontrolling interests	21	15

Income Statement			
In millions	2015	2014	2013
Net sales	$1,931	$2,138	$1,897
Gross profit	971	772	562
Income from continuing operations	254	(387)	(76)
Net income attributable to Ilim	237	(360)	(71)

At December 31, 2015 and 2014, the Company's investment in Ilim was $172 million and $170 million, respectively, which was $161 million and $158 million, respectively, more than the Company's proportionate share of the joint venture's underlying net assets. The differences primarily relate to purchase price fair value adjustments and currency translation adjustments. The Company is party to a joint marketing agreement with Ilim, under which the Company purchases, markets and sells paper produced by Ilim. Purchases under this agreement were $170 million, $200 million and $114 million for the years ended December 31, 2015, 2014 and 2013, respectively.

INFORMATION BY INDUSTRY SEGMENT

Net Sales

In millions	2015	2014	2013
Industrial Packaging	$14,484	$14,944	$14,810
Printing Papers	5,031	5,720	6,205
Consumer Packaging	2,940	3,403	3,435
Corporate and Intersegment Sales	(90)	(450)	(967)
Net Sales	$22,365	$23,617	$23,483

Operating Profit

In millions	2015	2014	2013
Industrial Packaging	$1,853	$1,896	$1,801
Printing Papers	533	(16)	271
Consumer Packaging	(25)	178	161
Operating Profit	2,361	2,058	2,233
Interest expense, net	(555)	(601)	(612)
Noncontrolling interests / equity earnings adjustment (a)	(8)	(2)	1
Corporate items, net	(36)	(51)	(61)
Restructuring and other charges	(238)	(282)	(10)
Net gains (losses) on sales and impairments of businesses	—	(38)	—
Non-operating pension expense	(258)	(212)	(323)
Earnings (Loss) From Continuing Operations Before Income Taxes and Equity Earnings	$1,266	$872	$1,228

Restructuring and Other Charges

In millions	2015	2014	2013
Industrial Packaging	$—	$7	$(2)
Printing Papers	—	554	118
Consumer Packaging	10	8	45
Corporate	242	277	(5)
Restructuring and Other Charges	$252	$846	$156

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Assets

In millions	2015	2014
Industrial Packaging	$14,483	$14,852
Printing Papers	4,696	5,393
Consumer Packaging	2,115	3,249
Corporate and other (b)	9,293	5,190
Assets	$30,587	$28,684

Capital Spending

In millions	2015	2014	2013
Industrial Packaging	$858	$754	$629
Printing Papers	361	318	294
Consumer Packaging	216	233	208
Distribution (c)	—	—	9
Subtotal	1,435	1,305	1,140
Corporate and other (b)	52	61	58
Total	$1,487	$1,366	$1,198

Depreciation, Amortization and Cost of Timber Harvested (d)

In millions	2015	2014	2013
Industrial Packaging	$725	$775	$805
Printing Papers	307	367	446
Consumer Packaging	215	223	206
Corporate	47	41	74
Depreciation and Amortization	$1,294	$1,406	$1,531

External Sales By Major Product

In millions	2015	2014	2013
Industrial Packaging	$14,421	$14,837	$14,729
Printing Papers	4,919	5,360	5,443
Consumer Packaging	2,907	3,307	3,311
Other	118	113	—
Net Sales	$22,365	$23,617	$23,483

INFORMATION BY GEOGRAPHIC AREA

Net Sales (e)

In millions	2015	2014	2013
United States (f)	$16,554	$16,645	$16,371
EMEA	2,770	3,273	3,250
Pacific Rim and Asia	1,501	1,951	2,114
Americas, other than U.S.	1,540	1,748	1,748
Net Sales	$22,365	$23,617	$23,483

Long-Lived Assets (g)

In millions	2015	2014
United States	$9,683	$9,476
EMEA	827	926
Pacific Rim and Asia	353	897

Americas, other than U.S.	1,085	1,553
Corporate	398	383
Long-Lived Assets	$12,346	$13,235

(a) Operating profits for industry segments include each segment's percentage share of the profits of subsidiaries included in that segment that are less than wholly-owned. The pre-tax noncontrolling interests and equity earnings for these subsidiaries is added here to present consolidated earnings from continuing operations before income taxes and equity earnings.
(b) Includes corporate assets and assets of businesses held for sale.
(c) The xpedx business, which historically represented the Company's Distribution reportable segment, was spun off July 1, 2014.
(d) Excludes accelerated depreciation related to the closure and/or repurposing of mills.
(e) Net sales are attributed to countries based on the location of the seller.
(f) Export sales to unaffiliated customers were $2.0 billion in 2015, $2.3 billion in 2014 and $2.4 billion in 2013.
(g) Long-Lived Assets includes Forestlands and Plants, Properties and Equipment, net.

