UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 1-3610

ARCONIC INC.
(Exact name of registrant as specified in its charter)

PENNSYLVANIA **(State of incorporation)**	**25-0317820** **(I.R.S. Employer Identification No.)**
390 Park Avenue, New York, New York **(Address of principal executive offices)**	**10022-4608** **(Zip code)**

Investor Relations 212-836-2674
Office of the Secretary 212-836-2732
(Registrant's telephone number including area code)

Alcoa Inc.
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 7, 2016, 438,478,283 shares of common stock, par value $1.00 per share, of the registrant were outstanding.

EXPLANATORY NOTE

On October 31, 2016, Alcoa Inc. changed its name to Arconic Inc. (“Arconic”). The separation of Arconic from Alcoa Corporation became effective before the opening of the New York Stock Exchange on November 1, 2016. References in this report to “Arconic” before its name change refer to Alcoa Inc.

PART I – FINANCIAL INFORMATION
Item 1. Financial Statements.

Arconic and subsidiaries
Statement of Consolidated Operations (unaudited)
(in millions, except per-share amounts)

	Third quarter ended September 30, 2016	Third quarter ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Sales (L)	$ 5,213	$ 5,573	$15,455	$17,289
Cost of goods sold (exclusive of expenses below)	4,217	4,559	12,474	13,665
Selling, general administrative, and other expenses (R)	275	261	821	717
Research and development expenses	38	55	119	178
Provision for depreciation, depletion, and amortization	316	318	934	958
Restructuring and other charges (D)	18	66	134	460
Interest expense	133	123	389	369
Other income, net (K)	(117)	(15)	(120)	(27)
Total costs and expenses	4,880	5,367	14,751	16,320
Income before income taxes	333	206	704	969
Provision for income taxes	147	100	329	401
Net income	186	106	375	568
Less: Net income attributable to noncontrolling interests	20	62	58	189
NET INCOME ATTRIBUTABLE TO ARCONIC	$ 166	$ 44	$ 317	$ 379
AMOUNTS ATTRIBUTABLE TO ARCONIC COMMON SHAREHOLDERS (N):				
Net income	$ 148	$ 26	$ 265	$ 327
Earnings per share:				
Basic	$ 0.34	$ 0.06	$ 0.60	$ 0.79
Diluted	$ 0.33	$ 0.06	$ 0.60	$ 0.78
Dividends paid per share	$ 0.09	$ 0.09	$ 0.27	$ 0.27

The accompanying notes are an integral part of the consolidated financial statements.

Arconic and subsidiaries
Statement of Consolidated Comprehensive (Loss) Income (unaudited)
(in millions)

	Arconic		Noncontrolling interests		Total	
	Third quarter ended September 30,		Third quarter ended September 30,		Third quarter ended September 30,	
	2016	2015	2016	2015	2016	2015
Net income	$ 166	$ 44	$ 20	$ 62	$ 186	$ 106
Other comprehensive (loss) income, net of tax (C):						
Change in unrecognized net actuarial loss and prior service cost/benefit related to pension and other postretirement benefits	(462)	111	(1)	9	(463)	120
Foreign currency translation adjustments	157	(889)	45	(299)	202	(1,188)
Net change in unrealized losses/gains on available-for-sale securities	—	(2)	—	—	—	(2)
Net change in unrecognized gains/losses on cash flow hedges	(338)	214	(10)	1	(348)	215
Total Other comprehensive (loss) income, net of tax	(643)	(566)	34	(289)	(609)	(855)
Comprehensive (loss) income	$ (477)	$ (522)	$ 54	$ (227)	$ (423)	$ (749)

	Nine months ended September 30,		Nine months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015	2016	2015
Net income	$ 317	$ 379	$ 58	$ 189	$ 375	$ 568
Other comprehensive (loss) income, net of tax (C):						
Change in unrecognized net actuarial loss and prior service cost/benefit related to pension and other postretirement benefits	(365)	212	2	14	(363)	226
Foreign currency translation adjustments	505	(1,649)	184	(517)	689	(2,166)
Net change in unrealized losses/gains on available-for-sale securities	4	(2)	—	—	4	(2)
Net change in unrecognized gains/losses on cash flow hedges	(571)	584	4	(3)	(567)	581
Total Other comprehensive (loss) income, net of tax	(427)	(855)	190	(506)	(237)	(1,361)
Comprehensive (loss) income	$ (110)	$ (476)	$ 248	$ (317)	$ 138	$ (793)

The accompanying notes are an integral part of the consolidated financial statements.

Arconic and subsidiaries
Consolidated Balance Sheet (unaudited)
(in millions)

	September 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,863	$ 1,919
Restricted cash (I)	1,337	37
Receivables from customers, less allowances of $14 in 2016 and $13 in 2015 (O)	1,675	1,340
Other receivables (O)	458	522
Inventories (F)	3,455	3,442
Prepaid expenses and other current assets	580	693
Total current assets	9,368	7,953
Properties, plants, and equipment	34,943	33,687
Less: accumulated depreciation, depletion, and amortization	19,821	18,872
Properties, plants, and equipment, net	15,122	14,815
Goodwill (E)	5,384	5,401
Investments (G)	1,465	1,685
Deferred income taxes	3,074	2,668
Other noncurrent assets (H)	3,035	3,955
Total assets	$ 37,448	$ 36,477
LIABILITIES		
Current liabilities:		
Short-term borrowings	$ 32	$ 38
Accounts payable, trade	2,739	2,889
Accrued compensation and retirement costs	830	850
Taxes, including income taxes	217	239
Other current liabilities	909	1,174
Long-term debt due within one year	773	21
Total current liabilities	5,500	5,211
Long-term debt, less amount due within one year (I)	9,501	8,993
Accrued pension benefits	3,700	3,298
Accrued other postretirement benefits	2,177	2,106
Other noncurrent liabilities and deferred credits	2,625	2,738
Total liabilities	23,503	22,346
CONTINGENCIES AND COMMITMENTS (J)		
EQUITY		
Arconic shareholders' equity:		
Preferred stock	55	55
Mandatory convertible preferred stock	3	3
Common stock	438	1,391
Additional capital	8,197	10,019
Retained earnings	8,940	8,834
Treasury stock, at cost	—	(2,825)
Accumulated other comprehensive loss (C)	(5,858)	(5,431)
Total Arconic shareholders' equity	11,775	12,046
Noncontrolling interests	2,170	2,085
Total equity	13,945	14,131
Total liabilities and equity	$ 37,448	$ 36,477

The accompanying notes are an integral part of the consolidated financial statements.

Arconic and subsidiaries
Statement of Consolidated Cash Flows (unaudited)
(in millions)

	Nine months ended September 30, 2016	Nine months ended September 30, 2015
CASH FROM OPERATIONS		
Net income	$ 375	$ 568
Adjustments to reconcile net income to cash from operations:		
Depreciation, depletion, and amortization	938	959
Deferred income taxes	(67)	(18)
Equity income, net of dividends	32	137
Restructuring and other charges (D)	134	460
Net gain from investing activities – asset sales (G & K)	(152)	(69)
Net periodic pension benefit cost (P)	246	365
Stock-based compensation	73	78
Excess tax benefits from stock-based payment arrangements	—	(9)
Other	67	(65)
Changes in assets and liabilities, excluding effects of acquisitions, divestitures, and foreign currency translation adjustments:		
(Increase) in receivables	(226)	(97)
Decrease (increase) in inventories	7	(176)
(Increase) decrease in prepaid expenses and other current assets	(10)	31
(Decrease) in accounts payable, trade	(196)	(240)
(Decrease) in accrued expenses	(417)	(424)
Increase in taxes, including income taxes	63	135
Pension contributions	(227)	(363)
(Increase) in noncurrent assets (J)	(284)	(348)
(Decrease) in noncurrent liabilities	(148)	(207)
CASH PROVIDED FROM OPERATIONS	208	717
FINANCING ACTIVITIES		
Net change in short-term borrowings (original maturities of three months or less)	(6)	(6)
Additions to debt (original maturities greater than three months)	1,313	1,534
Debt issuance costs	—	(2)
Payments on debt (original maturities greater than three months)	(1,324)	(1,551)
Proceeds from exercise of employee stock options	3	26
Excess tax benefits from stock-based payment arrangements	—	9
Dividends paid to shareholders	(171)	(149)
Distributions to noncontrolling interests	(176)	(72)
Contributions from noncontrolling interests	11	—
CASH USED FOR FINANCING ACTIVITIES	(350)	(211)
INVESTING ACTIVITIES		
Capital expenditures	(814)	(782)
Acquisitions, net of cash acquired (E)	10	97
Proceeds from the sale of assets and businesses (E & H)	683	112
Additions to investments	(23)	(86)
Sales of investments (G)	280	40
Net change in restricted cash	(72)	(7)
Other	15	23
CASH PROVIDED FROM (USED FOR) INVESTING ACTIVITIES	79	(603)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	7	(41)
Net change in cash and cash equivalents	(56)	(138)
Cash and cash equivalents at beginning of year	1,919	1,877
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,863	$ 1,739

The accompanying notes are an integral part of the consolidated financial statements.

Arconic and subsidiaries
Statement of Changes in Consolidated Equity (unaudited)
(in millions, except per-share amounts)

	Arconic Shareholders								
	Preferred stock	Mandatory convertible preferred stock	Common stock	Additional capital	Retained earnings	Treasury stock	Accumulated other comprehensive loss	Non-controlling interests	Total equity
Balance at June 30, 2015	$ 55	$ 3	$ 1,304	$ 9,147	$ 9,605	$ (2,834)	$ (4,966)	$ 2,324	$14,638
Net income	—	—	—	—	44	—	—	62	106
Other comprehensive loss (C)	—	—	—	—	—	—	(566)	(289)	(855)
Cash dividends declared:									
Preferred-Class A @ $1.875 per share	—	—	—	—	(1)	—	—	—	(1)
Preferred-Class B @ $6.7188 per share	—	—	—	—	(16)	—	—	—	(16)
Common @ $0.06 per share	—	—	—	—	(79)	—	—	—	(79)
Stock-based compensation	—	—	—	23	—	—	—	—	23
Common stock issued: compensation plans	—	—	—	1	—	4	—	—	5
Issuance of common stock (E)	—	—	87	783	—	—	—	—	870
Distributions	—	—	—	—	—	—	—	(1)	(1)
Other	—	—	—	—	—	—	—	1	1
Balance at September 30, 2015	$ 55	$ 3	$ 1,391	$ 9,954	$ 9,553	$ (2,830)	$ (5,532)	$ 2,097	$14,691
Balance at June 30, 2016	$ 55	$ 3	$ 1,391	$ 9,877	$ 8,871	$ (2,647)	$ (5,215)	$ 2,194	$14,529
Net income	—	—	—	—	166	—	—	20	186
Other comprehensive (loss) income (C)	—	—	—	—	—	—	(643)	34	(609)
Cash dividends declared:									
Preferred-Class A @ $1.875 per share	—	—	—	—	(1)	—	—	—	(1)
Preferred-Class B @ $6.7188 per share	—	—	—	—	(16)	—	—	—	(16)
Common @ $0.18 per share	—	—	—	—	(80)	—	—	—	(80)
Stock-based compensation	—	—	—	18	—	—	—	—	18
Common stock issued: compensation plans	—	—	—	(12)	—	8	—	—	(4)
Retirement of Treasury stock (M)	—	—	(76)	(2,563)	—	2,639	—	—	—
Reverse stock split (A & M)	—	—	(877)	877	—	—	—	—	—
Distributions	—	—	—	—	—	—	—	(92)	(92)
Other	—	—	—	—	—	—	—	14	14
Balance at September 30, 2016	$ 55	$ 3	$ 438	$ 8,197	$ 8,940	$ —	$ (5,858)	$ 2,170	$13,945

The accompanying notes are an integral part of the consolidated financial statements.

Arconic and subsidiaries
Statement of Changes in Consolidated Equity (unaudited), continued
(in millions, except per-share amounts)

	Arconic Shareholders								
	Preferred stock	Mandatory convertible preferred stock	Common stock	Additional capital	Retained earnings	Treasury stock	Accumulated other comprehensive loss	Non-controlling interests	Total Equity
Balance at December 31, 2014	$ 55	$ 3	$ 1,304	$ 9,284	$ 9,379	$ (3,042)	$ (4,677)	$ 2,488	$14,794
Net income	—	—	—	—	379	—	—	189	568
Other comprehensive loss (C)	—	—	—	—	—	—	(855)	(506)	(1,361)
Cash dividends declared:									
Preferred-Class A @ $3.75 per share	—	—	—	—	(2)	—	—	—	(2)
Preferred-Class B @ $20.1563 per share	—	—	—	—	(50)	—	—	—	(50)
Common @ $0.12 per share	—	—	—	—	(153)	—	—	—	(153)
Stock-based compensation	—	—	—	78	—	—	—	—	78
Common stock issued: compensation plans	—	—	—	(191)	—	212	—	—	21
Issuance of common stock (E)	—	—	87	783	—	—	—	—	870
Distributions	—	—	—	—	—	—	—	(72)	(72)
Other	—	—	—	—	—	—	—	(2)	(2)
Balance at September 30, 2015	$ 55	$ 3	$ 1,391	$ 9,954	$ 9,553	$ (2,830)	$ (5,532)	$ 2,097	$14,691
Balance at December 31, 2015	$ 55	$ 3	$ 1,391	$ 10,019	$ 8,834	$ (2,825)	$ (5,431)	$ 2,085	$14,131
Net income	—	—	—	—	317	—	—	58	375
Other comprehensive (loss) income (C)	—	—	—	—	—	—	(427)	190	(237)
Cash dividends declared:									
Preferred-Class A @ $3.75 per share	—	—	—	—	(2)	—	—	—	(2)
Preferred-Class B @ $20.1563 per share	—	—	—	—	(50)	—	—	—	(50)
Common @ $0.36 per share	—	—	—	—	(159)	—	—	—	(159)
Stock-based compensation	—	—	—	73	—	—	—	—	73
Common stock issued: compensation plans	—	—	—	(209)	—	186	—	—	(23)
Retirement of Treasury stock (M)	—	—	(76)	(2,563)	—	2,639	—	—	—
Reverse stock split (A & M)			(877)	877	—	—	—	—	—
Distributions	—	—	—	—	—	—	—	(176)	(176)
Other	—	—	—	—	—	—	—	13	13
Balance at September 30, 2016	$ 55	$ 3	$ 438	$ 8,197	$ 8,940	$ —	$ (5,858)	$ 2,170	$13,945

The accompanying notes are an integral part of the consolidated financial statements.

A. Basis of Presentation – The interim Consolidated Financial Statements of Arconic Inc. (formerly known as Alcoa Inc. - see below) and its subsidiaries ("Arconic" or the "Company") are unaudited. These Consolidated Financial Statements include all adjustments, consisting only of normal recurring adjustments, considered necessary by management to fairly state the Company's results of operations, financial position, and cash flows. The results reported in these Consolidated Financial Statements are not necessarily indicative of the results that may be expected for the entire year. The 2015 year-end balance sheet data was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America (GAAP). This Form 10-Q report should be read in conjunction with Arconic's Annual Report on Form 10-K for the year ended December 31, 2015, which includes all disclosures required by GAAP. Certain amounts in previously issued financial statements were reclassified to conform to the current period presentation (see Note B).

The separation of Alcoa Inc. into two standalone, publicly-traded companies, Arconic Inc. and Alcoa Corporation, (the "Separation Transaction") became effective before the opening of the New York Stock Exchange (NYSE) on November 1, 2016 (see Note R).

The accompanying unaudited, interim Consolidated Financial Statements include the historical results of Alcoa Corporation, as the Separation Transaction did not take place until November 1, 2016, after the most recent period reported in this Form 10-Q. In future filings, the historical results of the businesses that comprise Alcoa Corporation will be presented as discontinued operations in the Company's Consolidated Financial Statements. As a result of the Separation Transaction, the accompanying unaudited, interim Consolidated Financial Statements are not indicative of the Company's future financial position, results of operations or cash flows.

Pursuant to the authorization provided at a special meeting of Arconic common shareholders held on October 5, 2016, shareholders approved a 1-for-3 reverse stock split of Arconic's outstanding and authorized shares of common stock (the "Reverse Stock Split"). As a result of the Reverse Stock Split, every 3 shares of issued and outstanding common stock were combined into one issued and outstanding share of common stock, without any change in the par value per share. The Reverse Stock Split reduced the number of shares of common stock outstanding from approximately 1.3 billion shares to approximately 0.4 billion shares. The Company's common stock began trading on a reverse stock split-adjusted basis on the NYSE on October 6, 2016. All share and per share data for all periods presented in this report has been retroactively restated to reflect the Reverse Stock Split (see Note M).

B. Recently Adopted and Recently Issued Accounting Guidance

Adopted

On January 1, 2016, Arconic adopted changes issued by the Financial Accounting Standards Board (FASB) to the presentation of extraordinary items. Such items are defined as transactions or events that are both unusual in nature and infrequent in occurrence, and previously, were required to be presented separately in an entity's income statement, net of income tax, after income from continuing operations. The changes eliminate the concept of an extraordinary item and, therefore, the presentation of such items is no longer required. Notwithstanding this change, an entity is still required to present and disclose a transaction or event that is both unusual in nature and infrequent in occurrence in the notes to the financial statements. The adoption of these changes had no impact on the Consolidated Financial Statements.

On January 1, 2016, Arconic adopted changes issued by the FASB to the analysis an entity must perform to determine whether it should consolidate certain types of legal entities. These changes (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, (ii) eliminate the presumption that a general partner should consolidate a limited partnership, (iii) affect the consolidation analysis of reporting entities that are involved with variable interest entities, particularly those that have fee arrangements and related party relationships, and (iv) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The adoption of these changes had no impact on the Consolidated Financial Statements.

On January 1, 2016, Arconic adopted changes issued by the FASB to the presentation of debt issuance costs. Previously, such costs were required to be presented as a noncurrent asset in an entity's balance sheet and amortized into interest expense over the term of the related debt instrument. The changes require that debt issuance costs be presented in an entity's balance sheet as a direct deduction from the carrying value of the related debt liability. The amortization of debt issuance costs remains unchanged. The FASB issued an update to these changes based on an announcement of the staff of the U.S. Securities and Exchange Commission. This update provides an exception to the FASB changes allowing debt issuance costs related to line-of-credit arrangements to continue to be presented as an asset regardless of whether there are any outstanding borrowings under such arrangement. This additional change also was adopted by Arconic on January 1, 2016. This adoption is required on a retrospective basis; therefore, the December 31, 2015 Consolidated Balance Sheet has been updated to conform to the September 30, 2016 presentation. As a result, $51 of debt issuance costs (previously reported in Other noncurrent assets) were reclassified to the Long-term debt, less amount due within one year line item on the December 31, 2015 Consolidated Balance Sheet.

Issued

In January 2016, the FASB issued changes to equity investments. These changes require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. Additionally, the impairment assessment of equity investments without readily determinable fair values has been simplified by requiring a qualitative assessment to identify impairment. These changes become effective for Arconic on January 1, 2018. Management is currently evaluating the potential impact of these changes on the Consolidated Financial Statements.

In February 2016, the FASB issued changes to the accounting and presentation of leases. These changes require lessees to recognize a right of use asset and lease liability on the balance sheet for all leases with terms longer than 12 months. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize a right of use asset and lease liability. Additionally, when measuring assets and liabilities arising from a lease, optional payments should be included only if the lessee is reasonably certain to exercise an option to extend the lease, exercise a purchase option, or not exercise an option to terminate the lease. These changes become effective for Arconic on January 1, 2019. Management is currently evaluating the potential impact of these changes on the Consolidated Financial Statements.

In March 2016, the FASB issued changes to employee share-based payment accounting. Currently, an entity must determine for each share-based payment award whether the difference between the deduction for tax purposes and the compensation cost recognized for financial reporting purposes results in either an excess tax benefit or a tax deficiency. Excess tax benefits are recognized in additional paid-in capital; tax deficiencies are recognized either as an offset to accumulated excess tax benefits, if any, or in the income statement. Excess tax benefits are not recognized until the deduction reduces taxes payable. The changes require all excess tax benefits and tax deficiencies related to share-based payment awards to be recognized as income tax expense or benefit in the income statement. The tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. An entity also should recognize excess tax benefits regardless of whether the benefit reduces taxes payable in the current period. Additionally, the presentation of excess tax benefits related to share-based payment awards in the statement of cash flows is changed. Currently, excess tax benefits must be separated from other income tax cash flows and classified as a financing activity. The changes require excess tax benefits to be classified along with other income tax cash flows as an operating activity. Also, the changes require cash paid by an employer when directly withholding shares for tax-withholding purposes to be classified as a financing activity. Currently, there is no specific guidance on the classification in the statement of cash flows of cash paid by an employer to the tax authorities when directly withholding shares for tax-withholding purposes. Additionally, for a share-based award to qualify for equity classification it cannot partially settle in cash in excess of the employer’s minimum statutory withholding requirements. The changes permit equity classification of share-based awards for withholdings up to the maximum statutory tax rates in applicable jurisdictions. These changes become effective for Arconic on January 1, 2017. Management has concluded that the adoption of this guidance will have no material effect on the Consolidated Financial Statements.

In March 2016, the FASB issued changes eliminating the requirement for an investor to adjust an equity method investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held as a result of an increase in the level of ownership interest or degree of influence. Additionally, an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting must recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. These changes become effective for Arconic on January 1, 2017. Management has concluded that the adoption of this guidance will have no impact on the Consolidated Financial Statements. This guidance will need to be considered in the event that Arconic changes its level of ownership interest or degree of influence in an equity method investment.

In March 2016, the FASB issued changes to derivative instruments designated as hedging instruments. These changes clarify that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. These changes become effective for Arconic on January 1, 2017. Management does not expect these changes to have a material impact on the Consolidated Financial Statements.

In June 2016, the FASB added a new impairment model (known as the current expected credit loss (CECL) model) that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses. The CECL model applies to most debt instruments, trade receivables, lease receivables, financial guarantee contracts, and other loan commitments. The CECL model does not have a minimum threshold for recognition of impairment losses and entities will need to measure expected credit losses on assets that have a low risk of loss. These changes become effective for Arconic on January 1, 2020. Management is currently evaluating the potential impact of these changes on the Consolidated Financial Statements.

In August 2016, the FASB issued changes to the classification of certain cash receipts and cash payments within the statement of cash flows. The guidance identifies eight specific cash flow items and the sections where they must be presented within the statement of cash flows. These changes become effective for Arconic on January 1, 2018 and early adoption is permitted. Management does not expect these changes to have a material impact on the Consolidated Financial Statements.