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INTERIM FINANCIAL RESULTS (UNAUDITED)

In millions, except per share amounts and stock prices	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Year	
2015										
Net sales	$5,517		$5,714		$5,691		$5,443		$22,365	
Gross margin (a)	1,673		1,746		1,800		1,678		6,897	
Earnings (loss) from continuing operations before income taxes and equity earnings	406		266	(b)	329	(b)	265	(b)	1,266	(b)
Gain (loss) from discontinued operations	—		—		—		—		—	
Net earnings (loss) attributable to International Paper Company	313		227	(b,c)	220	(b,c)	178	(b,c)	938	(b,c)
Basic earnings (loss) per share attributable to International Paper Company common shareholders:										
Earnings (loss) from continuing operations	$0.74		$0.54	(b)	$0.53	(b)	$0.43	(b)	$2.25	(b)
Gain (loss) from discontinued operations	—		—		—		—		—	
Net earnings (loss)	0.74		0.54	(b,c)	0.53	(b,c)	0.43	(b,c)	2.25	(b,c)
Diluted earnings (loss) per share attributable to International Paper Company common shareholders:										
Earnings (loss) from continuing operations	0.74		0.54	(b)	0.53	(b)	0.43	(b)	2.23	(b)
Gain (loss) from discontinued operations	—		—		—		—		—	
Net earnings (loss)	0.74		0.54	(b,c)	0.53	(b,c)	0.43	(b,c)	2.23	(b,c)
Dividends per share of common stock	0.4000		0.4000		0.4000		0.4400		1.6400	
Common stock prices										
High	$57.90		$56.49		$49.49		$44.83		$57.90	
Low	51.35		47.39		37.11		36.76		36.76	
2014										
Net sales	$5,724		$5,899		$6,051		$5,943		$23,617	
Gross margin (a)	1,690		1,839		1,996		1,838		7,363	
Earnings (loss) from continuing operations before income taxes and equity earnings	(139	) (d)	152	(d)	552	(d)	307	(d)	872	(d)
Gain (loss) from discontinued operations	(7	) (e)	(13	) (e)	16	(e)	(9	) (e)	(13	) (e)
Net earnings (loss) attributable to International Paper Company	(95	) (d-f)	161	(d-f)	355	(d-f)	134	(d-f)	555	(d-f)
Basic earnings (loss) per share attributable to International Paper Company common shareholders:										
Earnings (loss) from continuing operations	$(0.20	) (d)	$0.40	(d)	$0.80	(d)	$0.34	(d)	$1.33	(d)

Gain (loss) from discontinued operations	(0.01	) (e)	(0.03	) (e)	0.04	(e)	(0.02	) (e)	(0.03	) (e)
Net earnings (loss)	(0.21	) (d-f)	0.37	(d-f)	0.84	(d-f)	0.32	(d-f)	1.30	(d-f)
Diluted earnings (loss) per share attributable to International Paper Company common shareholders:										
Earnings (loss) from continuing operations	(0.20	) (d)	0.40	(d)	0.79	(d)	0.34	(d)	1.31	(d)
Gain (loss) from discontinued operations	(0.01	) (e)	(0.03	) (e)	0.04	(e)	(0.02	) (e)	(0.02	) (e)
Net earnings (loss)	(0.21	) (d-f)	0.37	(d-f)	0.83	(d-f)	0.32	(d-f)	1.29	(d-f)
Dividends per share of common stock	0.3500		0.3500		0.3500		0.4000		1.4500	
Common stock prices										
High	$49.71		$50.65		$51.98		$55.73		$55.73	
Low	44.43		44.24		46.77		44.50		44.24	

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Note: Since basic and diluted earnings per share are computed independently for each period and category, full year per share amounts may not equal the sum of the four quarters. In addition, the unaudited selected consolidated financial data are derived from our audited consolidated financial statements and have been revised to reflect discontinued operations.

Footnotes to Interim Financial Results

(a) Gross margin represents net sales less cost of products sold, excluding depreciation, amortization and cost of timber harvested.

(b) Includes the following pre-tax charges (gains):

	2015			
In millions	Q1	Q2	Q3	Q4
Riegelwood mill conversion costs, net of proceeds from sale of the Carolina Coated Bristols brand	$—	$(14)	$7	$15
Timber monetization restructuring	—	—	17	(1)
Early debt extinguishment costs	—	207	—	—
Refund and state tax credits	—	(4)	—	—
IP-Sun JV impairment	—	—	186	(12)
Legal reserve adjustment	—	—	—	15
Impairment of Orsa goodwill and trade name intangible	—	—	—	137
Other items	—	1	1	4
Total	$—	$190	$211	$158

(c) Includes the following tax expenses (benefits):

	2015			
	Q1	Q2	Q3	Q4
Tax expense for cash pension	$—	$23	$—	$—
Tax benefit related to IP-Sun JV	—	—	(67)	—
Other items	—	5	—	2
Total	$—	$28	$(67)	$2

(d) Includes the following pre-tax charges (gains):

	2014			
	Q1	Q2	Q3	Q4
Temple-Inland integration	$12	$2	$1	$1
Courtland mill shutdown	495	49	3	7
Early debt extinguishment costs	—	262	13	1
India legal contingency resolution	—	—	(20)	—
Multi-employer pension plan withdrawal liability	—	—	35	—
Foreign tax amnesty program	—	—	32	—
Asia Industrial Packaging goodwill impairment	—	—	—	100
Loss on sale by investee and impairment of investment	—	—	—	47
Other items	4	(4)	13	(1)
Total	$511	$309	$77	$155

(e) Includes the after-tax operating earnings of the xpedx business prior to the spin-off and the following after-tax charges (gains):

	2014			
	Q1	Q2	Q3	Q4
xpedx spinoff	$10	$20	$(14)	$—
Building Products divestiture	2	—	(2)	9
xpedx restructuring	—	(1)	—	—

Total	$12	$19	$(16)	$9

(f) Includes the following tax expenses (benefits):

	2014			
	Q1	Q2	Q3	Q4
State legislative tax change	$10	$—	$—	$—
Internal restructuring	—	—	—	(90)
Other items	(1)	—	—	—
Total	$9	$—	$—	$(90)

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. As of December 31, 2015, an evaluation was carried out under the supervision and with the participation of the Company's management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures, as defined by Rule 13a-15 under the Exchange Act. Based upon this evaluation, our principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2015.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Internal control over financial reporting is the process designed by, or under the supervision of, our principal executive officer and principal financial officer, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States (GAAP). Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to allow for the preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors;
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our consolidated financial statements; and
- provide reasonable assurance as to the detection of fraud.

All internal control systems have inherent limitations, including the possibility of circumvention and overriding of controls, and therefore can provide only reasonable assurance of achieving the designed control objectives. The Company's internal control system is supported by written policies and procedures, contains self-monitoring mechanisms, and is audited by the internal audit function. Appropriate actions are taken by management to correct deficiencies as they are identified.

As of December 31, 2015, management has assessed the effectiveness of the Company's internal control over financial reporting. In a report included on pages 40 and 41, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2015.

In making this assessment, we used the criteria described in "Internal Control – Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Our independent registered public accounting firm, Deloitte & Touche LLP, with direct access to our Board of Directors through our Audit and Finance Committee, has audited the consolidated financial statements prepared by us. Deloitte & Touche LLP has also issued an attestation report on our internal control over financial reporting. Their report on the consolidated financial statements and attestation report are included in Part II, Item 8 of this Annual Report under the heading "Financial Statements and Supplementary Data."

MANAGEMENT'S PROCESS TO ASSESS THE EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

To comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, we followed a comprehensive compliance process across the enterprise to evaluate our internal control over financial reporting, engaging employees at all levels of the organization. Our internal control environment includes an enterprise-wide attitude of integrity and control consciousness that establishes a positive "tone at the top." This is exemplified by our ethics program that includes long-standing principles and policies on ethical business conduct that require employees to maintain the highest ethical and legal standards in the conduct of our business, which have been distributed to all employees; a toll-free telephone helpline whereby any

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employee may report suspected violations of law or our policy; and an office of ethics and business practice. The internal control system further includes careful selection and training of supervisory and management personnel, appropriate delegation of authority and division of responsibility, dissemination of accounting and business policies throughout the Company, and an extensive program of internal audits with management follow-up. Our Board of Directors, assisted by the Audit and Finance Committee, monitors the integrity of our financial statements and financial reporting procedures, the performance of our internal audit function and independent auditors, and other matters set forth in its charter. The Committee, which consists of independent directors, meets regularly with representatives of management, and with the independent auditors and the Internal Auditor, with and without management representatives in attendance, to review their activities.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2015, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information concerning our directors is hereby incorporated by reference to our definitive proxy statement that will be filed with the Securities and Exchange Commission (SEC) within 120 days of the close of our fiscal year. The Audit and Finance Committee of the Board of Directors has at least one member who is a financial expert, as that term is defined in Item 401(d)(5) of Regulation S-K. Further information concerning the composition of the Audit and Finance Committee and our audit committee financial experts is hereby incorporated by reference to our definitive proxy statement that will be filed with the SEC within 120 days of the close of our fiscal year. Information with respect to our executive officers is set forth on pages 5 and 6 in Part I of this Form 10-K under the caption, "Executive Officers of the Registrant."