C. Accumulated Other Comprehensive Loss

The following table details the activity of the four components that comprise Accumulated other comprehensive loss for both Arconic's shareholders and noncontrolling interests:

	Arconic Third quarter ended September 30,		Noncontrolling Interests Third quarter ended September 30,	
	2016	2015	2016	2015
Pension and other postretirement benefits (P)				
Balance at beginning of period	$(3,514)	$(3,500)	$ (53)	$ (59)
Other comprehensive (loss) income:				
Unrecognized net actuarial loss and prior service cost/benefit	(819)	46	(1)	10
Tax expense	286	(10)	—	(1)
Total Other comprehensive (loss) income before reclassifications, net of tax	(533)	36	(1)	9
Amortization of net actuarial loss and prior service cost/benefit(1)	109	116	1	—
Tax expense(2)	(38)	(41)	(1)	—
Total amount reclassified from Accumulated other comprehensive loss, net of tax(9)	71	75	—	—
Total Other comprehensive (loss) income	(462)	111	(1)	9
Balance at end of period	$(3,976)	$(3,389)	$ (54)	$ (50)
Foreign currency translation				
Balance at beginning of period	$(2,064)	$(1,606)	$ (641)	$ (569)
Other comprehensive income (loss)(3)	157	(889)	45	(299)
Balance at end of period	$(1,907)	$(2,495)	$ (596)	$ (868)
Available-for-sale securities				
Balance at beginning of period	$ (1)	$ —	$ —	$ —
Other comprehensive loss(4)	—	(2)	—	—
Balance at end of period	$ (1)	$ (2)	$ —	$ —
Cash flow hedges (Q)				
Balance at beginning of period	$ 364	$ 140	$ 11	$ (6)
Other comprehensive (loss) income:				
Net change from periodic revaluations	(430)	288	20	1
Tax benefit (expense)	126	(79)	(6)	—
Total Other comprehensive (loss) income before reclassifications, net of tax	(304)	209	14	1
Net amount reclassified to earnings:				
Aluminum contracts(5)	5	3	—	—
Energy contracts(6)	(50)	—	(34)	—
Foreign exchange contracts(5)	(1)	2	—	—
Interest rate contracts(7)	—	—	—	—
Nickel contracts(8)	—	1	—	—
Sub-total	(46)	6	(34)	—
Tax benefit (expense)(2)	12	(1)	10	—
Total amount reclassified from Accumulated other comprehensive (loss) income, net of tax(9)	(34)	5	(24)	—
Total Other comprehensive (loss) income	(338)	214	(10)	1
Balance at end of period	$ 26	$ 354	$ 1	$ (5)

	Arconic Nine months ended September 30, 2016	2015	Noncontrolling Interests Nine months ended September 30, 2016	2015
Pension and other postretirement benefits (P)				
Balance at beginning of period	$(3,611)	$(3,601)	$ (56)	$ (64)
Other comprehensive (loss) income:				
Unrecognized net actuarial loss and prior service cost/benefit	(883)	(30)	—	13
Tax benefit (expense)	312	18	—	(1)
Total Other comprehensive (loss) income before reclassifications, net of tax	(571)	(12)	—	12
Amortization of net actuarial loss and prior service cost/benefit(1)	317	345	3	4
Tax expense(2)	(111)	(121)	(1)	(2)
Total amount reclassified from Accumulated other comprehensive loss, net of tax(9)	206	224	2	2
Total Other comprehensive (loss) income	(365)	212	2	14
Balance at end of period	$(3,976)	$(3,389)	$ (54)	$ (50)
Foreign currency translation				
Balance at beginning of period	$(2,412)	$ (846)	$ (780)	$ (351)
Other comprehensive income (loss)(3)	505	(1,649)	184	(517)
Balance at end of period	$(1,907)	$(2,495)	$ (596)	$ (868)
Available-for-sale securities				
Balance at beginning of period	$ (5)	$ —	$ —	$ —
Other comprehensive income (loss)(4)	4	(2)	—	—
Balance at end of period	$ (1)	$ (2)	$ —	$ —
Cash flow hedges (Q)				
Balance at beginning of period	$ 597	$ (230)	$ (3)	$ (2)
Other comprehensive (loss) income:				
Net change from periodic revaluations	(772)	792	35	(4)
Tax benefit (expense)	229	(235)	(10)	1
Total Other comprehensive (loss) income before reclassifications, net of tax	(543)	557	25	(3)
Net amount reclassified to earnings:				
Aluminum contracts(5)	(1)	26	—	—
Energy contracts(6)	(49)	4	(34)	—
Foreign exchange contracts(5)	—	3	—	—
Interest rate contracts(7)	8	1	5	—
Nickel contracts(8)	1	1	—	—
Sub-total	(41)	35	(29)	—
Tax benefit (expense)(2)	13	(8)	8	—
Total amount reclassified from Accumulated other comprehensive (loss) income, net of tax(9)	(28)	27	(21)	—
Total Other comprehensive (loss) income	(571)	584	4	(3)
Balance at end of period	$ 26	$ 354	$ 1	$ (5)

(1) These amounts were included in the computation of net periodic benefit cost for pension and other postretirement benefits (see Note P).
(2) These amounts were included in Provision for income taxes on the accompanying Statement of Consolidated Operations.
(3) In all periods presented, there were no tax impacts related to rate changes and no amounts were reclassified to earnings.
(4) In all periods presented, unrealized and realized gains and losses related to these securities were immaterial. Realized gains and losses were included in Other income, net on the accompanying Statement of Consolidated Operations.
(5) These amounts were included in Sales on the accompanying Statement of Consolidated Operations.
(6) For Arconic, $50 of the amount in both the third quarter ended and nine months ended as of September 30, 2016 was included in Other income, net on the accompanying Statement of Consolidated Operations. The remaining amount in both the third quarter ended and nine months ended as of September 30, 2016 and the entire amount in both the third quarter ended and nine months ended as of September 30, 2015 were included in Cost of goods sold on the accompanying Statement of Consolidated Operations. For Noncontrolling interests, the amount in both the third quarter and nine months ended as of September 30, 2016 was included in Other income, net on the accompanying Statement of Consolidated Operations.
(7) For Arconic, $7 of the amount in the nine months ended as of September 30, 2016 was included in Other income, net on the accompanying Statement of Consolidated Operations. The remaining amount in the nine months ended as of September 30, 2016 and the entire amount in the third quarter ended September 30, 2016 and both the third quarter ended and nine months ended as of September 30, 2015 were included in Interest expense on the accompanying Statement of Consolidated Operations. For Noncontrolling interests, the amount in the nine months ended as of September 30, 2016 was included in Other income, net on the accompanying Statement of Consolidated Operations.
(8) These amounts were included in Cost of goods sold on the accompanying Statement of Consolidated Operations.
(9) A positive amount indicates a corresponding charge to earnings and a negative amount indicates a corresponding benefit to earnings. These amounts were reflected on the accompanying Statement of Consolidated Operations in the line items indicated in footnotes 1 through 7.

D. Restructuring and Other Charges – In the third quarter and nine-month period of 2016, Arconic recorded Restructuring and other charges of $18 ($10 after-tax and noncontrolling interest) and $134 ($87 after-tax and noncontrolling interest), respectively.

Restructuring and other charges in the 2016 third quarter included $20 ($10 after-tax and noncontrolling interest) for layoff costs related to cost reduction initiatives and the Separation Transaction (see Note R), including the separation of approximately 100 employees (60 in the Engineered Products and Solutions segment, 30 in the Primary Metals segment, and 10 in Corporate) and related pension settlement costs (see Note P); a net charge of $8 ($5 after-tax and noncontrolling interest) for other miscellaneous items; $8 ($4 after-tax and noncontrolling interest) for the reversal of a number of small layoff reserves related to prior periods; and a favorable benefit of $2 ($1 after-tax and noncontrolling interest) for the net reversal of costs related to decisions made in the fourth quarter of 2015 to permanently close and demolish the Warrick (Indiana) smelter and to curtail the Wenatchee (Washington) smelter and Point Comfort (Texas) refinery (see below).

In the 2016 nine-month period, Restructuring and other charges included $84 ($56 after-tax and noncontrolling interest) for additional net costs related to decisions made in the fourth quarter of 2015 to permanently close and demolish the Warrick (Indiana) smelter and to curtail the Wenatchee (Washington) smelter and Point Comfort (Texas) refinery (see below); $54 ($35 after-tax and noncontrolling interest) for layoff costs related to cost reduction initiatives and the Separation Transaction (see Note R), including the separation of approximately 1,200 employees (860 in the Engineered Products and

Solutions segment, 240 in the Transportation and Construction Solutions segment, 60 in the Primary Metals segment, 30 in the Global Rolled Products segment, and 10 in Corporate); a net charge of $16 ($9 after-tax and noncontrolling interest) for other miscellaneous items; and $20 ($13 after-tax and noncontrolling interest) for the reversal of a number of small layoff reserves related to prior periods.

In the 2016 nine-month period, costs related to the closure and curtailment actions included accelerated depreciation of $70 related to the Warrick smelter as it continued to operate during the 2016 first quarter; $24 ($4 in the 2016 third quarter) for the reversal of severance costs initially recorded in the 2015 fourth quarter; and $38 ($2 in the 2016 third quarter) in other costs. Additionally in the 2016 nine-month period, remaining inventories, mostly operating supplies and raw materials, were written down to their net realizable value, resulting in a charge of $5 ($3 after-tax and noncontrolling interest), which was recorded in Cost of goods sold on the accompanying Statement of Consolidated Operations. The other costs of $38 ($2 in the 2016 third quarter) represent $30 ($3 in the 2016 third quarter) for contract termination, $4 (($3) in the 2016 third quarter) in asset retirement obligations for the rehabilitation of a coal mine related to the Warrick smelter, and $4 ($2 in the 2016 third quarter) in other related costs. Additional charges may be recognized in future periods related to these actions.

In the third quarter and nine-month period of 2015, Arconic recorded Restructuring and other charges of $66 ($30 after-tax and noncontrolling interest) and $460 ($329 after-tax and noncontrolling interest), respectively.

Restructuring and other charges in the 2015 third quarter included $42 ($20 after-tax and noncontrolling interest) for charges related to the decision to curtail the remaining capacity (887,000 metric-tons-per-year) at the refinery in Suriname; $33 ($29 after-tax) for layoff costs, including the separation of approximately 370 employees (355 in the Transportation and Construction Solutions segment and a combined 15 in three other segments and Corporate); an $18 ($13 after-tax) gain on the sale of land related to one of the rolling mills in Australia that was permanently closed in December 2014; $11 ($5 after-tax and noncontrolling interest) for exit costs related to the decision to permanently shut down and demolish a power station (see below); a net charge of $2 (a net credit of $9 after-tax and noncontrolling interest) for other miscellaneous items; and $4 ($2 after-tax and noncontrolling interest) for the reversal of a few layoff reserves related to prior periods.

In the 2015 nine-month period, Restructuring and other charges included $190 ($120 after tax and noncontrolling interest) for exit costs related to decisions to permanently shut down and demolish a smelter and a power station (see below); $161 ($151 after-tax and noncontrolling interest) related to the March 2015 divestiture of a rolling mill in Russia and post-closing adjustments associated with three December 2014 divestitures; $80 ($43 after-tax and noncontrolling interest) for the separation of approximately 800 employees (680 in the Primary Metals segment and 120 in the Alumina segment), supplier contract-related costs, and other charges associated with the decisions to temporarily curtail the remaining capacity at both the São Luís smelter (74,000 metric-ton-per-year) and the refinery in Suriname (1,330,000 metric-tons-per-year); $62 ($50 after-tax and noncontrolling interest) for layoff costs, including the separation of approximately 970 employees (410 in the Transportation and Construction Solutions segment, 275 in the Engineered Products and Solutions segment, 165 in the Primary Metals segment, 70 in the Global Rolled Products segment, and 50 in Corporate); the previously mentioned $18 ($13 after-tax) gain on a land sale; a net credit of $3 ($13 after-tax and noncontrolling interest) for other miscellaneous items; and $12 ($9 after-tax and noncontrolling interest) for the reversal of a number of small layoff reserves related to prior periods.

In the second quarter of 2015, management approved the permanent shutdown and demolition of the Poços de Caldas smelter (capacity of 96,000 metric-tons-per-year) in Brazil and the Anglesea power station (includes the closure of a related coal mine) in Australia. The entire capacity at Poços de Caldas has been temporarily idled since May 2014 and the Anglesea power station was shut down at the end of August 2015. Demolition and remediation activities related to the Poços de Caldas smelter and the Anglesea power station began in late 2015 and are expected to be completed by the end of 2026 and 2020, respectively.

The decision on the Poços de Caldas smelter was due to management's conclusion that the smelter was no longer competitive as a result of challenging global market conditions for primary aluminum, which led to the initial curtailment, that have not dissipated and higher costs. For the Anglesea power station, the decision was made because a sale process did not result in a sale and there would be imminent operating costs and financial constraints related to this site in the remainder of 2015 and beyond, including significant costs to source coal from available resources, necessary maintenance costs, and a depressed outlook for forward electricity prices. The Anglesea power station previously supplied approximately 40 percent of the power needs for the Point Henry smelter, which was closed in August 2014.

In the 2015 nine-month period, costs related to the shutdown actions included asset impairments of $86, representing the write-off of the remaining book value of all related properties, plants, and equipment; $22 ($11 in the 2015 third quarter) for the layoff of approximately 90 employees (Primary Metals segment); including $11 in pension costs (see Note P); and $82 in other exit costs. Additionally in the 2015 nine-month period, remaining inventories, mostly operating supplies and raw materials, were written down to their net realizable value, resulting in a charge of $4 ($2 after-tax and noncontrolling interest), which was recorded in Cost of goods sold on the accompanying Statement of Consolidated Operations. The other exit costs of $82 represent $45 in asset retirement obligations and $29 in environmental remediation, both of which were triggered by the decisions to permanently shut down and demolish the aforementioned structures in Brazil and Australia (includes the rehabilitation of a related coal mine), and $8 in supplier and customer contract-related costs.

Arconic does not include Restructuring and other charges in the results of its reportable segments. The pretax impact of allocating such charges to segment results would have been as follows:

	Third quarter ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Alumina	$ (1)	$ 38	$ 3	$ 55
Primary Metals	17	11	105	209
Global Rolled Products	(1)	(17)	1	119
Engineered Products and Solutions	(1)	22	16	33
Transportation and Construction Solutions	(2)	3	6	6
Segment total	12	57	131	422
Corporate	6	9	3	38
Total restructuring and other charges	$ 18	$ 66	$ 134	$ 460

As of September 30, 2016, approximately 900 of the 1,200 employees associated with 2016 restructuring programs and approximately 4,100 of the 4,700 employees (previously 5,000) associated with 2015 restructuring programs were separated. Additionally, the separations associated with 2014 restructuring programs were essentially complete. The total number of employees associated with the 2015 restructuring programs was updated to reflect employees, who were initially identified for separation, accepting other positions within Arconic and natural attrition. Most of the remaining separations for the 2016 restructuring programs and all of the remaining separations for the 2015 restructuring programs are expected to be completed by the end of 2016.

In the 2016 third quarter and nine-month period, cash payments of $8 and $19, respectively, were made against layoff reserves related to 2016 restructuring programs, $17 and $109, respectively, were made against layoff reserves related to 2015 restructuring programs, and $1 and $4, respectively, were made against layoff reserves related to 2014 restructuring programs.

Activity and reserve balances for restructuring charges were as follows:

	Layoff costs	Other exit costs	Total
Reserve balances at December 31, 2014	$ 98	$ 34	$ 132
2015:			
Cash payments	(111)	(12)	(123)
Restructuring charges	299	233	532
Other*	(60)	(231)	(291)
Reserve balances at December 31, 2015	226	24	250
2016:			
Cash payments	(132)	(33)	(165)
Restructuring charges	54	52	106
Other*	(56)	(3)	(59)
Reserve balances at September 30, 2016	$ 92	$ 40	$ 132

* Other includes reversals of previously recorded restructuring charges and the effects of foreign currency translation. In the 2016 nine-month period, Other for layoff costs also included a reclassification of $14 in pension benefits costs, as this obligation was included in Arconic’s separate liability for pension benefits obligations (see Note P). Additionally in the 2016 nine-month period, Other for other exit costs also included a reclassification of $4 in asset retirement obligations, as this liability was included in Arconic’s separate reserve for asset retirement obligations. In the 2015 nine month period, Other for layoff costs also included a reclassification of $28 in pension and other postretirement benefits costs, as this obligation was included in Arconic’s separate liability for pension and other postretirement benefits obligations (see Note P). Additionally in the 2015 nine month period, Other exit costs also included a reclassification of the following restructuring charges: $45 in asset retirement obligations and $29 in environmental obligations, as these liabilities were included in Arconic’s separate reserves for asset retirement obligations and environmental remediation.

The remaining reserves are expected to be paid in cash during the remainder of 2016, with the exception of approximately $30 to $35, which is expected to be paid over the next several years for ongoing site remediation work and special layoff benefit payments.

E. Acquisitions and Divestitures – In April 2016, Arconic completed the sale of the Remmele Medical business to LISI MEDICAL for $102 in cash ($99 net of transaction costs), which was included in Proceeds from the sale of assets and businesses on the accompanying Statement of Consolidated Cash Flows. This business, which was part of the RTI International Metals (RTI) acquisition (see below), manufactures precision-machined metal products for customers in the minimally invasive surgical device and implantable device markets. No gain was recorded on this transaction as the excess of the proceeds over the carrying value of the net assets of this business was reflected as a purchase price adjustment (decrease to goodwill of $44) to the preliminary allocation of the purchase price related to Arconic's acquisition of RTI. While owned by Arconic, the operating results and assets and liabilities of this business were included in the Engineered Products and Solutions segment. This business generated sales of approximately $20 from January 1, 2016 through the divestiture date, April 29, 2016, and, at the time of the divestiture, had approximately 330 employees. This transaction is no longer subject to post-closing adjustments.

In July 2016, Arconic's wholly-owned subsidiary, Alcoa Power Generating Inc., reached an agreement to sell its 215-megawatt Yadkin Hydroelectric Project (Yadkin) to ISQ Hydro Aggregator LLC. Yadkin encompasses four hydroelectric power developments (reservoirs, dams and powerhouses), known as High Rock, Tuckertown, Narrows and Falls, situated along a 38-mile stretch of the Yadkin River through the central part of North Carolina. This transaction is expected to close by the end of 2016, subject to customary federal and state regulatory approvals. The power generated by Yadkin is primarily sold into the open market. Yadkin generated sales of approximately $20 in 2015, and had approximately 33 employees as of September 30, 2016. The carrying value of the net assets to be sold was $127 as of both September 30, 2016 and December 31, 2015 and consists mostly of properties, plants, and equipment.

In March 2015, Arconic completed the acquisition of an aerospace structural castings company, TITAL, for $204 (€188) in cash (an additional $1 (€1) was paid in September 2015 to settle working capital in accordance with the purchase agreement). TITAL, a privately held company with approximately 650 employees based in Germany, produces aluminum and titanium investment casting products for the aerospace and defense markets. The purpose of this acquisition is to capture increasing demand for advanced jet engine components made of titanium, establish titanium-casting capabilities in Europe, and expand existing aluminum casting capacity. The assets, including the associated goodwill, and liabilities of this business were included within Arconic's Engineered Products and Solutions segment since the date of acquisition. Based on the preliminary allocation of the purchase price, goodwill of $118 was recorded for this transaction. In the first quarter of 2016, the allocation of the purchase price was finalized, based, in part, on the completion of a third-party valuation of certain assets acquired, resulting in a $1 reduction of the initial goodwill amount. None of the $117 in goodwill is deductible for income tax purposes and no other intangible assets were identified. This transaction is no longer subject to post-closing adjustments.

In July 2015, Arconic completed the acquisition of RTI, a global supplier of titanium and specialty metal products and services for the commercial aerospace, defense, energy, and medical device markets, for $870 in Arconic common stock. During the third quarter of 2016, the final purchase price allocation was completed.

The following table represents the final allocation of the purchase price by major asset acquired and liability assumed, as well as the amount of goodwill recognized:

Assets:	
Cash	$ 303
Receivables from customers	94
Inventories	483
Prepaid expenses and other current assets	47
Properties, plants, and equipment	321
Goodwill	298
Other noncurrent assets	60
Total assets	$1,606
Liabilities:	
Accounts payable	$ 86
Other current liabilities	94
Long-term debt due within one year	115
Long-term debt, less amount due within one year	387
Other noncurrent liabilities	111
Total liabilities	$ 793
Equity	
Additional capital	$ 60
Total equity	$ 60

As reflected in the table above, Arconic recognized goodwill of $298, which represents the earnings growth potential of RTI, Arconic's ability to expand its titanium capabilities in the aerospace market, and expected synergies from combining the operations of the two companies. This goodwill was allocated to a new Arconic reporting unit associated with the Engineered Products and Solutions segment, Arconic Titanium and Engineered Products, which consists solely of the acquired RTI business. None of this goodwill is deductible for income tax purposes.

The other noncurrent assets in the table above represent intangible assets. These intangible assets consist primarily of customer relationships which are being amortized over a period of 20 years.

F. Inventories

	September 30, 2016	December 31, 2015
Finished goods	$ 854	$ 811
Work-in-process	1,325	1,272
Bauxite and alumina	401	445
Purchased raw materials	670	720
Operating supplies	205	194
	$ 3,455	$ 3,442

At September 30, 2016 and December 31, 2015, the total amount of inventories valued on a LIFO basis was $1,311 and $1,373, respectively. If valued on an average-cost basis, total inventories would have been $567 and $559 higher at September 30, 2016 and December 31, 2015, respectively.

G. Investments – A summary of unaudited financial information for Arconic's equity investments is as follows (amounts represent 100% of investee financial information):

	Third quarter ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Sales	$ 888	$ 1,015	$2,684	$2,872
Cost of goods sold	840	796	2,200	2,353
Net income (loss)	(6)	20	23	(66)

In April 2016, Arconic's majority-owned subsidiary, Alcoa of Australia Limited (AofA), sold its 20% interest in a consortium, DBP, the owner and operator of the Dampier to Bunbury Natural Gas Pipeline (DBNGP) in Western Australia, to the only other member of the consortium, DUET Group. AofA received $145 (A$192) in cash, which was included in Sales of investments on the accompanying Statement of Consolidated Cash Flows, and recorded a gain of $27 (A$35) ($11 (A$15) after-tax and noncontrolling interest) in Other income, net on the accompanying Statement of Consolidated Operations. Prior to this transaction, AofA's 20% interest was previously classified as an equity investment on Arconic's Consolidated Balance Sheet. As part of the transaction, AofA will maintain its current access to approximately 30% of the DBNGP transmission capacity for gas supply to its three alumina refineries in Western Australia. AofA is part of Alcoa World Alumina and Chemicals (AWAC), an unincorporated joint venture that consists of a group of companies, which are owned 60% by Arconic and 40% by Alumina Limited of Australia.

In the 2016 nine-month period, Arconic sold various exchange-traded fixed income and equity securities held by its captive insurance company for $130, which was included in Sales of investments on the accompanying Statement of Consolidated Cash Flows, and recorded a loss of $3 ($2 after-tax) in Other income, net on the accompanying Statement of Consolidated Operations. Previously, these securities were classified as available-for-sale investments on Arconic's Consolidated Balance Sheet and were carried at fair value with unrealized gains and losses recognized in other comprehensive income. As of September 30, 2016 and December 31, 2015, the carrying value of available-for-sale-securities was $83 and $193, respectively, which was included in Investments on the accompanying Consolidated Balance Sheet.

H. Other Noncurrent Assets – In the first quarter of 2016, Arconic received $234 in proceeds from the redemption of certain company-owned life insurance policies. In the second quarter of 2016, Arconic liquidated additional company-owned life insurance policies for $223 in cash. Both of these amounts were included in Proceeds from the sale of assets and businesses on the accompanying Statement of Consolidated Cash Flows. As the cash received was equivalent to the cash surrender value of these policies, no gain or loss was recognized on the sales of these policies. As of September 30, 2016 and December 31, 2015, the cash surrender value of life insurance policies was $25 and $492, respectively, which was included in Other noncurrent assets on the accompanying Consolidated Balance Sheet.

I. Long-Term Debt – In September 2016, Alcoa Nederland Holding B.V, a wholly owned subsidiary of Alcoa Corporation, which was a wholly owned subsidiary of Arconic, completed an offering of $750 aggregate principal amount of 6.75% senior notes due 2024 and $500 aggregate principal amount of 7.00% senior notes due 2026 (together "the Notes"), in preparation for the Separation Transaction which became effective before the opening of the NYSE on November 1, 2016. Concurrent with the closing, Arconic was required to place into escrow $1,309, which represented the net proceeds from the offering of the Notes of $1,228, along with additional cash on hand of $81 which represented the necessary cash to fund the redemption of the Notes, pay all regularly scheduled interest on the Notes through a specified date as defined in the Notes, and a premium on the principal of the Notes if the Separation Transaction was not completed by a certain time as defined in the Notes. The cash held in escrow is included in Restricted cash in the Consolidated Balance Sheet at September 30, 2016. The net proceeds from the Notes of $1,228 are not reflected on the accompanying Statement of Consolidated Cash Flows for the nine months ended September 30, 2016 as they represent a noncash financing activity.

The release of the escrowed funds will be subject to conditions set forth in the escrow agreements. Alcoa Corporation intends to use the proceeds from the offering to make a payment to Arconic to fund the transfer of certain assets from Arconic to Alcoa Corporation relating to the Separation Transaction and for general corporate purposes. The notes are guaranteed on a senior unsecured basis by Alcoa Corporation.

In September 2016, Arconic entered into an amendment to its Five-Year Revolving Credit Agreement (as amended). The amendment was entered into to permit the Separation Transaction and to amend certain terms of the Credit Agreement including the replacement of the existing financial covenant with a leverage ratio and reduction of total commitments available from $4,000 to $3,000. The existing financial covenant, currently based upon Consolidated Net Worth (as defined in the Credit Agreement) will be replaced. Arconic will be required to maintain a ratio of Indebtedness (as defined in the Credit Agreement), to Consolidated EBITDA (as defined in the Credit Agreement) of 5.50 to 1.00 for the period of the four fiscal quarters most recently ended, declining to 3.50 to 1.00 on December 31, 2019 and thereafter. The amendment became effective on the separation date of November 1, 2016.

J. Contingencies and Commitments

Contingencies

Litigation

On June 5, 2015, Alcoa World Alumina LLC ("AWA") and St. Croix Alumina, L.L.C. ("SCA") filed a complaint in Delaware Chancery Court for a declaratory judgment and injunctive relief to resolve a dispute between Arconic and Glencore Ltd. ("Glencore") with respect to claimed obligations under a 1995 asset purchase agreement between Arconic and Glencore. The dispute arose from Glencore's demand that Arconic indemnify it for liabilities it may have to pay to Lockheed Martin ("Lockheed") related to the St. Croix alumina refinery. Lockheed had earlier filed suit against Glencore in federal court in New York seeking indemnity for liabilities it had incurred and would incur to the U.S. Virgin Islands to remediate certain properties at the refinery property and claimed that Glencore was required by an earlier, 1989 purchase agreement to indemnify it. Glencore had demanded that Arconic indemnify and defend it in the

Lockheed case and threatened to claim against Arconic in the New York action despite exclusive jurisdiction for resolution of disputes under the 1995 purchase agreement being in Delaware. After Glencore conceded that it was not seeking to add Arconic to the New York action, AWA and SCA dismissed their complaint in the Chancery Court case and on August 6, 2015 filed a complaint for declaratory judgment in Delaware Superior Court. AWA and SCA filed a motion for judgment on the pleadings on September 16, 2015. Glencore answered AWA's and SCA's complaint and asserted counterclaims on August 27, 2015, and on October 2, 2015 filed its own motion for judgment on the pleadings. Argument on the parties' motions was held by the court on December 7, 2015, and by order dated February 8, 2016, the court granted Arconic's motion and denied Glencore's motion, resulting in Arconic not being liable to indemnify Glencore for the Lockheed action. The decision also leaves for pretrial discovery and possible summary judgment or trial Glencore's claims for costs and fees it incurred in defending and settling an earlier Superfund action brought against Glencore by the Government of the Virgin Islands. On February 17, 2016, Glencore filed notice of its application for interlocutory appeal of the February 8, 2016 ruling. AWA and SCA filed an opposition to that application on February 29, 2016. On March 10, 2016, the court denied Glencore's motion for interlocutory appeal and on the same day entered judgment on claims other than Glencore's claims for costs and fees it incurred in defending and settling the earlier Superfund action brought against Glencore by the Government of the Virgin Islands. On March 29, 2016, Glencore filed a withdrawal of its notice of interlocutory appeal, and on April 6, 2016, Glencore filed an appeal of the court's March 10, 2016 judgment to the Delaware Supreme Court, which set the appeal for argument for November 2, 2016. On November 4, 2016, the Delaware Supreme Court affirmed the judgment of the Delaware Superior Court. Remaining in the case are Glencore's claims for costs and fees it incurred in defending and settling an earlier superfund action brought against Glencore by the Government of the Virgin Islands. These claims are not material.