Executive officers of International Paper are elected to hold office until the next annual meeting of the Board of Directors following the annual meeting of shareholders and, until the election of successors, subject to removal by the Board.

The Company's Code of Business Ethics (Code) is applicable to all employees of the Company, including the chief executive officer and senior financial officers, as well as the Board of Directors. We disclose any amendments to our Code and any waivers from a provision of our Code granted to our directors, chief executive officer and senior financial officers on our Internet Web site within four business days following such amendment or waiver. To date, no waivers of the Code have been granted.

We make available free of charge on our Internet Web site at www.internationalpaper.com, and in print to any shareholder who requests them, our Corporate Governance Principles, our Code of Business Ethics and the Charters of our Audit and Finance Committee, Management Development and Compensation Committee, Governance Committee and Public Policy and Environment Committee. Requests for copies may be directed to the corporate secretary at our corporate headquarters.

Information with respect to compliance with Section 16(a) of the Securities and Exchange Act and our corporate governance is hereby incorporated by reference to our definitive proxy statement that will be filed with the SEC within 120 days of the close of our fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

Information with respect to the compensation of executives and directors of the Company is hereby incorporated by reference to our definitive proxy statement that will be filed with the SEC within 120 days of the close of our fiscal year.

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

A description of the security ownership of certain beneficial owners and management and equity compensation plan information is hereby incorporated by reference to our definitive proxy statement that will be filed with the SEC within 120 days of the close of our fiscal year.

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

A description of certain relationships and related transactions is hereby incorporated by reference to our definitive proxy statement that will be filed with the SEC within 120 days of the close of our fiscal year.

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ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information with respect to fees paid to, and services rendered by, our principal accountant, and our policies and procedures for pre-approving those services, is hereby incorporated by reference to our definitive proxy statement that will be filed with the SEC within 120 days of the close of our fiscal year.

PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1) Financial Statements – See Item 8. Financial Statements and Supplementary Data.

(2) Financial Statement Schedules – The following additional financial data should be read in conjunction with the consolidated financial statements in Item 8. Schedules not included with this additional financial data have been omitted because they are not applicable, or the required information is shown in the consolidated financial statements or the notes thereto.

Additional Financial Data 2015, 2014 and 2013 Consolidated Schedule: II-Valuation and Qualifying Accounts.	90

(3.1)	Restated Certificate of Incorporation of International Paper Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated May 13, 2013).
(3.2)	By-laws of International Paper Company, as amended through February 9, 2016 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated February 8, 2016).
(4.1)	Indenture, dated as of April 12, 1999, between International Paper and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 29, 2000).
(4.2)	Supplemental Indenture (including the form of Notes), dated as of June 4, 2008, between International Paper Company and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 4, 2008).
(4.3)	Supplemental Indenture (including the form of Notes), dated as of May 11, 2009, between International Paper Company and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 11, 2009).
(4.4)	Supplemental Indenture (including the form of Notes), dated as of August 10, 2009, between International Paper Company and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 10, 2009).
(4.5)	Supplemental Indenture (including the form of Notes), dated as of December 7, 2009, between International Paper Company and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 7, 2009).
(4.6)	Supplemental Indenture (including the form of Notes), dated as of November 16, 2011, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated November 16,

2011).