Before 2002, Arconic purchased power in Italy in the regulated energy market and received a drawback of a portion of the price of power under a special tariff in an amount calculated in accordance with a published resolution of the Italian Energy Authority, Energy Authority Resolution n. 204/1999 ("204/1999"). In 2001, the Energy Authority published another resolution, which clarified that the drawback would be calculated in the same manner, and in the same amount, in either the regulated or unregulated market. At the beginning of 2002, Arconic left the regulated energy market to purchase energy in the unregulated market. Subsequently, in 2004, the Energy Authority introduced regulation no. 148/2004 which set forth a different method for calculating the special tariff that would result in a different drawback for the regulated and unregulated markets. Arconic challenged the new regulation in the Administrative Court of Milan and received a favorable judgment in 2006. Following this ruling, Arconic continued to receive the power price drawback in accordance with the original calculation method, through 2009, when the European Commission declared all such special tariffs to be impermissible "state aid." In 2010, the Energy Authority appealed the 2006 ruling to the Consiglio di Stato (final court of appeal). On December 2, 2011, the Consiglio di Stato ruled in favor of the Energy Authority and against Arconic, thus presenting the opportunity for the energy regulators to seek reimbursement from Arconic of an amount equal to the difference between the actual drawback amounts received over the relevant time period, and the drawback as it would have been calculated in accordance with regulation 148/2004. On February 23, 2012, Arconic filed its appeal of the decision of the Consiglio di Stato (this appeal was subsequently withdrawn in March 2013). On March 26, 2012, Arconic received a letter from the agency (Cassa Conguaglio per il Settore Eletrico (CCSE)) responsible for making and collecting payments on behalf of the Energy Authority demanding payment in the amount of approximately $110 (€85), including interest. By letter dated April 5, 2012, Arconic informed CCSE that it disputes the payment demand of CCSE since (i) CCSE was not authorized by the Consiglio di Stato decisions to seek payment of any amount, (ii) the decision of the Consiglio di Stato has been appealed (see above), and (iii) in any event, no interest should be payable. On April 29, 2012, Law No. 44 of 2012 ("44/2012") came into effect, changing the method to calculate the drawback. On February 21, 2013, Arconic received a revised request letter from CCSE demanding Arconic's subsidiary, Alcoa Trasformazioni S.r.l., make a payment in the amount of $97 (€76), including interest, which reflects a revised calculation methodology by CCSE and represents the high end of the range of reasonably possible loss associated with this matter of $0 to $97 (€76). Arconic rejected that demand and formally challenged it through an appeal before the Administrative Court on April 5, 2013. The Administrative Court scheduled a hearing for December 19, 2013, which was subsequently postponed until April 17, 2014, and further postponed until June 19, 2014. On that date, the Administrative Court listened to Arconic's oral argument, and on September 2, 2014, rendered its decision. The Administrative Court declared the payment request of CCSE and the Energy Authority to Arconic to be unsubstantiated based on the 148/2004 resolution with respect to the January 19, 2007 through November 19, 2009 timeframe. On December 18, 2014, the CCSE and the Energy Authority appealed the Administrative Court's September 2, 2014 decision; however, a date for the hearing has not been scheduled. As a result of the conclusion of the European Commission Matter on January 26, 2016 (see Note N in the Company's Annual Report on Form 10-K for the year ended December 31, 2015), management modified its outlook with respect to a portion of the pending legal proceedings related to this matter. As such, a charge of $37 (€34) was recorded in Restructuring and other charges for the year ended December 31, 2015 to establish a partial reserve for this matter. At this time, the Company is unable to reasonably predict the ultimate outcome for this matter.

Environmental Matters

Arconic participates in environmental assessments and cleanups at more than 100 locations. These include owned or operating facilities and adjoining properties, previously owned or operating facilities and adjoining properties, and waste sites, including Superfund (Comprehensive Environmental Response, Compensation and Liability Act (CERCLA)) sites.

A liability is recorded for environmental remediation when a cleanup program becomes probable and the costs can be reasonably estimated. As assessments and cleanups proceed, the liability is adjusted based on progress made in determining the extent of remedial actions and related costs. The liability can change substantially due to factors such as the nature and extent of contamination, changes in remedial requirements, and technological changes, among others.

Arconic's remediation reserve balance was $602 and $604 at September 30, 2016 and December 31, 2015 (of which $54 and $50 was classified as a current liability), respectively, and reflects the most probable costs to remediate identified environmental conditions for which costs can be reasonably estimated.

In the 2016 third quarter and nine-month period, the remediation reserve was increased by $13 and $26, respectively. The change in both periods was due to a net charge associated with a number of sites and was recorded in Cost of goods sold on the accompanying Statement of Consolidated Operations.

Payments related to remediation expenses applied against the reserve were $24 and $49 in the 2016 third quarter and nine-month period, respectively. These amounts include expenditures currently mandated, as well as those not required by any regulatory authority or third party. In the 2016 third quarter and nine-month period, the change in the reserve also reflects an increase of $7 and $18, respectively, due to the effects of foreign currency translation and an increase of $3 for the nine-month period, related to the acquisition of RTI (see Note E).

Included in annual operating expenses are the recurring costs of managing hazardous substances and environmental programs. These costs are estimated to be approximately 2% of cost of goods sold.

The following discussion provides details regarding the current status of certain significant reserves related to current or former Arconic sites.

Massena West, NY—Arconic has an ongoing remediation project related to the Grasse River, which is adjacent to Arconic's Massena plant site. Many years ago, it was determined that sediments and fish in the river contain varying levels of polychlorinated biphenyls (PCBs). The project, which was selected by the U.S. Environmental Protection Agency (EPA) in a Record of Decision (ROD) issued in April 2013, is aimed at capping PCB contaminated sediments with concentration in excess of one part per million in the main channel of the river and dredging PCB contaminated sediments in the near-shore areas where total PCBs exceed one part per million. At September 30, 2016 and December 31, 2015, the reserve balance associated with this matter was $230 and $234, respectively. Arconic is in the planning and design phase, which is expected to be completed in 2017. Subsequently in 2017, the actual remediation fieldwork is expected to commence and take approximately four years. The majority of the project funding is expected to be spent between 2017 and 2021.

Sherwin, TX—In connection with the sale of the Sherwin alumina refinery, which was required to be divested as part of the Reynolds merger in 2000, Arconic agreed to retain responsibility for the remediation of the then existing environmental conditions, as well as a pro rata share of the final closure of the active bauxite residue waste disposal areas (known as the Copano facility). Arconic's share of the closure costs is proportional to the total period of operation of the active waste disposal areas. At September 30, 2016 and December 31, 2015, the reserve balance associated with Sherwin was $30. Based on current conditions, approximately half of the projected funding is expected to be spent through 2019, with the balance spent dependent upon the schedule to complete closure of the waste disposal area.

East St. Louis, IL—Arconic has an ongoing remediation project related to an area used for the disposal of bauxite residue from former alumina refining operations. The project, which was selected by the EPA in a ROD issued in July 2012, is aimed at implementing a soil cover over the affected area. On November 1, 2013, the U.S. Department of Justice lodged a consent decree on behalf of the EPA for Arconic to conduct the work outlined in the ROD. This consent decree was entered as final in February 2014 by the U.S. Department of Justice. As a result, Arconic began construction in March 2014; the field work on this project was completed at the end of June 2016. The completion report was approved by the EPA in September 2016. This matter has now transitioned into a long-term inspection and monitoring program (Arconic has a second project in East St. Louis that is separate from the matter presented herein on which Arconic is expecting an EPA decision at some point in 2017 – any resulting liability is not expected to be material). At September 30, 2016 and December 31, 2015, the reserve balance associated with this matter was $3 and $8, respectively.

Fusina and Portovesme, Italy—In 1996, Arconic acquired the Fusina smelter and rolling operations and the Portovesme smelter, both of which are owned by Arconic's subsidiary Alcoa Trasformazioni S.r.l. ("Trasformazioni"), from Alumix, an entity owned by the Italian Government. The rolling operations are currently owned by a new Arconic subsidiary Fusina Rolling S.r.l. At the time of the acquisition, Alumix indemnified Arconic for pre-existing environmental contamination at the sites. In 2004, the Italian Ministry of Environment and Protection of Land and Sea (MOE) issued orders to Trasformazioni and Alumix for the development of a clean-up plan related to soil contamination in excess of allowable limits under legislative decree and to institute emergency actions and pay natural resource damages. Trasformazioni appealed the orders and filed suit against Alumix, among others, seeking indemnification for these liabilities under the provisions of the acquisition agreement. In 2009, Ligestra S.r.l. ("Ligestra"), Alumix's successor, and Trasformazioni agreed to a stay of the court proceedings while investigations were conducted and negotiations advanced towards a possible settlement.

In December 2009, Trasformazioni and Ligestra reached an initial agreement for settlement of the liabilities related to Fusina while negotiations continued related to Portovesme (see below). The agreement outlined an allocation of payments to the MOE for emergency action and natural resource damages and the scope and costs for a proposed soil remediation project, which was formally presented to the MOE in mid-2010. The agreement was contingent upon final acceptance of the remediation project by the MOE. As a result of entering into this agreement, Arconic increased the reserve by $12 in 2009 for Fusina. Based on comments received from the MOE and local and regional environmental authorities, Trasformazioni submitted a revised remediation plan in the first half of 2012; however, such revisions did not require any change to the existing reserve. In October 2013, the MOE approved the project submitted by Arconic, resulting in no adjustment to the reserve.

In January 2014, in anticipation of Arconic reaching a final administrative agreement with the MOE, Arconic and Ligestra entered into a final agreement related to Fusina for allocation of payments to the MOE for emergency action and natural resource damages and the costs for the approved soil remediation project. The agreement resulted in Ligestra assuming 50% to 80% of all payments and remediation costs. On February 27, 2014, Arconic and the MOE reached a final administrative agreement for conduct of work. The agreement includes both a soil and groundwater remediation project estimated to cost $33 (€24) and requires payments of $25 (€18) to the MOE for emergency action and natural resource damages. The remediation projects are slated to begin as soon as Arconic receives final approval from the Ministry of Infrastructure. Based on the final agreement with Ligestra, Arconic's share of all costs and payments is $17 (€12), of which $9 (€6) related to the damages will be paid annually over a 10-year period, which began in April 2014, and was previously fully reserved.

Separately, in 2009, due to additional information derived from the site investigations conducted at Portovesme, Arconic increased the reserve by $3. In November 2011, Trasformazioni and Ligestra reached an agreement for settlement of the liabilities related to Portovesme, similar to the one for Fusina. A proposed soil remediation project for Portovesme was formally presented to the MOE in June 2012. Neither the agreement with Ligestra nor the proposal to the MOE resulted in a change to the reserve for Portovesme. In November 2013, the MOE rejected the proposed soil remediation project and requested a revised project be submitted. In May 2014, Trasformazioni and Ligestra submitted a revised soil remediation project that addressed certain stakeholders' concerns. Arconic increased the reserve by $3 in 2014 to reflect the estimated higher costs associated with the revised soil remediation project, as well as current operating and maintenance costs of the Portovesme site.

In October 2014, the MOE required a further revised project be submitted to reflect the removal of a larger volume of contaminated soil than what had been proposed, as well as design changes for the cap related to the remaining contaminated soil left in place and the expansion of an emergency containment groundwater pump and treatment system that was previously installed. Trasformazioni and Ligestra submitted the further revised soil remediation project in February 2015. As a result, Arconic increased the reserve by $7 in March 2015 to reflect the increase in the estimated costs of the project. In October 2015, Arconic received a final ministerial decree approving the February 2015 revised soil remediation project. Work on the soil remediation project commenced in the second quarter of 2016 and is expected to be completed in 2019. Arconic and Ligestra are now working on a final groundwater remediation project, which will be submitted to the MOE for approval in 2017. The ultimate outcome of this matter may result in a change to the existing reserve for Portovesme.

Baie Comeau, Quebec, Canada—In August 2012, Arconic presented an analysis of remediation alternatives to the Quebec Ministry of Sustainable Development, Environment, Wildlife and Parks (MDDEP), in response to a previous request, related to known PCBs and polycyclic aromatic hydrocarbons (PAHs) contained in sediments of the Anse du Moulin bay. As such, Arconic increased the reserve for Baie Comeau by $25 in 2012 to reflect the estimated cost of Arconic's recommended alternative, consisting of both dredging and capping of the contaminated sediments. In July 2013, Arconic submitted the Environmental Impact Assessment for the project to the MDDEP. The MDDEP notified Arconic that the project as it was submitted was approved and a final ministerial decree was issued in July 2015. As a result, no further adjustment to the reserve was required in 2015. The decree provided final approval for the project and Arconic started work on the final project design with construction on the project expected to begin in 2017. Completion of the final project design and construction contract may result in additional liability in a future period.

Mosjøen, Norway—In September 2012, Arconic presented an analysis of remediation alternatives to the Norwegian Environmental Agency (NEA) (formerly the Norwegian Climate and Pollution Agency, or "Klif"), in response to a previous request, related to known PAHs in the sediments located in the harbor and extending out into the fjord. As such, Arconic increased the reserve for Mosjøen by $20 in 2012 to reflect the estimated cost of the baseline alternative for dredging of the contaminated sediments. A proposed project reflecting this alternative was formally presented to the NEA in June 2014, and was resubmitted in late 2014 to reflect changes by the NEA. The revised proposal did not result in a change to the reserve for Mosjøen.

In April 2015, the NEA notified Arconic that the revised project was approved and required submission of the final project design before issuing a final order. Arconic completed and submitted the final project design, which identified a need to stabilize the related wharf structure to allow for the sediment dredging in the harbor. As a result, Arconic increased the reserve for Mosjøen by $11 in June 2015 to reflect the estimated cost of the wharf stabilization. Also in June 2015, the NEA issued a final order approving the project as well as the final project design. In September 2015, Arconic increased the reserve by $1 to reflect the potential need (based on prior experience with similar projects) to perform additional dredging if the results of sampling, which is required by the order, don't achieve the required cleanup levels. Project construction commenced in the first quarter of 2016 and is expected to be completed by the end of 2017.

Tax

In September 2010, following a corporate income tax audit covering the 2003 through 2005 tax years, an assessment was received as a result of Spain's tax authorities disallowing certain interest deductions claimed by a Spanish consolidated tax group owned by the Company. An appeal of this assessment in Spain's Central Tax Administrative Court by the Company was denied in October 2013. In December 2013, the Company filed an appeal of the assessment in Spain's National Court.

Additionally, following a corporate income tax audit of the same Spanish tax group for the 2006 through 2009 tax years, Spain's tax authorities issued an assessment in July 2013 similarly disallowing certain interest deductions. In August 2013, the Company filed an appeal of this second assessment in Spain's Central Tax Administrative Court, which was denied in January 2015. The Company filed an appeal of this second assessment in Spain's National Court in March 2015.

At September 30, 2016, the combined assessments total $296 (€244), including interest. The Company believes it has meritorious arguments to support its tax position and intends to vigorously litigate the assessments through Spain's court system. However, in the event the Company is unsuccessful, a portion of the assessments may be offset with existing net operating losses available to the Spanish consolidated tax group. Additionally, it is possible that the Company may receive similar assessments for tax years subsequent to 2009. At this time, the Company is unable to reasonably predict an outcome for this matter.

In March 2013, Arconic's subsidiary, Alcoa World Alumina Brasil (AWAB), was notified by the Brazilian Federal Revenue Office (RFB) that approximately $110 (R$220) of value added tax credits previously claimed are being disallowed and a penalty of 50% assessed. Of this amount, AWAB received $41 (R$82) in cash in May 2012. The value added tax credits were claimed by AWAB for both fixed assets and export sales related to the Juruti bauxite mine and São Luís refinery expansion. The RFB has disallowed credits they allege belong to the consortium in which AWAB owns an interest and should not have been claimed by AWAB. Credits have also been disallowed as a result of challenges to apportionment methods used, questions about the use of the credits, and an alleged lack of documented proof. AWAB presented defense of its claim to the RFB on April 8, 2013. If AWAB is successful in this administrative process, the RFB would have no further recourse. If unsuccessful in this process, AWAB has the option to litigate at a judicial level. Separately from AWAB's administrative appeal, in June 2015, new tax law was enacted repealing the provisions in the tax code that were the basis for the RFB assessing a 50% penalty in this matter. As such, the estimated range of reasonably possible loss is $0 to $32 (R$103), whereby the maximum end of the range represents the portion of the disallowed credits applicable to the export sales and excludes the 50% penalty. Additionally, the estimated range of disallowed credits related to AWAB's fixed assets is $0 to $36 (R$117), which would increase the net carrying value of AWAB's fixed assets if ultimately disallowed. It is management's opinion that the allegations have no basis; however, at this time, management is unable to reasonably predict an outcome for this matter.

Between 2000 and 2002, Arconic's subsidiary, Alcoa Alumínio (Alumínio) sold approximately 2,000 metric tons of metal per month from its Poços de Caldas facility, located in the State of Minas Gerais (the "State"), to Alfio, a customer also located in the State. Sales in the State were exempted from value-added tax (VAT) requirements. Alfio subsequently sold metal to customers outside of the State, but did not pay the required VAT on those transactions. In July 2002, Alumínio received an assessment from State auditors on the theory that Alumínio should be jointly and severally liable with Alfio for the unpaid VAT. In June 2003, the administrative tribunal found Alumínio liable, and Alumínio filed a judicial case in the State in February 2004 contesting the finding. In May 2005, the Court of First Instance found Alumínio solely liable, and a panel of a State appeals court confirmed this finding in April 2006. Alumínio filed a special appeal to the Superior Tribunal of Justice (STJ) in Brasilia (the federal capital of Brazil) later in 2006. In 2011, the STJ (through one of its judges) reversed the judgment of the lower courts, finding that Alumínio should neither be solely nor jointly and severally liable with Alfio for the VAT, which ruling was then appealed by the State. In August 2012, the STJ agreed to have the case reheard before a five-judge panel. A decision from this panel is pending, but additional appeals are likely. At September 30, 2016, the assessment totaled $43 (R$140), including penalties and interest. While the Company believes it has meritorious defenses, the Company is unable to reasonably predict an outcome.

Other

In connection with the sale in 2001 of Reynolds Metals Company's ("Reynolds," a subsidiary of Arconic), alumina refinery in Gregory, Texas, Reynolds assigned an Energy Services Agreement ("ESA") with Gregory Power Partners ("Gregory Power") for purchase of steam and electricity by the refinery. On January 11, 2016, Sherwin Alumina Company, LLC ("Sherwin"), the current owner of the refinery, and one of its affiliate entities, filed bankruptcy petitions in Corpus Christi, Texas for reorganization under Chapter 11 of the Bankruptcy Code. On January 26, 2016, Gregory Power delivered notice to Reynolds that Sherwin's bankruptcy filing constitutes a breach of the ESA; on January 29, 2016, Reynolds responded that the filing does not constitute a breach. Sherwin informed the bankruptcy court that it intends to cease operations because it is not able continue its bauxite supply agreement and thereafter Gregory Power filed a complaint in the bankruptcy case against Reynolds alleging breach of the ESA. On October 4, 2016, the State of Texas filed suit against Sherwin in the bankruptcy proceeding seeking to hold Sherwin responsible for remediation of alleged environmental conditions at the facility. On October 11, 2016, Sherwin filed a similar suit against Reynolds in the case. The outcome of this matter is neither estimable nor probable.

In addition to the matters discussed above, various other lawsuits, claims, and proceedings have been or may be instituted or asserted against Arconic, including those pertaining to environmental, product liability, safety and health, and tax matters. While the amounts claimed in these other matters may be substantial, the ultimate liability cannot now be determined because of the considerable uncertainties that exist. Therefore, it is possible that the Company's liquidity or results of operations in a particular period could be materially affected by one or more of these other matters. However, based on facts currently available, management believes that the disposition of these other matters that are pending or asserted will not have a material adverse effect, individually or in the aggregate, on the financial position of the Company.

Commitments

Arconic has an investment in a joint venture for the development, construction, ownership, and operation of an integrated aluminum complex (bauxite mine, alumina refinery, aluminum smelter, and rolling mill) in Saudi Arabia. The joint venture is owned 74.9% by the Saudi Arabian Mining Company (known as "Ma'aden") and 25.1% by Arconic and consists of three separate companies as follows: one each for the mine and refinery, the smelter, and the rolling mill. Arconic accounts for its investment in the joint venture under the equity method. Capital investment in the project is expected to total approximately $10,800 (SAR 40.5 billion) and has been funded through a combination of equity contributions by the joint venture partners and project financing by the joint venture, which has been guaranteed by both partners (see below). Both the equity contributions and the guarantees of the project financing are based on the joint venture's partners' ownership interests. Originally, it was estimated that Arconic's total equity investment in the joint venture would be approximately $1,100, of which Arconic has contributed $982, including $1 in the 2016 nine-month period. Based on changes to both the project's capital investment and equity and debt structure from the initial plans, the estimated $1,100 equity contribution may be reduced. As of September 30, 2016 and December 31, 2015, the carrying value of Arconic's investment in this project was $863 and $928, respectively.

The smelting and rolling mill companies have project financing totaling $4,207 (reflects principal repayments made through September 30, 2016), of which $1,056 represents Arconic's share (the equivalent of Arconic's 25.1% interest in the smelting and rolling mill companies). In conjunction with the financings, Arconic issued guarantees on behalf of the smelting and rolling mill companies to the lenders in the event that such companies default on their debt service requirements through 2017 and 2020 for the smelting company and 2018 and 2021 for the rolling mill company (Ma'aden issued similar guarantees for its 74.9% interest). Arconic's guarantees for the smelting and rolling mill companies cover total debt service requirements of $100 in principal and up to a maximum of approximately $35 in interest per year (based on projected interest rates). At September 30, 2016 and December 31, 2015, the combined fair value of the guarantees was $3 and $7, respectively, which was included in Other noncurrent liabilities and deferred credits on the accompanying Consolidated Balance Sheet.

The mining and refining company has project financing totaling $2,232, of which $560 represents AWAC's 25.1% interest in the mining and refining company. In conjunction with the financings, Arconic, on behalf of AWAC, issued guarantees to the lenders in the event that the mining and refining company defaults on its debt service requirements through 2019 and 2024 (Ma'aden issued similar guarantees for its 74.9% interest). Arconic's guarantees for the mining and refining company cover total debt service requirements of $120 in principal and up to a maximum of approximately $30 in interest per year (based on projected interest rates). At both September 30, 2016 and December 31, 2015, the combined fair value of the guarantees was $3, which was included in Other noncurrent liabilities and deferred credits on the accompanying Consolidated Balance Sheet. In the event Arconic would be required to make payments under the guarantees, 40% of such amount would be contributed to Arconic by Alumina Limited, consistent with its ownership interest in AWAC.

In 2004, AofA acquired a 20% interest in a consortium, which subsequently purchased the Dampier to Bunbury Natural Gas Pipeline (DBNGP) in Western Australia, in exchange for an initial cash investment of $17 (A$24). The investment in the DBNGP, which was classified as an equity investment, was made in order to secure a competitively priced long-term supply of natural gas to AofA's refineries in Western Australia. AofA made additional contributions of $141 (A$176) for its share of the pipeline capacity expansion and other operational purposes of the consortium through September 2011. In late 2011, the consortium initiated a three-year equity call plan to improve its capitalization structure. This plan required AofA to contribute $39 (A$40), all of which was made through December 2014. Following the completion of the three-year equity call plan in December 2014, the consortium initiated a new equity call plan to further improve its capitalization structure. This plan required AofA to contribute $30 (A$36) through mid-2016, of which $20 (A$27) was made through March 31, 2016, including $3 (A$5) in the 2016 first quarter.

In April 2016, AofA sold its interest in the consortium (see Note G), effectively terminating its remaining obligation to make contributions under the current equity call plan. As part of the sale transaction, AofA will maintain its current access to approximately 30% of the DBNGP transmission capacity for gas supply to its three alumina refineries in Western Australia under an existing agreement to purchase gas transmission services from the DBNGP. At September 30, 2016, AofA has an asset of $288 (A$373) representing prepayments made under the agreement for future gas transmission services.