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(4.7	)	Supplemental Indenture (including the form of Notes), dated as of June 10, 2014, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 10, 2014).
(4.8	)	Supplemental Indenture (including the form of Notes), dated as of May 26, 2015, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 26, 2015).
(4.9	)	In accordance with Item 601 (b) (4) (iii) (A) of Regulation S-K, certain instruments respecting long-term debt of the Company have been omitted but will be furnished to the Commission upon request.
(10.1	)	Amended and Restated 2009 Incentive Compensation Plan (ICP) (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated February 10, 2014). +
(10.2	)	2015 Management Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014). +
(10.3	)	2016 Management Incentive Plan (incorporated by reference to Exhibit 99.1 to the Company’s Current Report on Form 8-K dated February 8, 2016) +
(10.4	)	Amended and Restated 2009 Executive Management Incentive Plan, including 2015 Exhibits thereto (incorporated by reference to Exhibit 10.4 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014). +
(10.5	)	2016 Exhibits to the Amended and Restated 2009 Executive Management Incentive Plan. * +
(10.6	)	Restricted Stock and Deferred Compensation Plan for Non-Employee Directors, Amended and Restated as of May 10, 2010 (incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2010). +
(10.7	)	Form of Restricted Stock Award Agreement. (incorporated by reference to Exhibit 10.8 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013). +
(10.8	)	Form of Restricted Stock Unit Award Agreement (cash settled). (incorporated by reference to Exhibit 10.9 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013). +
(10.9	)	Form of Restricted Stock Unit Award Agreement (stock settled). (incorporated by reference to Exhibit 10.10 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013). +
(10.10	)	Form of Performance Share Plan award certificate. * +
(10.11	)	Pension Restoration Plan for Salaried Employees (incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2009). +
(10.12	)	

	Unfunded Supplemental Retirement Plan for Senior Managers, as amended and restated effective January 1, 2008 (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007). +
(10.13)	Amendment No. 1 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective October 13, 2008 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated October 17, 2008). +
(10.14)	Amendment No. 2 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective October 14, 2008 (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated October 17, 2008). +
(10.15)	Amendment No. 3 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective December 8, 2008 (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008). +
(10.16)	Amendment No. 4 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective January 1, 2009 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009). +
(10.17)	Amendment No. 5 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective October 31, 2009 (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). +

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(10.18)	Amendment No. 6 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective January 1, 2012 (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011). +
(10.19)	Form of Non-Competition Agreement, entered into by certain Company employees (including named executive officers) who have received restricted stock (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008). +
(10.20)	Form of Non-Solicitation Agreement, entered into by certain Company employees (including named executive officers) who have received restricted stock (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006). +
(10.21)	Form of Change-in-Control Agreement - Tier I, for the Chief Executive Officer and all "grandfathered" senior vice presidents elected prior to 2012 (all named executive officers) - approved September 2013 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013). +
(10.22)	Form of Change-in-Control Agreement - Tier II, for all future senior vice presidents and all "grandfathered" vice presidents elected prior to February 2008 - approved September 2013 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013). +
(10.23)	Form of Indemnification Agreement for Directors (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003). +
(10.24)	Board Policy on Severance Agreements with Senior Executives (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 18, 2005). +
(10.25)	Board Policy on Change of Control Agreements (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on October 18, 2005). +
(10.26)	Time Sharing Agreement, dated October 17, 2014 (and effective November 1, 2014), by and between Mark S. Sutton and International Paper Company (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated October 14, 2014). +
(10.27)	Five-Year Credit Agreement dated as of August 5, 2014, among International Paper Company, JPMorgan Chase Bank, N.A., individually and as administrative agent, and certain lenders (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014).
(10.28)	Equity Transfer Agreement dated October 7, 2015, between International Paper Investment (Shanghai) Co., Ltd. and Shandong Sun Holding Group Co., Ltd. *
(11)	Statement of Computation of Per Share Earnings. *
(12)	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends. *

(21)	List of Subsidiaries of Registrant. *
(23)	Consent of Independent Registered Public Accounting Firm. *
(24)	Power of Attorney (contained on the signature page to the Company's Annual Report on Form 10-K for the year ended December 31, 2015). *
(31.1)	Certification by Mark S. Sutton, Chairman and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
(31.2)	Certification by Carol L. Roberts, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
(32)	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
(101.INS)	XBRL Instance Document *
(101.SCH)	XBRL Taxonomy Extension Schema *
(101.CAL)	XBRL Taxonomy Extension Calculation Linkbase *
(101.DEF)	XBRL Taxonomy Extension Definition Linkbase *
(101.LAB)	XBRL Taxonomy Extension Label Linkbase *
(101.PRE)	XBRL Extension Presentation Linkbase *

+ Management contract or compensatory plan or arrangement.
* Filed herewith

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SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
INTERNATIONAL PAPER COMPANY AND CONSOLIDATED SUBSIDIARIES
SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
(In millions)