On April 8, 2015, AofA secured a new 12-year gas supply agreement to power its three alumina refineries in Western Australia beginning in July 2020. This agreement was conditional on the completion of a third-party acquisition of the related energy assets from the then-current owner, which occurred in June 2015. The terms of AofA's gas supply agreement required a prepayment of $500 to be made in two installments. The first installment of $300 was made at the time of the completion of the third-party acquisition in June 2015 and the second installment of $200 was made in April 2016. Both of these amounts were included in (Increase) in noncurrent assets on the accompanying Statement of Consolidated Cash Flows in the respective periods. At September 30, 2016 and December 31, 2015, Arconic has an asset of $504 (A$654) and $288 (A$395), respectively, representing the respective prepayments made under this agreement, which were included in Other noncurrent assets on the accompanying Consolidated Balance Sheet.

K. Other Income, Net

	Third quarter ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Equity loss	$ 15	$ 24	$ 52	$ 68
Interest income	(5)	(4)	(14)	(11)
Foreign currency (gains) losses, net	10	(17)	16	(27)
Net gain from asset sales	(124)	(41)	(152)	(69)
Net income (loss) on mark-to-market derivative contracts (Q)	(4)	16	5	19
Other, net	(9)	7	(27)	(7)
	$ (117)	$ (15)	$ (120)	$ (27)

In the 2016 third quarter and nine-month period, Net gain from asset sales included a $118 gain related to the sale of the Intalco smelter wharf property. Additionally, in the 2016 nine-month period, Net gain from assets sales included a $27 gain related to the sale of an equity interest in a natural gas pipeline in Australia (see Note G). In the 2015 nine-month period, Net gain from assets sales included a $29 gain related to the sale of land around the Lake Charles, LA anode facility.

L. Segment Information – The operating results of Arconic's reportable segments were as follows (differences between segment totals and consolidated totals are in Corporate):

	Alumina	Primary Metals	Global Rolled Products	Engineered Products and Solutions	Transportation and Construction Solutions	Total
Third quarter ended September 30, 2016						
Sales:						
Third-party sales	$ 687	$ 1,148	$ 1,521	$ 1,406	$ 450	$5,212
Intersegment sales	287	440	30	—	—	757
Total sales	$ 974	$ 1,588	$ 1,551	$ 1,406	$ 450	$5,969
Profit and loss:						
Equity (loss) income	$ (9)	$ 3	$ (10)	$ —	$ —	$ (16)
Depreciation, depletion, and amortization	68	99	59	63	12	301
Income taxes	31	—	18	71	17	137
After-tax operating income (ATOI)	72	56	58	162	47	395
Third quarter ended September 30, 2015						
Sales:						
Third-party sales	$ 912	$ 1,249	$ 1,527	$ 1,397	$ 475	$5,560
Intersegment sales	391	479	29	—	—	899
Total sales	$ 1,303	$ 1,728	$ 1,556	$ 1,397	$ 475	$6,459
Profit and loss:						
Equity loss	$ (9)	$ (7)	$ (8)	$ —	$ —	$ (24)
Depreciation, depletion, and amortization	71	106	56	61	11	305
Income taxes	85	(49)	28	71	18	153
ATOI	212	(59)	62	151	44	410

	Alumina	Primary Metals	Global Rolled Products	Engineered Products and Solutions	Transportation and Construction Solutions	Total
Nine months ended September 30, 2016						
Sales:						
Third-party sales	$ 1,926	$ 3,390	$ 4,468	$ 4,320	$ 1,346	$15 450
Intersegment sales	879	1,388	88	—	—	2,355
Total sales	$ 2,805	$ 4,778	$ 4,556	$ 4,320	$ 1 346	$17,805
Profit and loss:						
Equity (loss) income	$ (30)	$ 7	$ (31)	$ —	$ —	$ (54)
Depreciation, depletion, and amortization	197	302	170	190	35	894
Income taxes	76	(16)	80	236	49	470
ATOI	189	111	194	504	132	1,130
Nine months ended September 30, 2015						
Sales:						
Third-party sales	$ 2,723	$ 4,355	$ 4,816	$ 3,933	$ 1,438	$17,265
Intersegment sales	1,323	1,733	99	—	—	3,155
Total sales	$ 4,046	$ 6,088	$ 4,915	$ 3,933	$ 1,438	$20,420
Profit and loss:						
Equity loss	$ (27)	$ (15)	$ (24)	$ —	$ —	$ (66)
Depreciation, depletion, and amortization	228	324	168	166	32	918
Income taxes	264	14	89	228	49	644
ATOI	648	195	192	472	126	1,633

The following table reconciles total segment ATOI to consolidated net income attributable to Arconic:

	Third quarter ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Total segment ATOI	$ 395	$ 410	$1,130	$1,633
Unallocated amounts (net of tax):				
Impact of LIFO	1	50	(5)	93
Metal price lag	4	(48)	12	(110)
Interest expense	(86)	(80)	(253)	(240)
Noncontrolling interests	(20)	(62)	(58)	(189)
Corporate expense	(77)	(72)	(209)	(199)
Restructuring and other charges	(13)	(48)	(89)	(368)
Other	(38)	(106)	(211)	(241)
Consolidated net income attributable to Arconic	$ 166	$ 44	$ 317	$ 379

Items required to reconcile total segment ATOI to consolidated net income attributable to Arconic include: the impact of LIFO inventory accounting; metal price lag; interest expense; noncontrolling interests; corporate expense (general administrative and selling expenses of operating the corporate headquarters and other global administrative facilities, along with depreciation and amortization on corporate-owned assets); restructuring and other charges; and other items, including intersegment profit eliminations, differences between tax rates applicable to the segments and the consolidated effective tax rate, and other nonoperating items such as foreign currency transaction gains/losses and interest income.

M. Common Stock – As discussed in Note A, Arconic completed a 1-for-3 Reverse Stock Split on October 5, 2016. The Reverse Stock Split reduced the number of shares of common stock outstanding from approximately 1.3 billion shares to approximately 0.4 billion shares. The number of authorized shares of common stock was also decreased from 1.8 billion to 0.6 billion shares. The par value of the common stock remained at $1.00 per share. Accordingly, Common stock and Additional capital in the Company's Consolidated Balance Sheet at September 30, 2016 were updated to reflect a decrease and increase of $877, respectively, as if the reverse stock split occurred on September 30, 2016. This transaction is not reflected on the Statement of Consolidated Cash Flows for the nine months ended September 30, 2016 as it represents a noncash financing activity.

In August 2016, Arconic retired its outstanding treasury stock consisting of approximately 76 million shares. As a result, Common stock and Additional capital were decreased by $76 and $2,563, respectively, to reflect the retirement of the treasury shares. This transaction is not reflected on the Statement of Consolidated Cash Flows for the nine months ended September 30, 2016 as it represents a noncash financing activity.

N. Earnings Per Share – Basic earnings per share (EPS) amounts are computed by dividing earnings, after the deduction of preferred stock dividends declared, by the average number of common shares outstanding. Diluted EPS amounts assume the issuance of common stock for all potentially dilutive share equivalents outstanding.

The number of shares and per share amounts for all periods presented below have been updated to reflect the Reverse Stock Split (see Note A).

The information used to compute basic and diluted EPS attributable to Arconic common shareholders was as follows (shares in millions):

	Third quarter ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net income attributable to Arconic	$ 166	$ 44	$ 317	$ 379
Less: preferred stock dividends declared	18	18	52	52
Net income available to Arconic common shareholders – basic	148	26	265	327
Add: interest expense related to convertible notes	2	—	—	—
Add: dividends related to mandatory convertible preferred stock	—	—	—	—
Net income available to Arconic common shareholders – diluted	$ 150	$ 26	$ 265	$ 327
Average shares outstanding – basic	438	427	438	414
Effect of dilutive securities:				
Stock options	1	—	1	1
Stock and performance awards	5	4	4	4
Convertible notes	9	—	—	—
Mandatory convertible preferred stock	—	—	—	—
Average shares outstanding – diluted	453	431	443	419

In all periods presented, 26 million share equivalents related to mandatory convertible preferred stock were not included in the computation of diluted EPS because their effect was anti-dilutive. Additionally, in the 2016 nine-month period, 9 million share equivalents related to convertible notes were not included in the computation of diluted EPS because their effect was anti-dilutive. In the 2015 third quarter and nine-month period, 8 million and 3 million (weighted-average), respectively, share equivalents related to convertible debt (acquired through RTI – see Note E) were not included in the computation of diluted EPS because their effect was anti-dilutive.

Options to purchase 8 million and 9 million shares of common stock at a weighted average exercise price of $38.16 and $38.28 per share were outstanding as of September 30, 2016 and 2015, respectively, but were not included in the computation of diluted EPS because they were anti-dilutive, as the exercise prices of the options were greater than the average market price of Arconic’s common stock.

In July 2015, Arconic issued 29 million shares of its common stock to acquire RTI (see Note E). As a result, the basic average number of shares in the third quarter and nine-month period includes 19 million and 7 million, respectively, representing the weighted average number of shares for the length of time the 29 million shares were outstanding during the respective periods.

O. Receivables – Arconic has an arrangement with three financial institutions to sell certain customer receivables without recourse on a revolving basis. The sale of such receivables is completed through the use of a bankruptcy remote special purpose entity, which is a consolidated subsidiary of Arconic. This arrangement provides for minimum funding of $200 up to a maximum of $400 for receivables sold. The initial sale of receivables in March 2012 resulted in the setup of a deferred purchase price of $254. Arconic has received net cash funding of $350 ($1,608 in draws and $1,258 in repayments) since the program’s inception, including $100 ($300 in draws and $200 in repayments) in the 2016 nine-month period.

As of September 30, 2016 and December 31, 2015, the deferred purchase price receivable was $162 and $249, respectively, which was included in Other receivables on the accompanying Consolidated Balance Sheet. The deferred purchase price receivable is reduced as collections of the underlying receivables occur; however, as this is a revolving program, the sale of new receivables will result in an increase in the deferred purchase price receivable. The net change in the deferred purchase price receivable was reflected in the (Increase) in receivables line item on the accompanying Statement of Consolidated Cash Flows. This activity is reflected as an operating cash flow because the related customer receivables are the result of an operating activity with an insignificant, short-term interest rate risk.

The gross amount of receivables sold and total cash collected under this program since its inception was $28,738 and $28,226, respectively. Arconic services the customer receivables for the financial institutions at market rates; therefore, no servicing asset or liability was recorded.

P. Pension and Other Postretirement Benefits – The components of net periodic benefit cost were as follows:

Pension benefits	Third quarter ended September 30, 2016	Third quarter ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Service cost	$ 43	$ 44	$ 124	$ 132
Interest cost	114	144	358	433
Expected return on plan assets	(187)	(189)	(558)	(566)
Recognized net actuarial loss	104	117	308	352
Amortization of prior service cost	4	4	12	12
Settlements*	13	13	15	14
Curtailments*	—	9	—	9
Special termination benefits*	—	—	1	12
Net periodic benefit cost	$ 91	$ 142	$ 260	$ 398

* Except for Settlements of $2 during the nine months ended September 30, 2016 and $2 in both the third quarter and nine months ended September 30, 2015, these amounts were recorded in Restructuring and other charges on the accompanying Statement of Consolidated Operations (see Note D).

Other postretirement benefits	Third quarter ended September 30, 2016	Third quarter ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Service cost	$ 3	$ 4	$ 10	$ 11
Interest cost	16	23	53	69
Recognized net actuarial loss	8	4	19	13
Amortization of prior service benefit	(6)	(9)	(19)	(28)
Curtailments*	—	(5)	—	(6)
Special termination benefits*	—	—	—	1
Net periodic benefit cost	$ 21	$ 17	$ 63	$ 60

* These amounts were recorded in Restructuring and other charges on the accompanying Statement of Consolidated Operations (see Note D).

In conjunction with the annual measurement of the funded status of Arconic's pension and other postretirement benefit plans at December 31, 2015, management elected to change the manner in which the interest cost component of net periodic benefit cost is determined in 2016 and beyond. Previously, the interest cost component was determined by multiplying the single equivalent rate and the aggregate discounted cash flows of the plans' projected benefit obligations. Under the new methodology, the interest cost component is determined by aggregating the product of the discounted cash flows of the plans' projected benefit obligations for each year and an individual spot rate (referred to as the "spot rate" approach). In the 2016 third quarter and nine-month period, this change resulted in a lower interest cost component of net periodic benefit cost under the new methodology compared to the previous methodology of $22 and $70, respectively, for pension plans and $4 and $12, respectively, for other postretirement benefit plans. Management believes this new methodology, which represents a change in an accounting estimate, is a better measure of the interest cost as each year's cash flows are specifically linked to the interest rates of bond payments in the same respective year.

Effective August 1, 2016, certain U.S. pension and postretirement benefit plans were separated, requiring a remeasurement as of this date. Additionally, one pension plan was required to be remeasured as a result of settlement accounting. Together, these remeasurements resulted in an increase to Arconic's pension liability of $845 and the plans' unrecognized net actuarial loss (included in Accumulated other comprehensive loss) of $551 (after-tax). The plan remeasurements together also resulted in a $5 decrease to third quarter 2016 net periodic benefit cost.

During the third quarter of 2016, the Pension Benefit Guaranty Corporation approved management's plan to separate the Arconic Inc. pension plans between Arconic Inc. and Alcoa Corporation. The agreement stipulates that Arconic will make cash contributions over a period of 30 months to its two largest pension funds. Payments are expected to be made in three increments of no less than $50 each ($150 total) over this 30-month period, with the first payment due no later than six months after the separation date of November 1, 2016.

Q. Derivatives and Other Financial Instruments

Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between (i) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (ii) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs that are both significant to the fair value measurement and unobservable.

Derivatives

Arconic is exposed to certain risks relating to its ongoing business operations, including financial, market, political, and economic risks. The following discussion provides information regarding Arconic's exposure to the risks of changing commodity prices, interest rates, and foreign currency exchange rates.

Arconic's commodity and derivative activities are subject to the management, direction, and control of the Strategic Risk Management Committee (SRMC), which is composed of the chief executive officer, the chief financial officer, and other officers and employees that the chief executive officer selects. The SRMC meets on a periodic basis to review derivative positions and strategy and reports to Arconic's Board of Directors on the scope of its activities.

The aluminum, energy, interest rate, and foreign exchange contracts are held for purposes other than trading. They are used primarily to mitigate uncertainty and volatility, and to cover underlying exposures. Arconic is not involved in trading activities for energy, weather derivatives, or other nonexchange commodity trading activities.

A number of Arconic's aluminum, energy, and foreign exchange contracts are classified as Level 1 and an interest rate contract is classified as Level 2 under the fair value hierarchy. These energy, foreign exchange, and interest rate contracts are not material to Arconic's Consolidated Financial Statements for all periods presented.

For the aluminum contracts classified as Level 1, the total fair value of derivatives recorded as assets and liabilities was $11 and $9, respectively, at September 30, 2016 and $8 and $58, respectively, at December 31, 2015. These contracts were entered into to either hedge forecasted sales or purchases of aluminum in order to manage the associated aluminum price risk. Certain of these contracts are designated as hedging instruments, either fair value or cash flow, and the remaining are not designated as such. Combined, Arconic recognized a net gain of $1 and $4 in the 2016 third quarter and nine-month period, respectively, and a net loss of $7 and a net gain of $34 in the 2015 third quarter and nine-month period, respectively, in Sales on the accompanying Statement of Consolidated Operations related to these aluminum contracts. Arconic recognized a net gain of $1 for both the 2016 third quarter and nine-month period in Other Comprehensive (Loss) Income. No net gain or loss was recognized in the 2015 third quarter and nine-month period in Other Comprehensive (Loss) Income.

In addition to the Level 1 and 2 derivative instruments described above, Arconic has ten derivative instruments classified as Level 3 under the fair value hierarchy. These instruments are composed of eight embedded aluminum derivatives, an energy contract, and an embedded credit derivative, all of which relate to energy supply contracts associated with nine smelters and three refineries. Five of the embedded aluminum derivatives and the energy contract were designated as cash flow hedging instruments and three of the embedded aluminum derivatives and the embedded credit derivative were not designated as hedging instruments.

The following section describes the valuation methodologies used by Arconic to measure its Level 3 derivative instruments at fair value. Derivative instruments classified as Level 3 in the fair value hierarchy represent those in which management has used at least one significant unobservable input in the valuation model. Arconic uses a discounted cash flow model to fair value all Level 3 derivative instruments. Where appropriate, the description below includes the key inputs to those models and any significant assumptions. These valuation models are reviewed and tested at least on an annual basis.

Inputs in the valuation models for Level 3 derivative instruments are composed of the following: (i) quoted market prices (e.g., aluminum prices on the 10-year London Metal Exchange (LME) forward curve and energy prices), (ii) significant other observable inputs (e.g., information concerning time premiums and volatilities for certain option type embedded derivatives and regional premiums for aluminum contracts), and (iii) unobservable inputs (e.g., aluminum and energy prices beyond those quoted in the market). For periods beyond the term of quoted market prices for aluminum, Arconic estimates the price of aluminum by extrapolating the 10-year LME forward curve. Additionally, for periods beyond the term of quoted market prices for energy, management has developed a forward curve based on independent consultant market research. Where appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads, and credit considerations. Such adjustments are generally based on available market evidence (Level 2). In the absence of such evidence, management’s best estimate is used (Level 3). If a significant input that is unobservable in one period becomes observable in a subsequent period, the related asset or liability would be transferred to the appropriate classification (Level 1 or 2) in the period of such change (there were no such transfers in the periods presented).

Arconic has two power contracts, each of which contain an embedded derivative that indexes the price of power to the LME price of aluminum. Additionally, Arconic has three power contracts, each of which contain an embedded derivative that indexes the price of power to the LME price of aluminum plus the Midwest premium. The embedded derivatives in these five power contracts are primarily valued using observable market prices; however, due to the length of the contracts, the valuation models also require management to estimate the long-term price of aluminum based upon an extrapolation of the 10-year LME forward curve. Additionally, for three of these contracts, management also estimates the Midwest premium, generally, for the next twelve months based on recent transactions and then holds the premium estimated in that twelfth month constant for the remaining duration of the contract. Significant increases or decreases in the actual LME beyond 10 years and/or the Midwest premium would result in a higher or lower fair value measurement. An increase in actual LME price and/or the Midwest premium over the inputs used in the valuation models will result in a higher cost of power and a corresponding decrease to the derivative asset or increase to the derivative liability. The embedded derivatives have been designated as cash flow hedges of forward sales of aluminum. Unrealized gains and losses were included in Other comprehensive (loss) income on the accompanying Consolidated Balance Sheet while realized gains and losses were included in Sales on the accompanying Statement of Consolidated Operations.

Also, Arconic has a power contract (which expired in September 2016 – see below) separate from above that contains an LME-linked embedded derivative. Prior to its expiration, the embedded derivative was valued using the probability and interrelationship of future LME prices, Australian dollar to U.S. dollar exchange rates, and the U.S. consumer price index. Significant increases or decreases in the LME price would result in a higher or lower fair value measurement. An increase in actual LME price over the inputs used in the valuation model would result in a higher cost of power and a corresponding decrease to the derivative asset. This embedded derivative did not qualify for hedge accounting treatment. Unrealized gains and losses from the embedded derivative were included in Other income, net on the accompanying Statement of Consolidated Operations while realized gains and losses were included in Cost of goods sold on the accompanying Statement of Consolidated Operations as electricity purchases were made under the contract. At the time this derivative asset was recognized, an equivalent amount was recognized as a deferred credit in Other noncurrent liabilities and deferred credits on the accompanying Consolidated Balance Sheet. This deferred credit was recognized in Other income, net on the accompanying Statement of Consolidated Operations as power was received over the life of the contract.

Additionally, Arconic has a natural gas supply contract, which has an LME-linked ceiling. This embedded derivative is valued using probabilities of future LME aluminum prices and the price of Brent crude oil (priced on Platts), including the interrelationships between the two commodities subject to the ceiling. Any change in the interrelationship would result in a higher or lower fair value measurement. An LME ceiling was embedded into the contract price to protect against an increase in the price of oil without a corresponding increase in the price of LME. An increase in oil prices with no similar increase in the LME price would limit the increase of the price paid for natural gas. This embedded derivative did not qualify for hedge accounting treatment. Unrealized gains and losses from the embedded derivative were included in Other income, net on the accompanying Statement of Consolidated Operations while realized gains and losses were included in Cost of goods sold on the accompanying Statement of Consolidated Operations as gas purchases were made under the contract.

In the second quarter of 2016, Arconic and the related counterparty elected to modify the pricing of an existing power contract for a smelter in the United States. This amendment contains an embedded derivative that indexes the price of power to the LME price of aluminum plus the Midwest premium. The embedded derivative is valued using the interrelationship of future metal prices (LME base plus Midwest premium) and the amount of megawatt hours of energy needed to produce the forecasted metric tons of aluminum at the smelter. Significant increases or decreases in the metal price would result in a higher or lower fair value measurement. An increase in actual metal price over the inputs used in the valuation model will result in a higher cost of power and a corresponding increase to the derivative liability. Management elected not to qualify the embedded derivative for hedge accounting treatment. Unrealized gains and losses from the embedded derivative will be included in Other income, net on the accompanying Statement of Consolidated Operations while realized gains and losses will be included in Cost of goods sold on the accompanying Statement of Consolidated Operations as electricity purchases are made under the contract. At the time this derivative liability was recognized, an equivalent amount was recognized as a deferred charge in Other noncurrent assets on the accompanying Consolidated Balance Sheet. This deferred charge will be recognized in Other income, net on the accompanying Statement of Consolidated Operations as power is received over the life of the contract.

Furthermore, Arconic has a power contract, which contains an embedded derivative that indexes the difference between the long-term debt ratings of Arconic and the counterparty from any of the three major credit rating agencies. Management uses market prices, historical relationships, and forecast services to determine fair value. Significant increases or decreases in any of these inputs would result in a lower or higher fair value measurement. A wider credit spread between Arconic and the counterparty would result in a higher cost of power and a corresponding increase in the derivative liability. This embedded derivative did not qualify for hedge accounting treatment. Unrealized gains and losses were included in Other income, net on the accompanying Statement of Consolidated Operations while realized gains and losses were included in Cost of goods sold on the accompanying Statement of Consolidated Operations as electricity purchases were made under the contract.

Finally, Arconic has a derivative contract that hedges the anticipated power requirements at one of its smelters that began when the previous power contract expired in September 2016 (see above). Beyond the term where market information is available, management developed a forward curve, for valuation purposes, based on independent consultant market research. Significant increases or decreases in the power market may result in a higher or lower fair value measurement. Lower prices in the power market would cause a decrease in the derivative asset. The derivative contract has been designated as a cash flow hedge of future purchases of electricity. Unrealized gains and losses on this contract were recorded in Other comprehensive (loss) income on the accompanying Consolidated Balance Sheet, while realized gains and losses will be recorded in Cost of goods sold as electricity purchases are made under the power contract. In August 2016, Arconic gave the required notice to terminate this derivative contract one year from the date of notification. As a result, Arconic decreased both the related derivative asset recorded in Other noncurrent assets and the unrealized gain recorded in Accumulated other comprehensive loss by $83, which related to the August 2017 through 2036 timeframe, resulting in no impact to Arconic’s earnings.

The following table presents quantitative information related to the significant unobservable inputs described above for Level 3 derivative contracts:

	Fair value at September 30, 2016	Unobservable input	Range ($ in full amounts)
Assets:			
Embedded aluminum derivatives	$ 306	Price of aluminum beyond forward curve	Aluminum: $2,197 per metric ton in 2027 to $2,337 per metric ton in 2029 (two contracts) and $2,633 per metric ton in 2036 (one contract) Midwest premium: $0.0630 per pound in 2016 to $0.0750 per pound in 2029 (two contracts) and 2036 (one contract)
Embedded aluminum derivative	4	Interrelationship of LME price to overall energy price	Aluminum: $1,680 per metric ton in 2016 to $1,802 per metric ton in 2019
Embedded aluminum derivative	—	Interrelationship of future aluminum and oil prices	Aluminum: $1,662 per metric ton in 2016 to $1,762 per metric ton in 2018 Oil: $49 per barrel in 2016 to $55 per barrel in 2018
Energy contract	7	Price of electricity beyond forward curve	Electricity: $57 per megawatt hour in 2016 to $58 per megawatt hour in 2017
Liabilities:			
Embedded aluminum derivative	242	Price of aluminum beyond forward curve	Aluminum: $2,197 per metric ton in 2027 to $2,229 per metric ton in 2027
Embedded aluminum derivative	30	Interrelationship of LME price to the amount of megawatt hours of energy needed to produce the forecasted metric tons of aluminum	Aluminum: $1,662 per metric ton in 2016 to $1,785 per metric ton in 2019 Midwest premium: $0.0630 per pound in 2016 to $0.0750 per pound in 2019 Electricity: rate of 2 million megawatt hours per year
Embedded credit derivative	24	Credit spread between Arconic and counterparty	2.15% to 2.89% (2.52% median)

The fair values of Level 3 derivative instruments recorded as assets and liabilities in the accompanying Consolidated Balance Sheet were as follows:

	September 30, 2016	December 31, 2015
Asset Derivatives		
Derivatives designated as hedging instruments:		
Prepaid expenses and other current assets:		
Embedded aluminum derivatives	$ 40	$ 72
Energy contract	7	—
Other noncurrent assets:		
Embedded aluminum derivatives	270	994
Energy contract	—	2
Total derivatives designated as hedging instruments	$ 317	$ 1,068
Derivatives not designated as hedging instruments:		
Prepaid expenses and other current assets:		
Embedded aluminum derivatives	$ —	$ 69
Total derivatives not designated as hedging instruments	$ —	$ 69
Total Asset Derivatives	$ 317	$ 1,137
Liability Derivatives		
Derivatives designated as hedging instruments:		
Other current liabilities:		
Embedded aluminum derivative	$ 25	$ 9
Energy contract	—	4
Other noncurrent liabilities and deferred credits:		
Embedded aluminum derivative	247	160
Total derivatives designated as hedging instruments	$ 272	$ 173
Derivatives not designated as hedging instruments:		
Other current liabilities:		
Embedded credit derivative	$ 4	$ 6
Other noncurrent liabilities and deferred credits:		
Embedded credit derivative	20	29
Total derivatives not designated as hedging instruments	$ 24	$ 35
Total Liability Derivatives	$ 296	$ 208

The following tables present a reconciliation of activity for Level 3 derivative contracts:

	Assets		Liabilities		
Third quarter ended September 30, 2016	**Embedded aluminum derivatives**	**Energy contract**	**Embedded aluminum derivative**	**Embedded credit derivative**	**Energy contract**
Opening balance – July 1, 2016	$ 745	$ 49	$ 228	$ 33	$ 9
Total gains or losses (realized and unrealized) included in:					
Sales	1	—	(3)	—	—
Cost of goods sold	(31)	—	—	(1)	—
Other income, net	(5)	(85)	2	(8)	(1)
Other comprehensive (loss) income	(414)	48	48	—	(1)
Purchases, sales, issuances, and settlements**	—	—	—	—	—
Transfers into and/or out of Level 3**	—	—	—	—	—
Other	14	(5)	(3)	—	(7)
Closing balance – September 30, 2016	$ 310	$ 7	$ 272	$ 24	$ —
Change in unrealized gains or losses included in earnings for derivative contracts held at September 30, 2016:					
Sales	$ —	$ —	$ —	$ —	$ —
Cost of goods sold	—	—	—	—	—
Other income, net*	(5)	(85)	2	(8)	(1)

* In August 2016, Arconic elected to terminate the energy contract in accordance with the provisions of the agreement (see above). As a result, Arconic decreased the derivative asset and recorded a charge in Other income of $84, which is reflected in the table above. Additionally, Arconic also decreased the related unrealized gain and recorded a benefit in Other income of $84. As such, the termination of most of the remaining term of this derivative contract did not have an impact on Arconic's earnings.

** In the 2016 nine-month period, there was an issuance of a new embedded derivative contained in an amendment to an existing power contract. There were no purchases, sales or settlements of Level 3 derivative instruments. Additionally, there were no transfers of derivative instruments into or out of Level 3.

Nine months ended September 30, 2016	Assets: Embedded aluminum derivatives	Assets: Energy contract	Liabilities: Embedded aluminum derivative	Liabilities: Embedded credit derivative	Liabilities: Energy contract
Opening balance – January 1, 2016	$ 1,135	$ 2	$ 169	$ 35	$ 4
Total gains or losses (realized and unrealized) included in:					
Sales	(9)	—	(8)	—	—
Cost of goods sold	(92)	—	—	(4)	—
Other income, net	(13)	(83)	2	(7)	(2)
Other comprehensive (loss) income	(750)	87	80	—	(1)
Purchases, sales, issuances, and settlements**	—	—	32	—	—
Transfers into and/or out of Level 3**	—	—	—	—	—
Other	39	1	(3)	—	(1)
Closing balance – September 30, 2016	$ 310	$ 7	$ 272	$ 24	$ —
Change in unrealized gains or losses included in earnings for derivative contracts held at September 30, 2016:					
Sales	$ —	$ —	$ —	$ —	$ —
Cost of goods sold	—	—	—	—	—
Other income, net*	(13)	(83)	2	(7)	(2)

* In August 2016, Arconic elected to terminate the energy contract in accordance with the provisions of the agreement (see above). As a result, Arconic decreased the derivative asset and recorded a charge in Other income of $84, which is reflected in the table above. Additionally, Arconic also decreased the related unrealized gain and recorded a benefit in Other income of $84. As such, the termination of most of the remaining term of this derivative contract did not have an impact on Arconic's earnings.

** In the 2016 third quarter, there were no purchases, sales, issuances or settlements of Level 3 derivative instruments. Additionally, there were no transfers of derivative instruments into or out of Level 3.

Derivatives Designated As Hedging Instruments – Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of unrealized gains or losses on the derivative is reported as a component of other comprehensive income (OCI). Realized gains or losses on the derivative are reclassified from OCI into earnings in the same period or periods during which the hedged transaction impacts earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized directly in earnings immediately.

Arconic has five Level 3 embedded aluminum derivatives and one Level 3 energy contract that have been designated as cash flow hedges as follows.

Embedded aluminum derivatives. Arconic has entered into energy supply contracts that contain pricing provisions related to the LME aluminum price. The LME-linked pricing features are considered embedded derivatives. Five of these embedded derivatives have been designated as cash flow hedges of forward sales of aluminum. At September 30, 2016 and December 31, 2015, these embedded aluminum derivatives hedge forecasted aluminum sales of 3,521 kmt and 3,307 kmt, respectively.

Arconic recognized a net unrealized loss of $462 and $830 in the 2016 third quarter and nine-month period, respectively, and a net unrealized gain of $301 and $819 in the 2015 third quarter and nine-month period, respectively, in Other comprehensive (loss) income related to these five derivative instruments. Additionally, Arconic reclassified a realized gain of $1 and a realized loss of $4 in the 2016 third quarter and nine-month period, respectively, and a realized loss of $1 and $25 in the 2015 third quarter and nine-month period, respectively, from Accumulated other comprehensive loss to Sales. Assuming market rates remain constant with the rates at September 30, 2016, a realized gain of $23 is expected to be recognized in Sales over the next 12 months.

Also, Arconic recognized a gain of less than $1 in the 2016 nine-month period (no such gain was recognized in the 2016 third quarter) and a gain of less than $1 and $2 in the 2015 third quarter and nine-month period, respectively, in Other income, net related to the amount excluded from the assessment of hedge effectiveness. There was no ineffectiveness related to these five derivative instruments in the 2016 third quarter and nine-month period and the 2015 third quarter and nine-month period.

Energy contract. Arconic has a derivative contract that hedges the anticipated power requirements at one of its smelters that became effective when the existing power contract expired in September 2016. In August 2016, Arconic elected to terminate most of the remaining term of this derivative contract (see above). At September 30, 2016 and December 31, 2015, this energy contract hedges forecasted electricity purchases of 2,130,122 and 59,409,328 megawatt hours, respectively. Arconic recognized an unrealized gain of $49 and $88 in the 2016 third quarter and nine-month period, respectively, and an unrealized gain of $3 and an unrealized loss of $8 in the 2015 third quarter and nine-month period, respectively, in Other comprehensive (loss) income. Additionally, Arconic recognized a gain of $3 in Other income, net related to hedge ineffectiveness in the 2016 nine-month period. There was no ineffectiveness related to the energy contract in the 2016 third quarter and the 2015 third quarter and nine-month period.

Derivatives Not Designated As Hedging Instruments

Arconic has three Level 3 embedded aluminum derivatives and one Level 3 embedded credit derivative that do not qualify for hedge accounting treatment. As such, gains and losses related to the changes in fair value of these instruments are recorded directly in earnings. In the third quarter of 2016 and 2015, Arconic recognized a gain of $1 and a loss of $17, respectively, in Other income, net, of which a loss of $7 and $4, respectively, related to the embedded aluminum derivatives and a gain of $8 and a loss of $13, respectively, related to the embedded credit derivative. In the nine-month period of 2016 and 2015, Arconic recognized a loss of $8 and $19, respectively, in Other income, net, of which a loss of $15 and $5, respectively, related to the embedded aluminum derivatives and a gain of $7 and a loss of $14, respectively, related to the embedded credit derivative.

Material Limitations

The disclosures with respect to commodity prices, interest rates, and foreign currency exchange risk do not take into account the underlying commitments or anticipated transactions. If the underlying items were included in the analysis, the gains or losses on the futures contracts may be offset. Actual results will be determined by a number of factors that are not under Arconic's control and could vary significantly from those factors disclosed.

Arconic is exposed to credit loss in the event of nonperformance by counterparties on the above instruments, as well as credit or performance risk with respect to its hedged customers' commitments. Although nonperformance is possible, Arconic does not anticipate nonperformance by any of these parties. Contracts are with creditworthy counterparties and are further supported by cash, treasury bills, or irrevocable letters of credit issued by carefully chosen banks. In addition, various master netting arrangements are in place with counterparties to facilitate settlement of gains and losses on these contracts.

Other Financial Instruments

The carrying values and fair values of Arconic's other financial instruments were as follows:

	September 30, 2016		December 31, 2015	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	$ 1,863	$ 1,863	$ 1,919	$1,919
Restricted cash	1,337	1,337	37	37
Noncurrent receivables	19	19	17	17
Available-for-sale securities	83	83	193	193
Short-term borrowings	32	32	38	38
Commercial paper	—	—	—	—
Long-term debt due within one year	773	783	21	21
Contingent payment related to an acquisition	133	133	130	130
Long-term debt, less amount due within one year	9,501	10,195	8,993	8,922

The following methods were used to estimate the fair values of other financial instruments:

Cash and cash equivalents, Restricted cash, Short-term borrowings, and Commercial paper. The carrying amounts approximate fair value because of the short maturity of the instruments. The fair value amounts for Cash and cash equivalents, Restricted cash, and Commercial paper were classified in Level 1, and Short-term borrowings were classified in Level 2.

Noncurrent receivables. The fair value of noncurrent receivables was based on anticipated cash flows, which approximates carrying value, and was classified in Level 2 of the fair value hierarchy.

Available-for-sale securities. The fair value of such securities was based on quoted market prices. These financial instruments consist of exchange-traded fixed income and equity securities, which are carried at fair value and were classified in Level 1 of the fair value hierarchy.

Contingent payment related to an acquisition. The fair value was based on the net present value of expected future cash flows and was classified in Level 3 of the fair value hierarchy.

Long-term debt due within one year and Long-term debt, less amount due within one year. The fair value was based on quoted market prices for public debt and on interest rates that are currently available to Arconic for issuance of debt with similar terms and maturities for non-public debt. The fair value amounts for all Long-term debt were classified in Level 2 of the fair value hierarchy.

R. Separation Transaction – On September 28, 2015, Arconic announced that its Board of Directors preliminarily approved a plan to separate into two standalone, publicly-traded companies. One company will be named Alcoa Corporation and will include the Alumina and Primary Metals segments and the Warrick, IN rolling operations and the equity interest in the rolling mill at the joint venture in Saudi Arabia, both of which are currently part of the Global Rolled Products segment. Alcoa Inc., which will be re-named Arconic Inc., will continue to own the Global Rolled Products (except for the aforementioned rolling operations to be included in Alcoa Corporation), Engineered Products and Solutions, and Transportation and Construction Solutions segments.

On September 29, 2016, the Board approved the completion of the Separation Transaction by means of a pro rata distribution (the "Distribution") by the Company on November 1, 2016 of 80.1 percent of the outstanding common stock of Alcoa Corporation to Company shareholders of record as of the close of business on October 20, 2016 (the "Record Date"). Arconic will retain 19.9 percent of the Alcoa Corporation common stock. On November 1, 2016, the Separation Transaction was completed and became effective before the opening of the NYSE. In the Distribution, each Company shareholder received one share of Alcoa Corporation common stock for every three shares of the Company's common stock held as of the close of business on the Record Date. Shareholders received cash in lieu of fractional shares of Alcoa Corporation common stock.

In connection with the Separation Transaction, at the end of October 2016, the Company entered into certain agreements with Alcoa Corporation to implement the legal and structural separation between the two companies, govern the relationship between the Company and Alcoa Corporation after the completion of the Separation Transaction, and allocate between the Company and Alcoa Corporation various assets, liabilities and obligations, including, among other things, employee benefits, environmental liabilities, intellectual property, and tax-related assets and liabilities. These agreements included a Separation and Distribution Agreement, Tax Matters Agreement, Employee Matters Agreement, Transition Services Agreement and certain Patent, Know-How, Trade Secret License and Trademark License Agreements.

In the 2016 third quarter and nine-month period, Arconic recognized $55 ($44 after-tax) and $118 ($98 after-tax), respectively, in Selling, general administrative, and other expenses on the accompanying Statement of Consolidated Operations for costs related to the Separation Transaction. In addition, Arconic also incurred capital expenditures and debt issuance costs (see Note I) of $60 in the third quarter and $81 in the nine-month period of 2016 related to the separation. Inception to date costs recorded in Selling, general administrative, and other expenses were $142 as well as capital expenditures and debt issuance costs of $81.

S. Subsequent Events – Management evaluated all activity of Arconic and concluded that no subsequent events have occurred that would require recognition in the Consolidated Financial Statements or disclosure in the Notes to the Consolidated Financial Statements, with the exception of the Reverse Stock Split as described in Note A and the completion of the Separation Transaction on November 1, 2016 as described in Note R.

Report of Independent Registered Public Accounting Firm*

To the Shareholders and Board of Directors of Arconic Inc.

We have reviewed the accompanying consolidated balance sheet of Arconic Inc. and its subsidiaries (Arconic) as of September 30, 2016, and the related statements of consolidated operations, consolidated comprehensive (loss) income, and changes in consolidated equity for the three-month and nine-month periods ended September 30, 2016 and 2015 and the statement of consolidated cash flows for the nine-month period ended September 30, 2016 and 2015. These consolidated interim financial statements are the responsibility of Arconic's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2015, and the related statements of consolidated operations, consolidated comprehensive loss, changes in consolidated equity, and consolidated cash flows for the year then ended (not presented herein), and in our report dated February 19, 2016, which included a paragraph that described the change in classification of current deferred income tax assets and liabilities in the consolidated balance sheet at December 31, 2015 and 2014, we expressed an unqualified opinion on those consolidated financial statements. As discussed in Note B to the accompanying consolidated interim financial statements, the Company changed the classification of debt issuance costs in the consolidated balance sheet. The accompanying December 31, 2015 consolidated balance sheet reflects this change.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
November 9, 2016

* This report should not be considered a "report" within the meanings of Sections 7 and 11 of the Securities Act of 1933, and the independent registered public accounting firm's liability under Section 11 does not extend to it.

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

(dollars in millions, except per share amounts and ingot prices; production and shipments in thousands of metric tons [kmt])

On September 29, 2016, the Board of Directors approved the completion of the separation of Alcoa Inc. into two standalone, publicly-traded companies, Arconic Inc. and Alcoa Corporation, (the "Separation Transaction") by means of a pro rata distribution (the "Distribution") by the Company on November 1, 2016 of 80.1 percent of the outstanding common stock of Alcoa Corporation to Company shareholders of record as of the close of business on October 20, 2016 (the "Record Date"). Arconic will retain 19.9 percent of the Alcoa Corporation common stock. On November 1, 2016, the Separation Transaction was completed and became effective before the opening of the New York Stock Exchange. In the Distribution, each Company shareholder received one share of Alcoa Corporation common stock for every three shares of the Company's common stock held as of the close of business on the Record Date. Shareholders received cash in lieu of fractional shares of Alcoa Corporation common stock.

Alcoa Corporation will include the Alumina and Primary Metals segments and the Warrick, IN rolling operations and the equity interest in the rolling mill at the joint venture in Saudi Arabia, both of which are currently part of the Global Rolled Products segment. Arconic Inc. will continue to own the Global Rolled Products (except for the aforementioned rolling operations to be included in Alcoa Corporation), Engineered Products and Solutions, and Transportation and Construction Solutions segments.

In connection with the Separation Transaction, at the end of October 2016, the Company entered into certain agreements with Alcoa Corporation to implement the legal and structural separation between the two companies, govern the relationship between the Company and Alcoa Corporation after the completion of the Separation Transaction, and allocate between the Company and Alcoa Corporation various assets, liabilities and obligations, including, among other things, employee benefits, environmental liabilities, intellectual property, and tax-related assets and liabilities. These agreements included a Separation and Distribution Agreement, Tax Matters Agreement, Employee Matters Agreement, Transition Services Agreement and certain Patent, Know-How, Trade Secret License and Trademark License Agreements.

In the 2016 third quarter and nine-month period, Arconic recognized $55 ($44 after-tax) and $118 ($98 after-tax), respectively, in Selling, general administrative, and other expenses for costs related to the Separation Transaction. In addition, Arconic also incurred capital expenditures and debt issuance costs of $60 in the third quarter and $81 in the nine-month period of 2016 related to the separation. Inception to date costs recorded in Selling, general administrative, and other expenses were $142 as well as capital expenditures and debt issuance costs of $81.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations is presented on a consolidated basis for Arconic, which includes the results of the businesses that comprise Alcoa Corporation, as the Separation Transaction did not take place until November 1, 2016, after the most recent period reported in this Form 10-Q. In future filings, the historical results of the businesses that comprise Alcoa Corporation will be presented as discontinued operations. As a result of the Separation Transaction, Management's Discussion and Analysis of Financial Condition and Results of Operations is not indicative of the Company's future financial position, results of operations or cash flows.

Results of Operations

***Selected Financial Data*:**

	Third quarter ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Sales	$ 5,213	$ 5,573	$15,455	$17,289
Net income attributable to Arconic	$ 166	$ 44	$ 317	$ 379
Diluted earnings per share attributable to Arconic common shareholders	$ 0.33	$ 0.06	$ 0.60	$ 0.78
Shipments of alumina (kmt)	2,361	2,798	6,795	8,042
Shipments of aluminum products (kmt)	1,103	1,137	3,295	3,393
Arconic's average realized price per metric ton of primary aluminum	$ 1,874	$ 1,901	$ 1,838	$ 2,163

Net income attributable to Arconic was $166, or $0.33 per diluted share, in the 2016 third quarter compared with $44, or $0.06 per share, in the 2015 third quarter, and $317, or $0.60 per share, in the 2016 nine-month period compared with $379, or $0.78 per share, in the 2015 nine-month period. The increase in results of $122 in the 2016 third quarter was primarily due to net productivity improvements across all segments and a gain on the sale of land, somewhat offset by unfavorable price/product mix across the midstream and downstream segments and lower realized alumina pricing. The decrease in results of $62 in the 2016 nine-month period was principally related to lower average realized price for aluminum and alumina and unfavorable price/product mix in the midstream and downstream segments. These negative impacts were mostly offset by net productivity improvements in all segments and lower restructuring-related charges.

Sales declined $360, or 6%, in the 2016 third quarter and $1,834, or 11%, in the 2016 nine-month period compared to the same periods in 2015. In both periods, the decrease was largely attributable to a lower average realized price for aluminum and alumina in the upstream operations, unfavorable pricing/product mix in midstream and downstream operations, lower volume in the upstream operations, and the absence of sales related to capacity that was closed or curtailed in the upstream operations (see Primary Metals in Segment Information below). These negative impacts were somewhat offset by the addition of sales from recently acquired businesses (see Engineered Products and Solutions in Segment Information below) and higher volume in the midstream operations.

Cost of goods sold (COGS) as a percentage of Sales was 80.9% in the 2016 third quarter and 80.7% in the 2016 nine-month period compared with 81.8% in the 2015 third quarter and 79.0% in the 2015 nine-month period. The percentage was negatively impacted in both periods by a lower average realized price for aluminum and alumina in the upstream operations and unfavorable price/product mix across most segments, offset in the 2016 third quarter and mostly offset in the 2016 nine-month period by net productivity improvements across all segments.

Selling, general administrative, and other expenses (SG&A) increased $14 and $104 in the 2016 third quarter and nine-month period, respectively, compared to the corresponding periods in 2015. In both periods, the increase was principally due to costs related to the planned separation of Arconic ($55 – third quarter and $118 – nine months) (see above) and new SG&A related to inorganic growth in the Engineered Products and Solutions segment ($36 – nine months). The negative impacts in the 2016 third quarter and nine-month period were slightly offset by a decrease in various expenses. SG&A as a percentage of Sales increased from 4.7% in the 2015 third quarter to 5.2% in the 2016 third quarter, and from 4.1% in the 2015 nine-month period to 5.3% in the 2016 nine-month period.

Research and development expenses (R&D) declined $17, or 31%, in the 2016 third quarter and $59, or 33%, in the 2016 nine-month period compared with the same periods in 2015. The decrease in both periods was primarily driven by lower spending related to both the upgrade of a Micromill™ in San Antonio, TX, which was completed in 2015, for the Global Rolled Products segment and inert anode and carbothermic technology for the Primary Metals segment.

Provision for depreciation, depletion, and amortization (DD&A) declined $2, or 1%, in the 2016 third quarter and $24, or 3%, in the 2016 nine-month period compared to the corresponding periods in 2015. In both periods, the decrease was mostly the result of favorable foreign currency movements due to a stronger U.S. dollar, particularly against the Brazilian real and Australian dollar, and the absence of or lower DD&A related to capacity reductions in the upstream operations that occurred in June 2015 through March 2016. These positive impacts were mostly offset by new DD&A associated with the July 2015 acquisition of RTI International Metals (RTI).

Restructuring and other charges were $18 ($10 after-tax and noncontrolling interest) and $134 ($87 after-tax and noncontrolling interest), in the third quarter and nine-month period, respectively.

In the 2016, third quarter, Restructuring and other charges included $20 ($10 after-tax and noncontrolling interest) for layoff costs related to cost reduction initiatives and the Separation Transaction, including the separation of approximately 100 employees (60 in the Engineered Products and Solutions segment, 30 in the Primary Metals segment, and 10 in Corporate) and related pension settlement costs; a net charge of $8 ($5 after-tax and noncontrolling interest) for other miscellaneous items; $8 ($4 after-tax and noncontrolling interest) for the reversal of a number of small layoff reserves related to prior periods; and a favorable benefit of $2 ($1 after-tax and noncontrolling interest) for the net reversal of costs related to decisions made in the fourth quarter of 2015 to permanently close and demolish the Warrick (Indiana) smelter and to curtail the Wenatchee (Washington) smelter and Point Comfort (Texas) refinery (see below).

In the 2016 nine-month period, Restructuring and other charges included $84 ($56 after-tax and noncontrolling interest) for additional net costs related to decisions made in the fourth quarter of 2015 to permanently close and demolish the Warrick (Indiana) smelter and to curtail the Wenatchee (Washington) smelter and Point Comfort (Texas) refinery (see below); $54 ($35 after-tax and noncontrolling interest) for layoff costs related to cost reduction initiatives and the Separation Transaction, including the separation of approximately 1,200 employees (860 in the Engineered Products and Solutions segment, 240 in the Transportation and Construction Solutions segment, 60 in the Primary Metals segment, 30 in the Global Rolled Products segment, and 10 in Corporate); a net charge of $16 ($9 after-tax and noncontrolling interest) for other miscellaneous items; and $20 ($13 after-tax and noncontrolling interest) for the reversal of a number of small layoff reserves related to prior periods.

In the 2016 nine-month period, costs related to the closure and curtailment actions included accelerated depreciation of $70 related to the Warrick smelter as it continued to operate during the 2016 first quarter; $24 ($4 in the 2016 third quarter) for the reversal of severance costs initially recorded in the 2015 fourth quarter; and $38 ($2 in the 2016 third quarter) in other costs. Additionally in the 2016 nine-month period, remaining inventories, mostly operating supplies and raw materials, were written down to their net realizable value, resulting in a charge of $5 ($3 after-tax and noncontrolling interest), which was recorded in Cost of goods sold on the accompanying Statement of Consolidated Operations. The other costs of $38 ($2 in the 2016 third quarter) represent $30 ($3 in the 2016 third quarter) for contract termination, $4 (($3) in the 2016 third quarter) in asset retirement obligations for the rehabilitation of a coal mine related to the Warrick smelter, and $4 ($2 in the 2016 third quarter) in other related costs. Additional charges may be recognized in future periods related to these actions.

Restructuring and other charges were $66 ($30 after-tax and noncontrolling interest) and $460 ($329 after-tax and noncontrolling interest) in the 2015 third quarter and nine-month period, respectively.

In the 2015 third quarter, Restructuring and other charges included $42 ($20 after-tax and noncontrolling interest) for charges related to the decision to curtail the remaining capacity (887 kmt-per-year) at the refinery in Suriname; $33 ($29 after-tax) for layoff costs, including the separation of approximately 370 employees (355 in the Transportation and Construction Solutions segment and a combined 15 in three other segments and Corporate); an $18 ($13 after-tax) gain on the sale of land related to one of the rolling mills in Australia that was permanently closed in December 2014; $11 ($5 after-tax and noncontrolling interest) for exit costs related to the decision to permanently shut down and demolish a power station (see below); a net charge of $2 (a net credit of $9 after-tax and noncontrolling interest) for other miscellaneous items; and $4 ($2 after-tax and noncontrolling interest) for the reversal of a few layoff reserves related to prior periods.