	For the Year Ended December 31, 2015				
	Balance at Beginning of Period	Additions Charged to Earnings	Additions Charged to Other Accounts	Deductions from Reserves	Balance at End of Period
Description					
Reserves Applied Against Specific Assets Shown on Balance Sheet:					
Doubtful accounts – current	$82	$11	$—	(23)(a)	$70
Restructuring reserves	16	5	—	(11)(b)	10

	For the Year Ended December 31, 2014				
	Balance at Beginning of Period	Additions Charged to Earnings	Additions Charged to Other Accounts	Deductions from Reserves	Balance at End of Period
Description					
Reserves Applied Against Specific Assets Shown on Balance Sheet:					
Doubtful accounts – current	$109	$11	$—	(38)(a)	$82
Restructuring reserves	51	41	—	(76)(b)	16

	For the Year Ended December 31, 2013				
	Balance at Beginning of Period	Additions Charged to Earnings	Additions Charged to Other Accounts	Deductions from Reserves	Balance at End of Period
Description					
Reserves Applied Against Specific Assets Shown on Balance Sheet:					
Doubtful accounts – current	$119	$38	$—	(48)(a)	$109
Restructuring reserves	17	46	—	(12)(b)	51

(a) Includes write-offs, less recoveries, of accounts determined to be uncollectible and other adjustments.
(b) Includes payments and deductions for reversals of previously established reserves that were no longer required.

SIGNATURES

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

INTERNATIONAL PAPER COMPANY

February 25, 2016

By: /S/ SHARON R. RYAN
Sharon R. Ryan
Senior Vice President, General Counsel
and Corporate Secretary

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Sharon R. Ryan and Deon Vaughan as his or her true and lawful attorney-in-fact and agent, acting alone, with full power of substitution and resubstitution for him or her and in his or her name, place and stead, in any and all capacities, to sign any or all amendments to this annual report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact full power and authority to do and perform each and every act and thing requisite or necessary to be done, hereby ratifying and confirming all that said attorney-in-fact and agent, or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/S/ MARK S. SUTTON Mark S. Sutton	Chairman of the Board & Chief Executive Officer and Director	February 25, 2016
/S/ DAVID J. BRONCZEK David J. Bronczek	Director	February 25, 2016
/S/ WILLIAM J. BURNS Willliam J. Burns	Director	February 25, 2016
/S/ AHMET C. DORDUNCU Ahmet C. Dorduncu	Director	February 25, 2016
/S/ ILENE S. GORDON Ilene S. Gordon	Director	February 25, 2016
/S/ JAY L. JOHNSON Jay L. Johnson	Director	February 25, 2016
/S/ STACEY J. MOBLEY Stacey J. Mobley	Director	February 25, 2016
/S/ JOAN E. SPERO	Director	February 25, 2016

Joan E. Spero

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/S/ JOHN L. TOWNSEND III John L. Townsend III	Director	February 25, 2016
/S/ WILLIAM G. WALTER William G. Walter	Director	February 25, 2016
/S/ J. STEVEN WHISLER J. Steven Whisler	Director	February 25, 2016
/S/ RAY G. YOUNG Ray G. Young	Director	February 25, 2016
/S/ CAROL L. ROBERTS Carol L. Roberts	Senior Vice President and Chief Financial Officer	February 25, 2016
/S/ TERRI L. HERRINGTON Terri L. Herrington	Vice President – Finance and Controller	February 25, 2016

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APPENDIX I
2015 LISTING OF FACILITIES
(all facilities are owned except noted otherwise)

PRINTING PAPERS

Uncoated Papers and Pulp

U.S.:

Selma, Alabama (Riverdale Mill)
Cantonment, Florida (Pensacola Mill)
Ticonderoga, New York
Riegelwood, North Carolina
Eastover, South Carolina
Georgetown, South Carolina
Sumter, South Carolina
Franklin, Virginia

International:
Luiz Antônio, São Paulo, Brazil
Mogi Guacu, São Paulo, Brazil
Três Lagoas, Mato Grosso do Sul, Brazil
Saillat, France
Kadiam, India
Rajahmundry, India
Kwidzyn, Poland
Svetogorsk, Russia
Paulinia, São Paulo, Brazil
Yanzhou City, China [(2)]
Veracruz, Mexico
Kenitra, Morocco
Edirne, Turkey
Corum, Turkey [(1)]

INDUSTRIAL PACKAGING

Containerboard
U.S.:
Pine Hill, Alabama
Prattville, Alabama
Cantonment, Florida (Pensacola Mill)
Rome, Georgia
Savannah, Georgia
Cayuga, Indiana
Cedar Rapids, Iowa
Henderson, Kentucky
Maysville, Kentucky
Bogalusa, Louisiana
Campti, Louisiana
Mansfield, Louisiana
Vicksburg, Mississippi
Valliant, Oklahoma
Springfield, Oregon
Orange, Texas