In the 2015 nine-month period, Restructuring and other charges included $190 ($120 after-tax and noncontrolling interest) for exit costs related to decisions to permanently shut down and demolish a smelter and a power station (see below); $161 ($151 after-tax and noncontrolling interest) related to the March 2015 divestiture of a rolling mill in Russia and post-closing adjustments associated with three December 2014 divestitures; $80 ($43 after-tax and noncontrolling interest) for the separation of approximately 800 employees (680 in the Primary Metals segment and 120 in the Alumina segment), supplier contract-related costs, and other charges associated with the decisions to temporarily curtail the remaining capacity at both the São Luís smelter (74 kmt-per-year) and the refinery in Suriname (1,330 kmt-per-year); $62 ($50 after-tax and noncontrolling interest) for layoff costs, including the separation of approximately 970 employees (410 in the Transportation and Construction Solutions segment, 275 in the Engineered Products and Solutions segment, 165 in the Primary Metals segment, 70 in the Global Rolled Products segment and 50 in Corporate); the previously mentioned $18 ($13 after-tax) gain on a land sales; a net credit of $3 ($13 after-tax and noncontrolling interest) for other miscellaneous items; and $12 ($9 after-tax and noncontrolling interest) for the reversal of a number of small layoff reserves related to prior periods.

In the 2015 second quarter, management approved the permanent shutdown and demolition of the Poços de Caldas smelter (capacity of 96 kmt-per-year) in Brazil and the Anglesea power station (includes the closure of a related coal mine) in Australia. The entire capacity at Poços de Caldas has been temporarily idled since May 2014 and the Anglesea power station was shut down at the end of August 2015. Demolition and remediation activities related to the Poços de Caldas smelter and the Anglesea power station began in late 2015 and are expected to be completed by the end of 2026 and 2020, respectively.

The decision on the Poços de Caldas smelter was due to management's conclusion that the smelter was no longer competitive as a result of challenging global market conditions for primary aluminum, which led to the initial curtailment, that have not dissipated and higher costs. For the Anglesea power station, the decision was made because a sale process did not result in a sale and there would be imminent operating costs and financial constraints related to this site in the remainder of 2015 and beyond, including significant costs to source coal from available resources, necessary maintenance costs, and a depressed outlook for forward electricity prices. The Anglesea power station previously supplied approximately 40 percent of the power needs for the Point Henry smelter, which was closed in August 2014.

In the 2015 nine-month period, costs related to the shutdown actions included asset impairments of $86, representing the write-off of the remaining book value of all related properties, plants, and equipment; $22 ($11 in the 2015 third quarter) for the layoff of approximately 90 employees (Primary Metals segment), including $11 in pension costs; and $82 in other exit costs. Additionally in the 2015 nine-month period, remaining inventories, mostly operating supplies and raw materials, were written down to their net realizable value, resulting in a charge of $4 ($2 after-tax and noncontrolling interest), which was recorded in Cost of goods sold. The other exit costs of $82 represent $45 in asset retirement obligations and $29 in environmental remediation, both of which were triggered by the decisions to permanently shut down and demolish the aforementioned structures in Brazil and Australia (includes the rehabilitation of a related coal mine), and $8 in supplier and customer contract-related costs.

Arconic does not include Restructuring and other charges in the results of its reportable segments. The pretax impact of allocating such charges to segment results would have been as follows:

	Third quarter ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Alumina	$ (1)	$ 38	$ 3	$ 55
Primary Metals	17	11	105	209
Global Rolled Products	(1)	(17)	1	119
Engineered Products and Solutions	(1)	22	16	33
Transportation and Construction Solutions	(2)	3	6	6
Segment total	12	57	131	422
Corporate	6	9	3	38
Total restructuring and other charges	$ 18	$ 66	$ 134	$ 460

As of September 30, 2016, approximately 900 of the 1,200 employees associated with 2016 restructuring programs and approximately 4,100 of the 4,700 employees (previously 5,000) associated with 2015 restructuring programs were separated. Additionally, the separations associated with 2014 restructuring programs were essentially complete. The total number of employees associated with the 2015 restructuring programs was updated to reflect employees, who were initially identified for separation, accepting other positions within Arconic and natural attrition. Most of the remaining separations for the 2016 restructuring programs and all of the remaining separations for the 2015 restructuring programs are expected to be completed by the end of 2016.

In the 2016 third quarter and nine-month period, cash payments of $8 and $19, respectively, were made against layoff reserves related to 2016 restructuring programs, $17 and $109, respectively, were made against layoff reserves related to 2015 restructuring programs, and $1 and $4, respectively, were made against layoff reserves related to 2014 restructuring programs.

Interest expense increased $10, or 8%, in the 2016 third quarter and $20, or 5%, in the 2016 nine-month period compared to the corresponding periods in 2015. The increase in both the third quarter and nine month period was mainly due to a lower amount of capitalized interest.

Other income, net was $117 in the 2016 third quarter and $120 in the 2016 nine-month period compared to $15 in the 2015 third quarter and $27 in the 2015 nine-month period, respectively.

The positive change of $102 in the 2016 third quarter was primarily due to a gain on the sale of the Intalco smelter wharf property ($118), a favorable post-closing adjustment related to the November 2014 acquisition of Firth Rixson ($20), and favorable mark-to-market adjustments on derivative contracts ($20). These favorable changes were partially offset by the absence of a gain on the sale of land around the Sherwin, TX refinery and equity investment in a China rolling mill ($39) and net unfavorable foreign currency movements ($27).

In the 2016 nine-month period, the positive change of $93 was primarily due a gain on the sale of the Intalco smelter wharf property ($118), a gain on the sale of an equity interest in a natural gas pipeline in Australia ($27), a favorable post-closing adjustment related to the November 2014 acquisition of Firth Rixson ($20), and a benefit for an arbitration recovery related to a 2010 fire at the Iceland smelter ($14). These items were partially offset by the absence of gains on the sale of land around the Lake Charles, LA anode facility and Sherwin, TX refinery site and the sale of an equity investment in a China rolling mill ($68) and net unfavorable foreign currency movements ($43).

The effective tax rate was 44.1% and 48.5% for the third quarter of 2016 and 2015, respectively, and 46.7% and 41.4% for the 2016 and 2015 nine-month periods, respectively.

Arconic’s estimated annual effective tax rate for 2016 was 49.0% as of September 30, 2016. This rate differs from the U.S. federal statutory rate of 35% primarily due to the tax cost associated with the redemption of $457 in company-owned life insurance policies, which generated a gain for income tax purposes as the tax basis of these policies was less than the redemption amount, and an unfavorable impact associated with costs (including $62 of the $118 incurred in the 2016 nine-month period plus an additional forecast of such costs for the remainder of the year) related to the planned separation of Arconic (see above) that are nondeductible for income tax purposes, somewhat offset by foreign income taxed in lower rate jurisdictions and a favorable $20 post-closing adjustment related to the November 2014 acquisition of Firth Rixson that is treated as a purchase price adjustment for tax purposes.

For the 2016 nine-month period, the Provision for income taxes is composed of three components as follows: (i) the application of the estimated annual effective tax rate for 2016 of 49.0% to pretax income of $704, (ii) a net discrete income tax expense of $6 for a number of small items, and (iii) a favorable impact of $22 related to the interim period treatment of operational losses in certain foreign jurisdictions for which no tax benefit was recognized (expected to reverse by the end of 2016).

For the 2016 third quarter, the Provision for income taxes is composed of three components as follows: (i) the difference between the application of the estimated annual 2016 effective tax rate as of September 30, 2016 of 49.0% to pretax income for the 2016 nine-month period of $704 and the application of the estimated annual 2016 effective tax rate as of June 30, 2016 of 51.6% to pretax income for the 2016 six-month period of $371, (ii) a discrete income tax expense of $7 for a number of small items, and (iii) a favorable impact of $13 related to the interim period treatment of operational losses in certain foreign jurisdictions for which no tax benefit was recognized (expected to reverse by the end of 2016).

Arconic's estimated annual effective tax rate for 2015 was 38.2% as of September 30, 2015. This rate differs from the U.S. federal statutory rate of 35% primarily due to a loss on the sale of a rolling mill in Russia (see Global Rolled Products in segment information below) for which no tax benefit was recognized and restructuring charges related to the curtailment of a refinery in Suriname (see restructuring and other charges above), a portion for which no tax benefit was recognized.

For the 2015 nine-month period, the Provision for income taxes is composed of three components as follows: (i) the application of the estimated annual effective tax rate for 2015 of 38.2% to pretax income of $969, (ii) a net discrete income tax charge of $34 (see below) and a net discrete income tax benefit of $1 for a number of small items, and (iii) a favorable impact of $2 related to the interim period treatment of operational losses in certain foreign jurisdictions for which no tax benefit was recognized (impact reversed by the end of 2015).

For the 2015 third quarter, the Provision for income taxes is composed of three components as follows: (i) the difference between the application of the estimated annual 2015 effective tax rate as of September 30, 2015 of 38.2% to pretax income for the 2015 nine-month period of $969 and the application of the estimated annual 2015 effective tax rate as of June 30, 2015 of 33.9% to pretax income for the 2015 six-month period of $763, (ii) a net discrete income tax charge of $4 for a number of small items, and (iii) a favorable impact of $16 related to the interim period treatment of operational losses in certain foreign jurisdictions for which no tax benefit was recognized (impact reversed by the end of 2015).

In the first quarter of 2015, Alcoa World Alumina and Chemicals (AWAC – see Net income attributable to noncontrolling interests below for a description) recognized an $83 discrete income tax charge (increased to $85 in the 2015 second quarter) for a valuation allowance on certain deferred tax assets in Suriname, which were related mostly to employee benefits and tax loss carryforwards. Arconic also had a $50 deferred tax liability (increased to $51 in the 2015 second quarter) related to its 60% share of these deferred tax assets that was written off as a result of the valuation allowance recognized by AWAC.

Net income attributable to noncontrolling interests was $20 in the 2016 third quarter and $58 in the 2016 nine-month period compared with $62 in the 2015 third quarter and $189 in the 2015 nine-month period. These amounts were virtually all related to Alumina Limited of Australia's ownership interest in AWAC, which is an unincorporated joint venture that consists of a group of companies, all of which are owned 60% by Arconic and 40% by Alumina Limited of Australia (Arconic consolidates AWAC for financial reporting purposes). In the 2016 third quarter and nine-month period, AWAC generated lower income compared to the same periods in 2015.

In both periods, the change in AWAC's results was mainly driven by a decline in operating results (see below), partially offset by the absence of restructuring charges related to the permanent closure of the Anglesea power station and coal mine (see Restructuring and other charges above) and a $27 ($8 was noncontrolling interest's share) gain on the sale of an equity interest in a natural gas pipeline in Australia, and in the 2016 nine-month period only, the absence of an $85 ($34 was noncontrolling interest's share) discrete income tax charge for a valuation allowance on certain deferred tax assets (see Income taxes above).

The decrease in AWAC's operating results in both periods was largely due to a lower average realized alumina price and an unfavorable impact related to the curtailment of the Point Comfort refinery, somewhat offset by net productivity improvements and net favorable foreign currency movements (see Alumina in Segment Information below).

As a direct result of the Separation Transaction (see above), Arconic anticipates recording, in continuing operations, valuation allowances of approximately $800 to $1 billion associated with certain U.S. deferred tax assets. In addition, management will be evaluating the net assets of Alcoa Corporation for potential impairment to the extent their fair value is less than carrying value; if an impairment is required, it would be recorded in discontinued operations and would likely be material to fourth quarter results. Finally, Arconic will continue to incur costs related to the separation after the 2016 third quarter, including capital expenditures, totaling approximately $175 to $200.

Segment Information

Alumina

	Third quarter ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Alumina production (kmt)	3,310	3,954	9,956	11,864
Third-party alumina shipments (kmt)	2,361	2,798	6,795	8,042
Arconic's average realized price per metric ton of alumina	$ 287	$ 323	$ 280	$ 335
Arconic's average cost per metric ton of alumina*	$ 236	$ 233	$ 231	$ 243
Third-party sales	$ 687	$ 912	$1,926	$ 2,723
Intersegment sales	287	391	879	1,323
Total sales	$ 974	$ 1,303	$2,805	$ 4,046
ATOI	$ 72	$ 212	$ 189	$ 648

* Includes all production-related costs, including raw materials consumed; conversion costs, such as labor, materials, and utilities; depreciation, depletion, and amortization; and plant administrative expenses.

At September 30, 2016, Arconic had 4,512 kmt of idle capacity on a base capacity of 17,271 kmt. Both idle capacity and base capacity were unchanged compared to June 30, 2016.

Alumina production decreased 16% in both the 2016 third quarter and nine-month period compared with the corresponding periods in 2015. In both periods, the decline was largely attributable to the absence of (third quarter) and lower (nine months) production at the Point Comfort (Texas) refinery (see below) and the absence of production at the Suralco (Suriname) refinery (see below).

In March 2015, management initiated a 12-month review of 2,800 kmt in refining capacity for possible curtailment (partial or full), permanent closure or divestiture. This review was part of management's target to lower Arconic's refining operations on the global alumina cost curve to the 21st percentile (currently 17th) by the end of 2016. As part of this review, in 2015, management decided to curtail the remaining operating capacity at both the Suralco (1,330 kmt-per-year) and Point Comfort (2,010 kmt-per-year) refineries. The curtailment of the capacity at Suralco and Point Comfort was completed by the end of November 2015 and June 2016 (375 kmt-per-year was completed by the end of December 2015), respectively. While management has completed this specific review of Arconic's refining capacity, analysis of portfolio optimization in light of changes in the marketplace that may occur at any given time is ongoing.

Third-party sales for the Alumina segment decreased 25% and 29% in the 2016 third quarter and nine-month period, respectively, compared to the same periods in 2015. The decline in both periods was primarily due to an 11% (third quarter) and 16% (nine months) decrease in average realized price, a 16% (both periods) decline in volume, and unfavorable foreign currency movements related to the revaluation of outstanding customer receivables in Australia, slightly offset by an increase in bauxite sales. In both periods, the change in average realized price was mostly driven by a 23% (third quarter) and 30% (nine months) lower average alumina index price.

Intersegment sales decreased 27% in the 2016 third quarter and 34% in the 2016 nine-month period compared with the corresponding periods in 2015 due to a lower average realized price and lower demand from the Primary Metals segment. The lower demand in both periods was caused by the absence of (third quarter) and lower (nine months) shipments to the Warrick (Indiana) smelter (closed in the first quarter of 2016) and the absence of shipments to the Wenatchee (Washington) smelter (curtailed in the fourth quarter of 2015). In the 2016 nine-month period, the absence of shipments to the São Luís (Brazil) smelter (curtailed in the second quarter of 2015) also contributed to the lower demand.

ATOI for this segment declined $140 and $459 in the 2016 third quarter and nine-month period, respectively, compared to the same periods in 2015. In both periods, the decrease was principally related to the previously mentioned lower average realized alumina price, slightly offset by net productivity improvements. Net unfavorable foreign currency movements due to a stronger U.S. dollar, especially against the Australian dollar and Brazilian real, and an unfavorable impact related to the curtailment of the Point Comfort refinery also contributed to the decline in the 2016 third quarter and nine-month period, respectively.

In the 2016 fourth quarter (comparison with the 2015 fourth quarter), alumina production will reflect the absence of approximately 540 kmt due to the curtailment of the Point Comfort and Suralco refineries. Additionally, higher third-party bauxite sales are expected and net productivity improvements are anticipated.

Primary Metals

	Third quarter ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Aluminum production (kmt)	586	700	1,836	2,112
Third-party aluminum shipments (kmt)	557	615	1,697	1,834
Arconic's average realized price per metric ton of aluminum*	$ 1,874	$ 1,901	$1,838	$2,163
Arconic's average cost per metric ton of aluminum**	$ 1,838	$ 1,999	$1,811	$2,128
Third-party sales	$ 1,148	$ 1,249	$3,390	$4,355
Intersegment sales	440	479	1,388	1,733
Total sales	$ 1,588	$ 1,728	$4,778	$6,088
ATOI	$ 56	$ (59)	$ 111	$ 195

* Average realized price per metric ton of aluminum includes three elements: a) the underlying base metal component, based on quoted prices from the LME; b) the regional premium, which represents the incremental price over the base LME component that is associated with the physical delivery of metal to a particular region (e.g., the Midwest premium for metal sold in the United States); and c) the product premium, which represents the incremental price for receiving physical metal in a particular shape (e.g., billet, slab, rod, etc.) or alloy.

** Includes all production-related costs, including raw materials consumed; conversion costs, such as labor, materials, and utilities; depreciation and amortization; and plant administrative expenses.

At September 30, 2016, Arconic had 778 kmt of idle capacity on a base capacity of 3,133 kmt. Both idle capacity and base capacity were unchanged compared to June 30, 2016.

In March 2015, management initiated a 12-month review of 500 kmt in smelting capacity for possible curtailment (partial or full), permanent closure or divestiture. This review was part of management's target to lower Arconic's smelting operations on the global aluminum cost curve to the 38th percentile (currently 38th) by the end of 2016. As part of this review, in 2015, management decided to curtail the remaining operating capacity at both the São Luís smelter (74 kmt-per-year) in Brazil and at the Wenatchee smelter (143 kmt-per-year) in Washington and to permanently close the Warrick smelter (269 kmt-per-year) in Indiana. The curtailment of capacity at São Luís and Wenatchee was completed in April 2015 and by the end of December 2015, respectively, and the permanent closure of Warrick was completed by the end of March 2016. Previously under this review (November 2015), management decided to curtail the remaining capacity at the Intalco smelter in Washington by the end of June 2016; however, in May 2016, Arconic reached agreement on a new power contract that will help improve the competiveness of the smelter, resulting in the termination of the planned curtailment. While management has completed this specific review of Arconic's smelting capacity, analysis of portfolio optimization in light of changes in the marketplace that may occur at any given time is ongoing.

Aluminum production decreased 16% and 13% in the 2016 third quarter and nine-month period, respectively, compared with the corresponding periods in 2015. In both periods, the decline was the result of the absence of (third quarter) and lower (nine months) production at the Warrick smelter and the absence of production at the Wenatchee smelter. The absence of production at the São Luís smelter also contributed to the decrease in the 2016 nine-month period.

Third-party sales for the Primary Metals segment declined 8% in the 2016 third quarter and 22% in the 2016 nine-month period compared to the same periods in 2015.

The decrease in the 2016 third quarter was mainly attributable to the absence of sales (approximately $50) from the Wenatchee smelter that was curtailed, lower volume in the remaining smelter portfolio, and lower energy sales in Brazil, due to a decline in energy prices.

The decrease in the 2016 nine-month period was largely the result of a 15% drop in average realized price, the absence of sales (approximately $230) from the Wenatchee and São Luís smelters that were curtailed, and lower energy sales in Brazil, due to both a decline in energy prices and a weaker Brazilian real. In the 2016 nine-month period, the change in average realized price was driven by a 10% lower average LME price (on 15-day lag) and lower regional premiums, which dropped by an average of 46% in the United States and Canada, 54% in Europe, and 58% in the Pacific region.

Intersegment sales declined 8% and 20% in the 2016 third quarter and nine-month period, respectively, compared with the corresponding periods in 2015 principally due to a decrease in average realized price (nine months) and/or lower demand from the Global Rolled Products and Transportation and Construction Solutions segments (both periods).

ATOI for this segment increased $115 in the 2016 third quarter and decreased $84 in the 2016 nine-month period compared to the same periods in 2015.

The improvement in the 2016 third quarter was primarily driven by net productivity improvements, lower costs for alumina, and a favorable impact related to the closure and curtailment of the Warrick and Wenatchee smelters, respectively.

In the 2016 nine-month period, the decline was mostly caused by both the previously mentioned lower average realized aluminum price and lower energy sales. These negative impacts were partially offset by net productivity improvements and lower costs for both alumina and energy.

In the 2016 fourth quarter (comparison with the 2015 fourth quarter), aluminum production will be approximately 90 kmt lower as a result of the closure of the Warrick smelter and the curtailment of the Wenatchee smelter. Also, third-party sales will reflect the absence of approximately $50 due to the Wenatchee curtailment. Additionally, net productivity improvements are anticipated in this segment.

Global Rolled Products

	Third quarter ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Third-party aluminum shipments (kmt)	476	449	1,389	1,343
Arconic’s average realized price per metric ton of aluminum*	$ 3,202	$ 3,399	$3,218	$3,585
Third-party sales	$ 1,521	$ 1,527	$4,468	$4,816
Intersegment sales	30	29	88	99
Total sales	$ 1,551	$ 1,556	$4,556	$4,915
ATOI	$ 58	$ 62	$ 194	$ 192

* Generally, average realized price per metric ton of aluminum includes two elements: a) the price of metal (the underlying base metal component plus a regional premium – see the footnote to the table in Primary Metals above for a description of these two components), and b) the conversion price, which represents the incremental price over the metal price component that is associated with converting primary aluminum into sheet and plate. In this circumstance, the metal price component is a pass-through to this segment’s customers with limited exception (e.g., fixed-priced contracts, certain regional premiums).

Third-party sales for the Global Rolled Products segment remained flat in the 2016 third quarter and decreased 8% during the nine-month period, compared with the corresponding periods in 2015. In the third quarter periods, unfavorable product mix was mostly offset by an increase in volume primarily due to the automotive market. Automotive sheet shipments were up 49% for the quarter compared to the same quarter in the prior year. The decrease in the nine month period was mainly caused by unfavorable pricing due to a decrease in metal prices (both LME and regional premium components) and unfavorable product mix across all businesses. These negative impacts were somewhat offset in the 2016 nine-month period by overall higher volume. The absence of sales ($23) from a rolling mill in Russia that was divested in March 2015 also contributed to the decline in the 2016 nine-month period. The overall higher volume in the nine-month period was mainly the result of increased demand in the can sheet packaging and automotive markets, somewhat offset by lower demand in a number of other markets.

ATOI for this segment decreased $4 in the 2016 third quarter and increased $2 in the 2016 nine-month period compared to the same periods in 2015.

The decline in the 2016 third quarter was principally due to costs ($18) of converting the Warrick (Indiana) rolling mill into a cold metal plant due to the permanent closure of Arconic's Warrick smelter in the first quarter of 2016 (see Primary Metals above), unfavorable product mix across most business, and unfavorable pricing in the can sheet packing market. These negative impacts were mostly offset by net productivity improvements across all businesses.

In the 2016 nine-month period, the increase was primarily related to net productivity improvements across all businesses. This positive impact was mostly offset by costs ($38) of converting the Warrick rolling mill into a cold metal plant due to the permanent closure of Arconic's Warrick smelter in the first quarter of 2016 (see Primary Metals above), unfavorable pricing in the global can sheet packaging market, unfavorable product mix, cost increases, and overall lower volume across most businesses.

In the 2016 fourth quarter (comparison with the 2015 fourth quarter), stronger demand in the automotive market is anticipated as automotive sheet shipments are expected to increase approximately 50%, which will be supplied mainly from Arconic's Davenport, IA facility, as well as the Tennessee facility that continues to ramp-up production. Also, lower demand in the aerospace market due to inventory destocking and model transition as well as lower North America build rates in the commercial transportation market is expected.

Engineered Products and Solutions

	Third quarter ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Third-party sales	$ 1,406	$ 1,397	$4,320	$3,933
ATOI	$ 162	$ 151	$ 504	$ 472

In April 2016, Arconic completed the sale of the Remmele Medical business to LISI MEDICAL. This business, which was part of Arconic's acquisition of RTI in July 2015, manufactures precision-machined metal products for customers in the minimally invasive surgical device and implantable device markets. While owned by Arconic, the operating results and assets and liabilities of this business were included in the Engineered Products and Solutions segment. This business generated sales of approximately $20 from January 1, 2016 through the divestiture date, April 29, 2016, and, at the time of the divestiture, had approximately 330 employees.

Third-party sales for the Engineered Products and Solutions segment increased 1% and 10% in the 2016 third quarter and nine-month period, respectively, compared with the corresponding periods in 2015. The slight improvement in the third quarter period was mostly due to an increase in third-party sales of $48 from RTI (acquired in July 2015). This increase was partially offset by a decrease in volume and unfavorable price/mix both related to the aerospace market. The improvement in the nine-month period was related to an increase in third party sales of $459 from two businesses (TITAL and RTI) primarily aerospace-related, that were acquired in March 2015 and July 2015, respectively. Additionally, overall higher volume in this segment's organic businesses contributed to the increase but was partially offset by unfavorable pricing in the aerospace market. The overall higher volume was largely attributable to the industrial gas turbine market, partially offset by lower volume in the non-aerospace market.

ATOI for this segment improved $11 in the 2016 third quarter and $32 in the 2016 nine-month period compared to the same periods in 2015. In both periods, the increase was principally the result of net productivity improvements across almost all businesses and a positive contribution from inorganic growth, mostly offset by unfavorable price/product mix and higher costs (both start-up and ongoing) related to growth projects (e.g., the aerospace expansion at the La Porte, IN plant and the aluminum-lithium capacity expansion at the Lafayette, IN plant).

In the 2016 fourth quarter (comparison with the 2015 fourth quarter), demand in the commercial aerospace market is expected to improve due to an increase in the production of jet engines and the ramp-up of new aircraft models; however, continued pricing pressure is expected, along with airframe supply chain destocking for legacy model components. Additionally, the industrial gas turbine market is expected to remain strong in North America, partially offset by continued softness in Europe. Continued softness is also expected in the North American commercial transportation market.