Corrugated Container
U.S.:
Bay Minette, Alabama
Decatur, Alabama
Dothan, Alabama leased
Huntsville, Alabama
Conway, Arkansas (2 locations)
Fort Smith, Arkansas (2 locations)
Russellville, Arkansas (2 locations)
Phoenix (Tolleson), Arizona
Yuma, Arizona
Anaheim, California
Buena Park, California leased
Camarillo, California
Carson, California
Compton, California
Elk Grove, California
Exeter, California
Gilroy, California (2 locations)
Los Angeles, California leased
Modesto, California
Ontario, California
Salinas, California
Sanger, California
San Leandro, California leased
Santa Fe Springs, California (2 locations)
Stockton, California
Tracy, California
Golden, Colorado
Wheat Ridge, Colorado
Putnam, Connecticut
Orlando, Florida
Plant City, Florida
Tampa, Florida leased
Columbus, Georgia
Forest Park, Georgia
Stone Mountain, Georgia leased
Tucker, Georgia
Aurora, Illinois (3 locations)
Bedford Park, Illinois (2 locations) 1 leased
Belleville, Illinois
Carroll Stream, Illinois
Des Plaines, Illinois
Lincoln, Illinois
Montgomery, Illinois
Northlake, Illinois
Rockford, Illinois
Butler, Indiana
Crawfordsville, Indiana
Fort Wayne, Indiana
Hammond, Indiana
Indianapolis, Indiana (3 locations)
Saint Anthony, Indiana
Tipton, Indiana
Cedar Rapids, Iowa
Waterloo, Iowa
Garden City, Kansas
Bowling Green, Kentucky
Lexington, Kentucky
Louisville, Kentucky
Walton (Richwood), Kentucky
Bogalusa, Louisiana
Lafayette, Louisiana
Shreveport, Louisiana
Springhill, Louisiana
Auburn, Maine
Three Rivers, Michigan
Arden Hills, Minnesota
Austin, Minnesota
Fridley, Minnesota
Minneapolis, Minnesota leased
Shakopee, Minnesota
White Bear Lake, Minnesota
Houston, Mississippi
Jackson (Richland), Mississippi
Magnolia, Mississippi leased
Olive Branch, Mississippi
Fenton, Missouri
Kansas City, Missouri

International:
Franco da Rocha, São Paulo, Brazil
Nova Campina, São Paulo, Brazil

Griffin, Georgia
Kennesaw, Georgia leased
Lithonia, Georgia
Savannah, Georgia

Maryland Heights, Missouri
North Kansas City, Missouri leased
St. Joseph, Missouri
St. Louis, Missouri

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Omaha, Nebraska
Barrington, New Jersey
Bellmawr, New Jersey
Milltown, New Jersey
Spotswood, New Jersey
Thorofare, New Jersey
Binghamton (Conklin), New York
Buffalo, New York
Rochester, New York
Scotia, New York
Utica, New York
Charlotte, North Carolina (2 locations) 1 leased
Lumberton, North Carolina
Manson, North Carolina
Newton, North Carolina
Statesville, North Carolina
Byesville, Ohio
Delaware, Ohio
Eaton, Ohio
Kenton, Ohio
Madison, Ohio
Marion, Ohio
Marysville, Ohio leased
Middletown, Ohio
Mt. Vernon, Ohio
Newark, Ohio
Streetsboro, Ohio
Wooster, Ohio
Oklahoma City, Oklahoma
Beaverton, Oregon (2 locations)
Hillsboro, Oregon
Portland, Oregon
Salem, Oregon leased
Biglerville, Pennsylvania (2 locations)
Eighty-four, Pennsylvania
Hazleton, Pennsylvania
Kennett Square (Toughkenamon), Pennsylvania
Lancaster, Pennsylvania
Mount Carmel, Pennsylvania
Georgetown, South Carolina
Laurens, South Carolina
Lexington, South Carolina
Ashland City, Tennessee leased
Amarillo, Texas
Carrollton, Texas (2 locations)
Edinburg, Texas
El Paso, Texas
Ft. Worth, Texas leased
Grand Prairie, Texas
Hidalgo, Texas
McAllen, Texas
San Antonio, Texas (2 locations)
Sealy, Texas
Waxahachie, Texas
Lynchburg, Virginia
Petersburg, Virginia
Richmond, Virginia
Moses Lake, Washington
Olympia, Washington
Yakima, Washington
Fond du Lac, Wisconsin
Manitowoc, Wisconsin