Transportation and Construction Solutions

	Third quarter ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Third-party sales	$ 450	$ 475	$1,346	$1,438
ATOI	$ 47	$ 44	$ 132	$ 126

Third-party sales for the Transportation and Construction Solutions segment decreased 5% and 6% in the 2016 third quarter and nine-month period, respectively, compared with the corresponding periods in 2015. The decline in both periods was primarily due to lower volume related to the heavy-duty truck component of the commercial transportation market in North America, somewhat offset by higher sales related to the building and construction market, mostly driven by higher volume in all regions, except for Latin America. The absence of sales to customers in the automotive market (wheels for passenger vehicles), as a result of a prior year decision by Arconic to no longer participate in such market, and unfavorable foreign currency movements, principally caused by a weaker Brazilian Real, also contributed to the decline in the nine-month period.

ATOI for this segment improved $3 in the 2016 third quarter and $6 in the 2016 nine-month period compared to the same periods in 2015. In both periods, the increase was principally the result of net productivity improvements across all businesses, mostly offset by overall lower volume, primarily related to the commercial transportation business, and general cost increases.

In the 2016 fourth quarter (comparison with the 2015 fourth quarter), the non-residential building and construction market is expected to continue to show strength in both North America and Europe. Additionally, the heavy-duty truck component of the commercial transportation market in North America is expected to continue to decline, while improvements in Europe and Asia Pacific are anticipated. Net productivity improvements are anticipated in this segment to offset cost increases and market headwinds.

Reconciliation of ATOI to Consolidated Net Income Attributable to Arconic

Items required to reconcile total segment ATOI to consolidated net income attributable to Arconic include: the impact of LIFO inventory accounting; metal price lag; interest expense; noncontrolling interests; corporate expense (general administrative and selling expenses of operating the corporate headquarters and other global administrative facilities, along with depreciation and amortization on corporate-owned assets); restructuring and other charges; and other items, including intersegment profit eliminations, differences between tax rates applicable to the segments and the consolidated effective tax rate, and other nonoperating items such as foreign currency transaction gains/losses and interest income.

The following table reconciles total segment ATOI to consolidated net income attributable to Arconic:

	Third quarter ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Total segment ATOI	$ 395	$ 410	$1,130	$1,633
Unallocated amounts (net of tax):				
Impact of LIFO	1	50	(5)	93
Metal price lag	4	(48)	12	(110)
Interest expense	(86)	(80)	(253)	(240)
Noncontrolling interests	(20)	(62)	(58)	(189)
Corporate expense	(77)	(72)	(209)	(199)
Restructuring and other charges	(13)	(48)	(89)	(368)
Other	(38)	(106)	(211)	(241)
Consolidated net income attributable to Arconic	$ 166	$ 44	$ 317	$ 379

The changes in the reconciling items between total segment ATOI and consolidated net income attributable to Arconic for the 2016 third quarter and nine-month period compared with the corresponding periods in 2015 (unless otherwise noted) consisted of:

- a change in the Impact of LIFO, mostly due to an increase in the price of aluminum (driven by higher base metal prices (LME), slightly offset by lower regional premiums) at September 30, 2016 indexed to December 31, 2015 for the 2016 third quarter and nine-month period compared to a decrease in the price of aluminum (both lower base metal prices (LME) and regional premiums) at September 30, 2015 indexed to December 31, 2014 for the 2015 third quarter and nine-month period (overall, the price of aluminum in the 2016 third quarter and nine-month period was higher compared with the 2015 third quarter and nine-month period);
- a change in Metal price lag, the result of an increase in the price of aluminum (see Impact of LIFO above) at September 30, 2016 indexed to December 31, 2015 for the 2016 third quarter and nine-month period compared to a decrease in the price of aluminum (see Impact of LIFO above) at September 30, 2015 indexed to December 31, 2014 for the 2015 third quarter and nine-month period (Metal price lag describes the timing difference created when the average price of metal sold differs from the average cost of the metal when purchased by Arconic's midstream and downstream operations. In general, when the price of metal increases, metal price lag is favorable, and when the price of metal decreases, metal price lag is unfavorable);
- an increase in Interest expense, principally the result of a lower amount of capitalized interest;
- a change in Noncontrolling interests, due to the change in results of AWAC, principally driven by a decline in operating results, partially offset by the absence of restructuring charges related to the permanent closure of the Anglesea power station and coal mine and a $27 ($8 was noncontrolling interest's share) gain on the sale of an equity interest in a natural gas pipeline in Australia, and in the 2016 nine-month period only, the absence of an $85 ($34 was noncontrolling interest's share) discrete income tax charge for a valuation allowance on certain deferred tax assets;
- an increase in Corporate expense, primarily attributable to costs related to the Separation Transaction ($44 – third quarter and $98 – nine months), mostly offset by a decrease in various expenses;
- a decrease in Restructuring and other charges due to fewer portfolio actions; and
- a change in Other, largely the result of an unfavorable tax impact resulting from the difference between Arconic's consolidated estimated annual effective tax rate and the tax rates applicable to the segments, the absence of gains on the sale of land near the Sherwin, TX refinery and equity investment in a China rolling mill ($25), and during the nine-month period only, the absence of a gain on the sale of land around the Lake Charles, LA anode facility ($19) and a net discrete income tax charge for a valuation allowance on certain deferred tax assets ($33). These unfavorable impacts were partially offset in the 2016 third quarter and nine-month period by a gain on the sale of the Intalco smelter wharf property ($77), a favorable post-closing adjustment related to the November 2014 acquisition of Firth Rixson ($20) and in the nine-month period only, a gain on the sale of an equity interest in a natural gas pipeline in Australia ($19) and a benefit for an arbitration recovery related to a 2010 fire at the Iceland smelter ($12). Additionally, during the 2016 third quarter and nine-month period, an unfavorable and a favorable tax impact related to the interim period treatment of losses in certain foreign jurisdictions for which no tax benefit was recognized ($3 – third quarter and $20 – nine months), respectively, also impacted the change in Other.

Environmental Matters

See the Environmental Matters section of Note J to the Consolidated Financial Statements in Part I Item 1 of this Form 10-Q.

Liquidity and Capital Resources

Cash From Operations

Cash provided by operations was $208 in the 2016 nine-month period compared with cash provided from operations of $717 in the same period of 2015. The decline in cash from operations of $509 was principally due to lower operating results (net income plus net add-back for noncash transactions in earnings), somewhat offset by a decrease in pension contributions of $136 and a favorable change in both noncurrent assets of $64 and noncurrent liabilities of $59.

The favorable change in noncurrent assets was mostly related to a $100 smaller prepayment made under a natural gas supply agreement in Australia (see below).

Working capital decreased by $8 and components of the unfavorable change were as follows:

- an unfavorable change of $129 in receivables;
- a positive change of $183 in inventories, largely attributable to a reduction of the LIFO reserve of $142 which occurred during the nine months ended September 30, 2015;
- a negative change of $41 in prepaid expenses and other current assets;
- an favorable change of $44 in accounts payable, trade, principally the result of timing of payments;
- a favorable change of $7 in accrued expenses; and
- a negative change of $72 in taxes, including income taxes, mostly driven by a lower level of pretax income.

On April 8, 2015, Arconic's majority-owned subsidiary, Alcoa of Australia Limited (AofA), which is part of AWAC, secured a new 12-year gas supply agreement to power its three alumina refineries in Western Australia beginning in July 2020. This agreement was conditional on the completion of a third-party acquisition of the related energy assets from the then-current owner, which occurred in June 2015. The terms of AofA's gas supply agreement required a prepayment of $500 to be made in two installments. The first installment of $300 was made at the time of the completion of the third-party acquisition in June 2015 and the second installment of $200 was made in April 2016.

Financing Activities

Cash used for financing activities was $350 in the 2016 nine-month period, an increase of $139 compared with $211 in the corresponding period of 2015.

The use of cash in the 2016 nine-month period was primarily due to $1,324 in payments on debt, mostly related to the repayment of borrowings under certain revolving credit facilities (see below), $171 in dividends paid to shareholders, and $176 in cash paid to the noncontrolling interest in AWAC, Alumina Limited of Australia. These items were mostly offset by $1,313 in additions to debt, virtually all of which was the result of borrowings under certain revolving credit facilities (see below).

In the 2015 nine-month period, the use of cash was primarily due to $1,551 in payments on debt, mostly related to the repayment of borrowings under certain revolving credit facilities, $149 in dividends paid to shareholders, and $72 in cash paid to the noncontrolling interest in AWAC, Alumina Limited of Australia. These items were mostly offset by $1,534 in additions to debt, virtually all of which was the result of borrowings under certain revolving credit facilities, and $26 in proceeds from employee exercises of 2.9 million stock options at a weighted average exercise price of $8.99 (not in millions).

In September 2016, Arconic entered into an amendment to its Five-Year Revolving Credit Agreement (as amended). The amendment was entered into to permit the Separation Transaction and to amend certain terms of the Credit Agreement including the replacement of the existing financial covenant with a leverage ratio and reduction of total commitments available from $4,000 to $3,000. The existing financial covenant, currently based upon Consolidated Net Worth (as defined in the Credit Agreement) will be replaced. Arconic will be required to maintain a ratio of Indebtedness (as defined in the Credit Agreement), to Consolidated EBITDA (as defined in the Credit Agreement) of 5.50 to 1.00 for the period of the four fiscal quarters most recently ended, declining to 3.50 to 1.00 on December 31, 2019 and thereafter. The amendment became effective on the separation date of November 1, 2016.

At the end of 2015, Arconic had nine revolving credit facilities (excluding its Five-Year Revolving Credit Facility), each with a different financial institution, providing a combined borrowing capacity of $990 and expiration dates ranging from February 2016 through September 2017. In the first quarter of 2016, three credit facilities ($350 combined capacity) that were due to expire in either February or March 2016 were extended to February 2017 or September 2017, respectively. In the third quarter, two credit facilities ($300 combined capacity) that were both due to expire in September 2016 were extended to April 2017 or September 2018. An additional credit facility ($100 capacity) that was due to expire in September 2016 was not amended. At the end of September 2016, Arconic had eight credit facilities (excluding its Five-Year Revolving Credit Facility), providing a combined borrowing capacity of $890.

The purpose of any borrowings under these credit arrangements is to provide for working capital requirements and for other general corporate purposes. The covenants contained in all these arrangements are the same as Arconic's Five-Year Revolving Credit Agreement (see the Financing Activities section of Liquidity and Capital Resources included in Management's Discussion and Analysis of Financial Condition and Results of Operations in Arconic's 2015 Form 10-K).

Within each of the first, second and third quarters of 2016, Arconic borrowed and repaid $1,305 under the respective credit arrangements. The weighted-average interest rate and weighted-average days outstanding of the respective borrowings during the first, second and third quarters of 2016 were 1.87%, 1.82% and 1.91%, respectively, and 57 days, 78 days and 53 days, respectively.

Arconic’s cost of borrowing and ability to access the capital markets are affected not only by market conditions but also by the short- and long-term debt ratings assigned to Arconic’s debt by the major credit rating agencies.

On March 31, 2016, Moody’s Investor Service (Moody’s) affirmed the following ratings for Arconic: long-term debt at Ba1 and short-term debt at Speculative Grade Liquidity Rating-1. Additionally, Moody’s changed the current outlook from rating under review to negative. On June 30, 2016, Moody’s maintained the current outlook as negative based on the filing of a Form 10 registration statement related to the planned separation of Arconic. On September 22, 2016, Moody’s placed the long-term debt rating Ba1 as under review for possible downgrade. On November 1, 2016, Moody’s downgraded Arconic’s long-term debt to Ba2 and short-term debt to Speculative Grade Liquidity-2 based upon the completion of the Separation Transaction. Additionally, Moody’s changed the current outlook to stable.

On April 21, 2016, Fitch affirmed the following ratings for Arconic: long-term debt at BB+ and short-term debt at B. Additionally, Fitch changed the current outlook from positive to evolving. On July 7, 2016, Fitch changed the current outlook from evolving to stable based on the filing of a Form 10 registration statement related to the planned separation of Arconic.

On April 29, 2016, Standard and Poor’s Ratings Service (S&P) affirmed the following ratings for Arconic: long-term debt at BBB- and short-term debt at A-3. Additionally, S&P maintained the current outlook as stable. On September 19, 2016, S&P affirmed its ratings for Arconic: long-term debt at BBB- and short-term debt at A-3. Additionally, S&P maintained the current outlook as stable.

Investing Activities

Cash provided from investing activities was $79 in the 2016 nine-month period compared with cash used for investing activities of $603 in the 2015 nine-month period, resulting in an increase in cash provided of $682.

In the 2016 nine-month period, the source of cash was mainly due to $683 in proceeds from the sale of assets and businesses, mostly related to $457 in proceeds from the redemption of company-owned life insurance policies, $120 in proceeds related to the sale of the Intalco smelter wharf property, and $102 in proceeds ($99 net of transaction costs) from the sale of the Remmele Medical business (see Engineered Products and Solutions in Segment Information above), which was part of Arconic’s acquisition of RTI in July 2015; and $280 in sales of investments, composed primarily of $145 for an equity interest in a natural gas pipeline in Australia and $130 for fixed income and equity securities held by Arconic’s captive insurance company. These items were partially offset by $814 in capital expenditures, 29% of which related to growth projects, including the aerospace expansion (thick plate stretcher) at the Davenport, IA plant.

The use of cash in the 2015 nine-month period was mainly due to $782 in capital expenditures, 41% of which related to growth projects, including the aerospace expansion at the La Porte, IN plant, the automotive expansion at the Alcoa, TN plant, the aerospace expansion (thick plate stretcher) at the Davenport, IA plant, the aerospace expansion (isothermal press) at the Savannah, GA plant (Firth Rixson), and the specialty foil expansion at the Itapissuma plant in Brazil; and $205 (net of cash acquired) for the acquisition of TITAL. These items were slightly offset by $302 in cash acquired with RTI, $112 in proceeds from the sale of assets and businesses, composed of three land sales in Australia and the United States combined and post-closing adjustments related to an ownership stake in a smelter, four rolling mills, and an ownership stake in a bauxite mine/alumina refinery divested between December 2014 and March 2015.

Noncash Financing Activities

In September 2016, a subsidiary of Arconic issued $1,250 in new senior notes in preparation for the completion of the Separation Transaction. The net proceeds of $1,228 from the debt issuance, along with additional cash on hand, were required to be put into escrow contingent on the completion of the Separation Transaction. As a result, the $1,228 was not reflected on Arconic’s Statement of Consolidated Cash Flows as it represents a noncash financing activity.

On October 5, 2016, Arconic completed a 1-for-3 Reverse Stock Split. The Reverse Stock Split reduced the number of shares of common stock outstanding from approximately 1.3 billion shares to approximately 0.4 billion shares. The number of authorized shares of common stock was also decreased from 1.8 billion to 600 million shares. The par value of the common stock remained at $1.00 per share. Accordingly, Common stock and Additional capital in the Company’s Consolidated Balance Sheet at September 30, 2016 were updated to reflect a decrease and increase of $877, respectively, as if the reverse stock split occurred on September 30, 2016. This transaction was not reflected on the Statement of Consolidated Cash Flows for the nine months ended September 30, 2016 as it represents a noncash financing activity.

In August 2016, Arconic retired its outstanding treasury stock consisting of approximately 76 million shares. As a result, Common stock and Additional capital were decreased by $76 and $2,563, respectively, to reflect the retirement of the treasury shares. This transaction was not reflected on the Statement of Consolidated Cash Flows for the nine months ended September 30, 2016 as it represents a noncash financing activity.

Recently Adopted and Recently Issued Accounting Guidance

See Note B to the Consolidated Financial Statements in Part I Item 1 of this Form 10-Q.

Forward-Looking Statements

This report contains statements that relate to future events and expectations and as such constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include those containing such words as “anticipates,” “believes,” “could,” “estimates,” “expects,” “forecasts,” “goal,” “intends,” “may,” “outlook,” “plans,” “projects,” “seeks,” “sees,” “should,” “targets,” “will,” “would,” or other words of similar meaning. All statements that reflect Arconic’s expectations, assumptions or projections about the future, other than statements of historical fact, are forward-looking statements, including, without limitation, forecasts relating to the growth of the aerospace, automotive, commercial transportation and other end markets; statements regarding future financial results or operating performance; statements about Arconic’s strategies, outlook, business and financial prospects; statements regarding potential share gains; and statements regarding the separation. These statements reflect beliefs and assumptions that are based on Arconic’s perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. Forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties, and changes in circumstances that are difficult to predict. Although Arconic believes that the expectations reflected in any forward-looking statements are based on reasonable assumptions, it can give no assurance that these expectation will be attained and it is possible that actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks and uncertainties. Such risks and uncertainties include, but are not limited to: (a) the possibility that various closing conditions for the separation may not be satisfied; (b) the impact of the separation on the businesses of Arconic; (c) deterioration in global economic and financial market conditions generally; (d) unfavorable changes in the markets served by Arconic; (e) the impact of changes in foreign currency exchange rates on costs and results; (f) the inability to achieve the level of revenue growth, cash generation, cost savings, improvement in profitability and margins, fiscal discipline, or strengthening of competitiveness and operations anticipated from restructuring programs and productivity improvement, cash sustainability, technology advancements and other initiatives; (g) changes in discount rates or investment returns on pension assets; (h) Arconic’s inability to realize expected benefits, in each case as planned and by targeted completion dates, from acquisitions, divestitures, facility closures, curtailments, expansions, or joint ventures; (i) the impact of cyber attacks and potential information technology or data security breaches; (j) political, economic, and regulatory risks in the countries in which Arconic operates or sells products; (k) material adverse changes in aluminum industry conditions, including fluctuations in London Metal Exchange-based aluminum prices; (l) the outcome of contingencies, including legal proceedings, government or regulatory investigations, and environmental remediation; (m) the other risk factors summarized in Arconic’s Form 10-K for the year ended December 31, 2015, including under Part I, Item 1A thereof, and in the following sections of this report: Note J and the Derivatives section of Note Q to the Consolidated Financial Statements; and the discussion included above under Segment Information. Arconic disclaims any intention or obligation to update publicly any forward-looking statements, whether in response to new information, future events, or otherwise, except as required by applicable law. Market projections are subject to the risks discussed above and other risks in the market.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

See the Derivatives section of Note Q to the Consolidated Financial Statements in Part I Item 1 of this Form 10-Q.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

Arconic’s Chief Executive Officer and Chief Financial Officer have evaluated the Company’s disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as of the end of the period covered by this report, and they have concluded that these controls and procedures are effective.

(b) Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting during the third quarter of 2016, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

Other Matters

On May 27, 2016, Arconic filed a complaint in the Delaware Court of Chancery seeking a declaratory judgment on an expedited basis to forestall what the complaint alleges are continuing threats by Alumina Limited of Australia ("Alumina Limited") and certain related parties to attempt to interfere with Alcoa Inc.'s separation and distribution. Alumina Limited has claimed that it has certain consent and other rights under certain agreements governing Alcoa World Alumina and Chemicals (AWAC), a global joint venture between Arconic and Alumina Limited, in connection with the separation and distribution.

On September 1, 2016, Arconic, Alumina Limited, Alcoa Corporation and certain of their respective subsidiaries entered into a settlement and release agreement (the "settlement agreement") providing for a full settlement and release by each party of claims arising from or relating to the Delaware litigation. The settlement agreement also provides for certain changes to the governance and financial policies of the AWAC joint venture, which became effective upon the completion of the Separation Transaction on November 1, 2016, as well as certain additional changes to their AWAC agreements that become effective only in the event of a change in control of Alumina Limited or Alcoa Corporation. The settlement agreement is not expected to have a material effect, adverse or otherwise, on the future operating results of Alcoa Corporation.

Item 4. Mine Safety Disclosures.

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Securities and Exchange Commission Regulation S-K (17 CFR 229.104) is included in Exhibit 95 of this report, which is incorporated herein by reference.

Item 6. Exhibits.

2(a).	Separation and Distribution Agreement, dated as of October 31, 2016, by and between Arconic Inc. and Alcoa Corporation, incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated November 4, 2016
2(b).	Transition Services Agreement, dated as of October 31, 2016, by and between Arconic Inc. and Alcoa Corporation, incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K dated November 4, 2016
2(c).	Tax Matters Agreement, dated as of October 31, 2016, by and between Arconic Inc. and Alcoa Corporation, incorporated by reference to Exhibit 2.3 to the Company's Current Report on Form 8-K dated November 4, 2016
2(d).	Employee Matters Agreement, dated as of October 31, 2016, by and between Arconic Inc. and Alcoa Corporation, incorporated by reference to Exhibit 2.4 to the Company's Current Report on Form 8-K dated November 4, 2016
2(e).	Alcoa Corporation to Arconic Inc. Patent, Know-How, and Trade Secret License Agreement, dated as of October 31, 2016, by and between Alcoa USA Corp. and Arconic Inc., incorporated by reference to Exhibit 2.5 to the Company's Current Report on Form 8-K dated November 4, 2016
2(f).	Arconic Inc. to Alcoa Corporation Patent, Know-How, and Trade Secret License Agreement, dated as of October 31, 2016, by and between Arconic Inc. and Alcoa USA Corp., incorporated by reference to Exhibit 2.6 to the Company's Current Report on Form 8-K dated November 4, 2016
2(g).	Alcoa Corporation to Arconic Inc. Trademark License Agreement, dated as of October 31, 2016, by and between Alcoa USA Corp. and Arconic Inc., incorporated by reference to Exhibit 2.7 to the Company's Current Report on Form 8-K dated November 4, 2016
2(h).	Toll Processing and Services Agreement, dated as of October 31, 2016, by and between Arconic Inc. and Alcoa Warrick LLC, incorporated by reference to Exhibit 2.8 to the Company's Current Report on Form 8-K dated November 4, 2016
2(i).	Master Agreement for the Supply of Primary Aluminum, dated as of October 31, 2016, by and between Alcoa Corporation and its affiliates and Arconic Inc., incorporated by reference to Exhibit 2.9 to the Company's Current Report on Form 8-K dated November 4, 2016
2(j).	Massena Lease and Operations Agreement, dated as of October 31, 2016, by and between Arconic Inc. and Alcoa Corporation, incorporated by reference to Exhibit 2.10 to the Company's Current Report on Form 8-K dated November 4, 2016
2(k).	English Translation of Fusina Lease and Operations Agreement by and between Alcoa Servizi S.r.l. and Fusina Rolling S.r.l., dated as of August 4, 2016
3(a).	Articles of Incorporation of Arconic Inc., as amended effective as of November 1, 2016
3(b).	By-Laws of Arconic Inc., as amended effective as of November 1, 2016
10(a).	Amendment No. 1, dated September 16, 2016, to the Five-Year Revolving Credit Agreement dated as of July 25, 2014, among Arconic Inc., the lenders and issuers named therein, Citibank, N.A., as administrative agent, and JPMorgan Chase Bank, N.A. as syndication agent, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 19, 2016
10(b).	Stockholder and Registration Rights Agreement, dated as of October 31, 2016, by and between Arconic Inc. and Alcoa Corporation, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated November 4, 2016

10(c).	Amended and Restated Deferred Fee Plan for Directors, effective November 1, 2016
10(d).	Non-Employee Director Compensation Policy, effective November 1, 2016
12.	Computations of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
15.	Letter regarding unaudited interim financial information
31.	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
95.	Mine Safety Disclosure
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

	Arconic Inc.
November 9, 2016	By /s/ KEN GIACOBBE
Date	Ken Giacobbe Executive Vice President and Chief Financial Officer (Principal Financial Officer)
November 9, 2016	By /s/ PAUL MYRON
Date	Paul Myron Vice President and Controller (Principal Accounting Officer)

EXHIBIT INDEX

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101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

English Translation of Lease Agreement

Fusina Lease and Operations Agreement

Lease Agreement
BETWEEN

"Alcoa Servizi S.r.l.", with its registered office in Milan, piazza Giuseppe Missori n. 2, share capital 5,000,000 Euros, entirely paid-up, registration number in the Company Register of Milan and taxpayer identification number: 00859860157, registered in the Economic Administrative Register of Milan under No. 744688, in the person indicated in the authentication (hereinafter, for the sake of brevity, referred to as the "Lessor")

- on the one hand -

AND

"Fusina Rolling S.r.l.", with its registered office in Milan, piazza Giuseppe Missori n.2, share capital 1,000,000.00 Euros, entirely paid-up, registration number in the Company Register of Milan and taxpayer identification number: 09391220960, registered in the Economic Administrative Register of Milan under No. 2087178, in the person indicated in the authentication (hereinafter, for the sake of brevity, referred to as the "Lessee")

- on the other hand -

Art. 1) By way of this agreement the Lessor leases to The Lessee, that accepts, the following portions of properties in the Municipality of Venice, City Malcontenta , Via Elettronica n . 31 , consisting in the rolling mill plant (for the production of rolled aluminum products) and foundry—primary (for the secondary aluminum production), with the exclusion of the command area on Fg.193 mapp.19 sub.2—as well as of the specified portions in the maps, as well as buildings and equipment accessories and related pertaining areas (the "Building") all identified the Cadastre of the City of Venice as follows :

[Translation Note – the rest of this Art 1 is the property description in Italian that describes the parcels that make up the approximately 288,400 square meters of leased land for the rolling operation.]