International:
Manaus, Amazonas, Brazil
Paulinia, São Paulo, Brazil
Rio Verde, Goias, Brazil
Suzano, São Paulo, Brazil
Las Palmas, Canary Islands
Tenerife, Canary Islands
Rancagua, Chile
Baoding, China
Beijing, China
Chengdu, China
Dalian, China
Dongguan, China
Guangzhou, China (2 locations)
Hohhot, China
Nanjing China
Shanghai, China (2 locations)
Shenyang, China
Suzhou, China
Tianjin, China (2 locations)
Wuhan, China
Arles, France
Chalon-sur-Saone, France
Creil, France
Bellusco, Italy
Catania, Italy
Pomezia, Italy
San Felice, Italy
Kuala Lumpur, Malaysia
Juhor, Malaysia
Apodaco (Monterrey), Mexico leased
Ixtaczoquitlan, Mexico
Juarez, Mexico leased
Los Mochis, Mexico
Puebla, Mexico leased
Reynosa, Mexico
San Jose Iturbide, Mexico
Santa Catarina, Mexico
Silao, Mexico
Villa Nicolas Romero, Mexico
Zapopan, Mexico
Agadir, Morocco
Casablanca, Morocco
Singapore, Singapore
Almeria, Spain
Barcelona, Spain
Bilbao, Spain
Gandia, Spain
Madrid, Spain
Bangkok, Thailand
Adana, Turkey
Bursa, Turkey
Corlu, Turkey
Corum, Turkey
Gebze, Turkey
Izmir, Turkey

Recycling

U.S.:
Phoenix, Arizona
Fremont, California
Norwalk, California
West Sacramento, California
Denver, Colorado (1)
Itasca, Illinois
Des Moines, Iowa
Wichita, Kansas

Cleveland, Tennessee	LePuy, France (Espaly Box Plant)	Roseville, Minnesota
Elizabethton, Tennessee leased	Mortagne, France	Omaha, Nebraska
Morristown, Tennessee	Guadeloupe, French West Indies	Charlotte, North Carolina
Murfreesboro, Tennessee	Batam, Indonesia	Beaverton, Oregon

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Eugene, Oregon leased
Memphis, Tennessee leased [1]
Carrollton, Texas
Salt Lake City, Utah
Richmond, Virginia
Kent, Washington

International:
Monterrey, Mexico leased
Xalapa, Veracruz, Mexico leased

Bags
U.S.:
Buena Park, California
Beaverton, Oregon
Grand Prairie, Texas

CONSUMER PACKAGING

Coated Paperboard
Augusta, Georgia
Riegelwood, North Carolina
Prosperity, South Carolina
Texarkana, Texas

Foodservice
U.S.:
Visalia, California
Shelbyville, Illinois
Kenton, Ohio

International:
Shanghai, China
Beijing, China
Bogota, Colombia
Cheshire, England leased

DISTRIBUTION

IP Asia
International:
China (8 locations)
Malaysia
Taiwan
Thailand
Vietnam

FOREST PRODUCTS

Forest Resources
International:
Approximately 335,000 acres in Brazil

(1) Closed March 2015
(2) Closed October 2015

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APPENDIX II
2015 CAPACITY INFORMATION
CONTINUING OPERATIONS

(in thousands of short tons)	U.S.	EMEA	Americas, other than U.S.	Asia	India	Total
Industrial Packaging						
Containerboard [a]	13,131	48	360	—	—	13,539
Printing Papers						
Uncoated Freesheet	1,808	1,150	1,135	—	258	4,351
Bristols	165	—	—	—	—	165
Uncoated Papers and Bristols	1,973	1,150	1,135	—	258	4,516
Dried Pulp	1,335	346	140	—	—	1,821
Newsprint	—	124	—	—	—	124
Total Printing Papers	3,308	1,620	1,275	—	258	6,461
Consumer Packaging						
Coated Paperboard	1,568	379	—	1,413 [b]	—	3,360

(a) In addition to Containerboard, this also includes saturated kraft, kraft bag, and gypsum.
(b) The Company's ownership interest in the Asian Coated Paperboard business was sold in October 2015.

Forest Resources

	(M Acres)
We own, manage or have an interest in approximately 1.4 million acres of forestlands worldwide. These forestlands and associated acres are located in the following regions:	
Brazil	335
We have harvesting rights in:	
Russia	1,047
Poland	—
Total	1,382