Laminatoio ** **Foglio 193** (centonovantatre), **mappale 29** (ventinove) **graffato con Foglio 193** (centonovantatre), **mappale 38** (trentotto) **e con Foglio 193** (centonovantatre), **mappale 144** (centoquarantaquattro) **subalterno 1** (uno) **e con Foglio 193** (centonovantatre), **mappale 160**

(centosessanta) **e con Foglio 193** (centonovantatre), **mappale 499** (quattrocentonovantanove) **e con Foglio 193** (centonovantatre), **mappale 501** (cinquecentouno), **subalterno 1** (uno) **e con Foglio 193** (centonovantatre), **mappale 848** (ottocentoquarantotto), via Elettronica n.31, Piano: S1-T-1, Zona censuaria 9, Categoria D/1, Rendita catastale euro 295.724,00 (Classamento e rendita proposti ex D.M.701/94); **** Foglio 193** (centonovantatre), **mappale 501** (cinquecentouno), **subalterno 2** (due), Categoria F/1 (area urbana), mq.1568, via Elettronica n. 31, piano T. ***Fonderia-Primario* ** Foglio 193** (centonovantatre), **mappale 19** (diciannove), **subalterno 2** (due) **graffato con** 1 **mappale 39** (trentanove) **subalterno 1** (uno) **e con Foglio 193** (centonovantatre), **mappale 206** (duecentosei), via Elettronica n.33, piano: S1-T-1-2-3-4, Zona censuaria 9, Categoria D/1, Rendita catastale euro 499.172,00, **** Foglio 193** (centonovantatre), **mappale 39** (trentanove), **subalterno 2** (due), Zona censuaria 9, via Elettronica n.33, piano T, Categoria D/1, Rendita catastale euro 1.370,00, ed al **Catasto Terreni** come segue: *** Foglio 193** (centonovantatre), **mappale 501** (cinquecentouno), ente urbano, ha 9.36.15, in partita 1, *** Foglio 193** (centonovantatre), **mappale 19** (diciannove), ente urbano, ha 42.64.12, in partita 1, *** Foglio 193** (centonovantatre), **mappale 39** (trentanove), ente urbano, ha 1.03.40, in partita 1, *** Foglio 193** (centonovantatre), **mappale 206** (duecentosei), ente urbano, ha 0.77.90, in partita 1, *** Foglio 193** (centonovantatre), **mappale 29** (ventinove), ente urbano, ha 0.07.10, in partita 1, *** Foglio 193** (centonovantatre), **mappale 38** (trentotto), ente urbano, ha 0.49.90, in partita 1, *** Foglio 193** (centonovantatre), **mappale 144** (centoquarantaquattro), ente urbano, ha 1.62.10, in partita 1, *** Foglio 193** (centonovantatre), **mappale 160** (centosessanta), ente urbano, ha 0.11.70, in partita 1, *** Foglio 193** (centonovantatre), **mappale 499** (quattrocentonovantanove), ente urbano, ha 6.88.75, in partita 1, *** Foglio 193** (centonovantatre), **mappale 848** (ottocentoquarantotto), ente urbano, ha 0.72.30, in partita 1. Confini dell'intero compendio immobiliare (laminatoio, primario e accessorio) da nord verso sud in senso orario: altro foglio—mappali 233, 322, 317, 307, 312, 294, 346, 341, 282, 303, 280, 300, 339, 351, 337, 361, 332, 330, 328, 887, 890, 1108, 1107, 1106, 1112, 1111, 1110, 1109, 1001, 1100, 1099, 951, 1097, 1096, 1095, 1094, 1093, 1092, 1091, 1090, 1089, 1088, 1087, 1086, 1085, 1084, 1083, 1082, 1081, 1080, 1079, 1078, 1077, 1076, 879, 891, 892, 548, 550, 357, 546, 297, 274, 293, 553,551 e 552—altro foglio. L'Immobile è rappresentato: * quanto al **Laminatoio** in una planimetria composta da **16 schede**, * quanto alla **Fonderia-Primario** in due planimetrie composte quanto al mapp.39/sub.2 da scheda unica e quanto al mapp.19/sub.2 da **42 schede delle quali le schede n.1-2-5-8-15 e da 20 a 40 ambo incluse rappresentano porzioni non oggetto della presente locazione così come è esclusa dalla locazione la zona comandi della pesa insistente sul Fg.193 mapp.19 sub.2 (piccola porzione rappresentata nella scheda 3)**, planimetrie al presente allegate quale **Allegato “A”** in unico fascicolo per formare integrante del presente contratto unitamente alla *Planimetria Generale Individuazione Fabbricati* ed alle visure catastali.

represented in the plans annexed hereto **under letter “A”** that form an integral part of this act.

Art. 2) The lease has a **duration** of 20 (twenty) years from August 1st, 2016 to July 31st, 2036. The agreement may be renewed for an additional ten years on request from the Lessee, provided that the renewal request is received by the Lessor at least 12 months prior to the original expiry and/or the subsequent renewal. It is understood that the Lessee may in no event modify the type of use of the property, as the lease is stipulated solely to allow the Lessee, who commits on this, to carry out mill and casthouse activities. The parties agree that the present agreement supersedes the previous lease agreement signed on October 1st, 2001, n. 3485 Agenzia delle Entrate di Monza 1 on May 16, 2002, between the Lessor and Alcoa Trasformazioni s.r.l. that has been replaced by Fusina Rolling s.r.l. according to article 36 of law 392/78.

Art. 3) The **annual rental fee** for the lease is set at 720.000 Euros, to be paid, at the domicile of the Lessor, in deferred monthly installments of 60.000 Euros plus VAT, as indicated in more detail in Art. 12 below. The rental fee will be subject to annual adjustment according to the inflation index published by ISTAT (the Italian Statistical Institute), at the rate of 75% of that index as provided for by Art. 32 of Law 392/1978.

Art. 4) The buildings described above are leased with the structures, appurtenances and technical systems located in the same and in the areas connected to the building and that are also covered by this agreement, as well as all of the structures, facilities, infrastructures and subservices indicated in **Annex B** that are located on the property of the Lessor including outside of the leased areas but that serve the area subject to the lease. As a consequence the Lessor undertakes to maintain in function for the entire duration of this lease those structures, facilities, infrastructures and subservices located on areas it owns outside the areas covered by the lease without obligation of maintenance. The Lessor is also granted the right to use the objects indicated in **Annex C**.

The Lessor shall also carry out, at its own responsibility and expense, the works indicated in **Annex D**, and the Lessee shall carry out, at its own responsibility and expense, the works and activities indicated in **Annex E**. In relation to the works indicated in **Annex E**, the Lessor may carry out in favor of the Lessee activities of EPCM (Engineering, Procurement and Construction Management) if requested by the latter. Any such additional activities to be carried out by the Lessor shall be governed by a separate agreement. The right to lease the areas and the buildings and the related appurtenances is granted to the Lessee with the only purpose to allow the latter to conduct its business in the Plant where it exercises its productive activities (mill and casthouse). The Lessee commits himself to continue to run the mentioned productive activities for the entire duration of this agreement. The renewal of the lease shall be granted provided that a) the productive activities on the site (operation of mill and casthouse) are still operating at the time of application for renewal, and b) the latter is in full compliance with this agreement.

Art. 5) For the duration of the lease, all **costs related to ordinary and extraordinary management and maintenance** of buildings, appurtenances, roads, structures and all infrastructure transferred, or used in whole or in part by Lessee, shall be borne entirely by the Lessee. With reference to structures and infrastructures used in part by the Lessee and in part by the Lessor, the related expenses shall be borne by the parties proportionate to the percentage of use, as will be better defined in a separate agreement.

Art. 6) The lease will automatically terminate as per art. 1456 of the Civil Code even before the expiry of the agreement in the case of **Total Closure** of the activities as defined in Art. 7, even if the **demolition and reclamation works** of buildings, structures and existing systems, and the soil and subsoil below the buildings as provided for by Art. 8 below, have not been concluded yet. In this case, the Lessee shall continue to occupy the area for an additional period (the so called "**Extension Period**"), save a contrary decision of the Lessor, as necessary for the completion of the cited demolition and reclamation works, save the obligation to continue to pay the rent pursuant to Art. 1591 of the Civil Code and the right of the Lessor to request damages due to the delay in return. In any case, during the Extension Period, the Lessor shall have the right to demand immediate return of the subject of the lease at any time. In that case, the Lessor shall have the right to complete the demolition and reclamation works, charging the Lessee for the related costs, except for the right to claim for any additional damage. The foregoing shall apply also in the case in which the closure regards only some of the parts of the Plant (and therefore is limited to the mill or to the casthouse, the so-called "**Partial Closure**"), limited to buildings and areas subject to termination of the activity. In that case the lease will continue only for the part of the property not affected by the Partial Closing, upon stipulation of a new lease agreement. The intention to undertake the Total Closure or the Partial Closure must be communicated by the Lessee to the Lessor one year in advance.

Art. 7) The Closure and/or Partial Closure shall be considered causes for the termination of the agreement as per art. 1456 of the Civil Code to be enforced by the Lessor. Total Closure and/or Partial Closure shall be deemed as intervened in the case of: i) failure to request renewal of concessions, such as regarding state property, that are indispensible for the exercise of the activity; ii) expiry not followed by renewal of the authorizations necessary for the exercise of the activity; iii) after five years from the effective termination of production of the mill and/or casthouse, securely and seamlessly intervened. In case of Total Closure not attributable to the Lessee, Lessor shall be entitled to terminate this agreement. In case of Partial Closure not attributable to the Lessee the Lessor shall be entitled to terminate this agreement with reference to the part of the plant where the activity is ceased, and the parties shall modify this agreement accordingly or shall stipulate a new agreement for the part of the plant still operated.

Art. 8) By the deadline provided above for the termination of the lease, or in the three years following the Total Closure or Partial Closure of the activity, and in any event prior to the return of leased assets, the Lessee shall, unless otherwise decided by the Lessor and/or their successors in title, i) **Reclaim and demolish**, at its own expense, the buildings, systems and structures located on the leased areas and the subsoil, at its own responsibility and expense, according to a plan that must be approved in advance by the Lessor and the competent bodies. The demolition shall affect the parts both elevated and in contact with the ground and shall include the removal from the site of any material and waste; ii) Carry out, at its own expense, the reclamation as defined by article 240 of Legislative Decree No. 152/2006, of the soil and subsoil below the buildings and the leased areas according to the laws which are applicable at the time of termination of the lease and regardless of any supervening changes in law. Reclamation shall be deemed completed upon release of the certification of completed reclamation. The reclamation shall be carried out according to the industrial and commercial use of the site. The leased areas, unless otherwise prescribed by the Lessor and/or its successors in title, shall be **returned** to the Lessor at the end of reclamation of the soil and subsoil and after the anticipated demolitions, free of structures, waste, people or objects related to the mill and the casthouse and in general to the Lessee’s activities. The above shall apply also in the case of Partial Closure, limited to buildings and areas subject to the cessation of the activities.

Art. 9) For the period necessary to build the new buildings and plants as listed below, to substitute those currently used, currently estimated as no more than 9 months following the execution of this agreement, the Lessee shall maintain the **temporary right to use** under gratuitous loan the following structures, with the obligation to perform ordinary and extraordinary maintenance and cover operating expenses, subject to prior written authorization from the Lessor which shall consent to the possible interventions:

- Canteen based in the primary sector
- Changing room based in the primary sector
- Office rooms (to be agreed) based in the primary sector
- Vehicle weighing based in the primary sector
- Outdoor Parking based in the primary sector
- Pedestrian access and lodge based in the primary sector
- Building located in the primary area, east of the casthouse

Art. 10) The lease may not be sublet or assigned; therefore the lease may be transferred to third parties only together with the current production (business or business unit) carried out in the areas subject to this lease, provided that the third party gives adequate an financial guarantee, as approved by the Lessor, with respect to the payment of the rental fees and with respect to coverage of the costs for the demolition of buildings and reclamation of the soil and subsoil as of the entire or partial termination of the lease. The violation of this clause shall give the Lessor the right to terminate the lease pursuant to Art. 1456 of the Civil Code.

Art. 11) The Parties undertake not to introduce any changes in usage or modification of the approved use of the properties that may have a negative impact on the activities of the other party and on the enjoyment of their properties.

Art. 12) In the case that the Lessor intends to dispose of the property of the soil and subsoil before the expiry of the lease for any reason, the Lessee shall be informed in advance in order that it can also formulate a purchase offer, without however having any right of first refusal. The parties mutually undertake not to eliminate services, facilities or infrastructure of common use without a prior agreement. The Lessee can execute on all the leased assets all the improvements and additions which it considers useful or appropriate, provided they do not create additional burdens or costs for the Lessor and do not have an adverse environmental impact. All the improvements and additions made by the Lessee, authorized or not by the Lessor, shall remain definitively acquired by the Lessor without the payment of any compensation and/or reimbursement to the Lessee, in derogation of the provisions of Arts. 1592 and 1593 of the Civil Code, without prejudice to the Lessor's right to request restoration of the previous condition of the premises at the responsibility and expense of the Lessee.

Art. 13) The parties shall negotiate in good faith a separate agreement that will govern in more detail the use of the common services, facilities and infrastructure, the definition of an annual budget for the same, the ways in which the parties themselves will have to deal with the Authorities and the competent bodies. Notwithstanding the fact that each party is solely responsible for obtaining authorizations and permits related to its activities, the parties undertake to provide mutual cooperation for obtaining permits, licenses and authorizations for the obtaining of which the involvement of the other party becomes necessary. The Lessor shall always have right of access at any time to the leased areas, even in order to verify their condition, upon request with reasonable notice.

Art. 14) The Lessee undertakes to construct at its own responsibility and expense a sewer system complying with legislation and regulations and local rules for the collection of rain water and water from the casthouse process so as to become independent with respect to the current sewer system for rainwater serving principally the areas not leased. The Lessee undertakes to initiate and complete the works in the shortest time technically possible after the communication from the competent bodies of the new point where those works are to discharge the water collected.

Art. 15) The Lessee shall allow the Lessor and any future owners of the area facing the leased area to draw industrial water from its own distribution network according to the quantities and methods that shall be agreed in a separate and specific agreement, stated that the Lessor's drawing rights shall not be denied. The works that will be necessary to draw the industrial water shall be under the responsibility and burden of the Lessor or the future owners. The costs of operation and maintenance of the works and systems for drawing and distributing industrial water that are specifically for the use of the Lessor or of potential new owners shall be under the responsibility and expense of the same.

Art. 16) If the Lessee intends to use the currently existing railway infrastructure within the leased areas, it shall carry out at its own responsibility and expense every action and the works for adaptation, upgrading and maintenance. Where necessary, the Lessee shall sign at its own expense and responsibility appropriate service contracts with the Authority competent for railway interchange (the so called "Ente Raccordo Ferroviario") or with other competent bodies. The Lessee shall allow the Lessor and any future owners of the area owned by the Lessor and not covered by this agreement, to use said infrastructure in accordance with arrangements to be agreed on in a specific separate agreement, stated that the right of use of the Lessor or any future owners shall not be denied. It is in any case agreed that the Lessee shall provide the Lessor with electricity and drinking water until the latter has its own autonomous supply and distribution systems. It is in any case agreed that the Lessee shall provide for free the Lessor's contractors with drinking and industrial water. The supplies will be provided based on the methods and quantities that shall be agreed in a separate and specific agreement.

Art 17) Without prejudice to the reclamation obligation for the Lessee under Article 8 above, the Lessee acknowledges and agrees that the Lessor may carry out on the leased areas the **environmental interventions** authorized by the attached Directorial decree of June 5, 2014—Ref. n. 5036/TRI/DI/B of the General Manager of the General Management for the Protection of Land and Water Resources of the Ministry of Environment regarding the site of National Interest (aka SIN) of Venice Porto Marghera, with which the "Remediation Operating Process unitary document" was approved pursuant to the meeting of regional authorities of the June 17, 2013 (the "Reclamation Operating Process") that the parties declare to know and copy of which was previously delivered to the Lessee,, and waives any actions, claims or complaints connected to any inconvenience and usage restrictions it could incur because of the execution of these interventions. In no case shall the Lessee object to the execution of the aforementioned works, nor any actions that could result in delays in the completion of the same. Access to the areas and their temporary use for the implementation of environmental measures mentioned by the cited decree shall be regulated in a separate agreement. Upon completion of the soil reclamation works, the Lessee shall guarantee access to the Lessor and to contractors appointed by the latter to perform any maintenance and/or monitoring activities in accordance with any orders of the competent bodies.

Art. 18) The Lessee also agrees and acknowledges that the leased areas shall be used by the Lessor, without any prejudice to the Lessee, for ancillary and instrumental activities to those for the demolishing of the buildings owned by the Lessor and not covered by this agreement.

Art. 19) Any excavation work that the Lessee should conduct on the leased areas shall be carried out in compliance with local and national regulations (e.g. the Marghera Protocol) as well with the conditions imposed in the Site Specific Risk Analysis that the parties declare to know and copy of which was previously delivered to the Lessee. In any case, any excavation works shall be previously agreed on between the parties and authorized by the Lessor, although any costs of excavation and the disposal of the excavated materials shall be borne by the Lessee.

Art. 20) Costs relating to pumping and treating of groundwater arising from the realization of the containment works shall be borne by both parties in their remit and according to any administrative provisions and/or private agreements that may apply in the future to Fusina area. Each party, at their own responsibility and expense, shall realize, manage and maintain controlling and management works of the ground water level located in the relevant area.

Art. 21) The Lessee shall strictly adhere to all applicable environmental rules, including those relating to the management of discharges of waste water, emissions into the atmosphere, of waste management and the protection and reclamation of the soil, subsoil, ground and surface waters, and avoid any pollution of the environmental matrices, including surface water and seawaters. The Lessee shall indemnify and hold harmless the Lessor from any damages, costs, responsibility and sanctions related to or otherwise resulting from spills, emissions, pollution, contamination, fumes and environmental harm typically caused or brought about and/or otherwise related by the performance of the Lessee's activities. The Lessee shall promptly notify the Lessor of any phenomena that could entail the risk of pollution and/or the potential contamination of environmental matrices. The Lessee shall also promptly notify the competent authorities and adopt all necessary precautionary, securing and reclamation measures that may be necessary. The Lessee shall also strictly abstain from any activities that might result in the increase of the current values of the contamination of soil, subsoil and groundwater, as indicated in the results of the characterization plan based on which the "Reclamation Operating Process" has been drafted and approved by the competent authorities. The Lessee shall be solely responsible in this respect, also for the prevention, securing and reclamation that may be required.

Art. 22) The Lessee, following the visit to the property and the inspections carried out, states that the leased premises are in good condition, including the existing systems, and are suitable for the use indicated in the agreement.

Art. 23) The Lessee is appointed the custodian of the leased property, and must maintain the same with the diligence of a prudent person.

Art. 24) The Lessee may make only those alterations, innovations and improvements to the leased property, without the prior written consent of the Lessor, including those necessary for the existing systems, that are necessary for the proper and efficient conduct of the activity carried out in the property itself, and/or that become necessary for workplace safety and hygiene and/or to adapt the property, the objects and the systems to current or future legislation. Any other modifications must be agreed upon with the Lessor, that undertakes not to deny consent without serious, grounded reasons.

For any improvements and additions present as of the date of return of the premises covered by this agreement nothing shall be due to the Lessee, pursuant to Art. 12 above.

Art. 25) The Lessee must in any event allow the Lessor and its representatives to access the leased property unit in order to verify compliance by the Lessee with the obligations under its responsibility pursuant to this agreement, relating to the type of use and the state of repair.

Art. 26) The costs for stamp duties and receipts and registration costs shall be borne by the Lessee.

For this agreement concerning buildings that are commercial by nature, the Lessor declares, pursuant to Art. 35, paragraph 8 of Law 248/2006 converted by Decree Law 223/2006, that it exercises the **option** to subject the rental fee to VAT in accordance with Art. 10, paragraph 1, number 8 of Presidential Decree 633/72; therefore this agreement, pursuant to Art. 5, paragraph 1, letter a-*bis*) of the Rate Schedule, first part, of Presidential Decree No. 131 of April 26, 1986, is also subject to the proportional registry fee at the rate of one per cent (1%) to be applied to the fee for each year of the lease.

Art. 27) Any matters not covered by this Agreement shall be governed by the provisions of Law 392/1978 to the extent applicable, and by the provisions of the Civil Code. Any amendments to Law 392/1978 shall entail the respective adaptation of the understandings in this agreement.

Art. 28) No amendments may be made to this agreement unless they are made and can be proven by a written document. This agreement annuls and substitutes any previous agreements between the parties on the same subject matter.

Art. 29) The parties undertake to stipulate, as soon as the necessary land registry, urban planning and construction documentation is prepared, a contract establishing a surface right, that will regard the same properties covered by this lease, that contains the provisions indicated in **Annex F**. The cited contract shall substitute this agreement and enter into effect on the date of its stipulation in the forms provided for by law.

Art. 30) Any disputes shall be under the exclusive jurisdiction of the Courts of Milan, without prejudice to any mandatory provisions of law.

Art. 31) The parties acknowledge that they have discussed and negotiated all of the clauses of this agreement, one by one and jointly, excluding none, and thus the regulations of Arts. 1341 and 1342 of the Civil Code shall not apply.

Art. 32) Assessment of energy performance of the buildings. With reference to current regulation, the originals of seven Attestati di Prestazione Energetica are attached in **Annex G** for buildings part of this agreement that were entered in the regional energetic database: on July 15, 2016 ID n. 74085/2016; on July 15, 2016 ID n. 74090/2016; on July 15, 2016 ID n. 74050/2016; on July 15, 2016 ID n. 74132/2016; on July 16, 2016 ID n. 74185/2016; on July 16, 2016 ID n. 74195/2016; on July 19, 2016 ID n. 74902/2016. The Lessor declares that there are no reasons for which the attached assessments may not be valid at present. The Lessee recognizes that has received the information and the documentation, including the attachments, regarding the energy efficiency.

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The parties require filing in the database of the notary who is verifying the signatures. The present agreement, because its duration is longer than 9 years, according to art. 2643 of the Civil Code, will be recorded at the competent Agency of the Territory.

Annexes

A – Map of the lease area and relevant cadastral maps

B - Structures, appurtenances and technical systems

C - Structures, appurtenances and technical systems with right of use

D – Works and activities to be carried out by Alcoa Servizi s.r.l.

E - Works and activities to be carried out by Fusina Rolling s.r.l.

F – Draft text of the surface right agreement

G – Attestati di prestazione energetica (assessment of energy efficiency)

H – Proxy of Alcoa Servizi s.r.l.

Milan, _______________

FUSINA ROLLING S.R.L.

Alessandra Nodari

ALCOA SERVIZI S.R.L.
Francesco Michelon

ARCONIC INC.

ARTICLES OF INCORPORATION

(Amended as of November 1, 2016)

FIRST. The name of the corporation is Arconic Inc.

SECOND. The location and post office address of the corporation's current registered office is c/o CT Corporation System, Dauphin County, Pennsylvania.

THIRD. The purpose or purposes of the corporation are: to acquire and dispose of deposits of and rights to bauxite, clay, ores and minerals of any sort or description, and to acquire, extract, treat and dispose of any materials recovered or recoverable therefrom; to reduce ores of aluminum and any and all other ores to their basic metals; to manufacture, alloy and fabricate any and all metals into articles of commerce; to acquire, produce, transport, trade in and dispose of goods, wares and merchandise of every class and description; to purchase, lease, or otherwise acquire improved or unimproved real property, leaseholds, easements and franchises, to manage, use, deal with and improve the same or any part thereof, and to sell, exchange, lease, sublease, or otherwise dispose of any of said property or the improvements thereon or any part thereof; to acquire, use and dispose of all land, minerals, materials, apparatus, machinery and other agencies, means and facilities, to perform all operations, and to do all things, necessary, convenient or incident to the foregoing; and to carry on any business directly or indirectly related thereto; and the corporation shall have unlimited power to engage in and to do any lawful act concerning any or all lawful business for which corporations may be incorporated under the Pennsylvania Business Corporation Law.

FOURTH. The term for which the corporation is to exist is perpetual.

FIFTH. The authorized capital stock of the corporation shall be 660,000 shares of Serial Preferred Stock of the par value of $100 per share, 10,000,000 shares of Class B Serial Preferred Stock of the par value of $1.00 per share and 600,000,000 shares of Common Stock of the par value of $1.00 per share.

Upon the filing (the "Effective Time") of the Articles of Amendment effecting the adoption of the authorized capital set forth in the immediately preceding sentence, each three (3) shares of the corporation's Common Stock issued and outstanding immediately prior to the Effective Time shall, automatically and without further action on the part of the corporation or any holder thereof, be reclassified, combined, converted and changed into one (1) fully paid and nonassessable share of Common Stock of the par value of $1.00 per share, subject to the treatment of fractional share interests as described below. The reclassification of the Common Stock pursuant to the Articles of Amendment will be deemed to occur at the Effective Time. From and after the Effective Time, certificates representing Common Stock prior to such reclassification shall represent the number of shares of Common Stock into which such Common Stock prior to such reclassification shall have been reclassified pursuant to the Articles of Amendment. No fractional shares shall be issued upon the effectiveness of the Articles of Amendment and, in lieu thereof, the corporation's transfer agent shall aggregate all fractional shares and sell them as soon as practicable after the Effective Time at the then-prevailing prices on the open market, on behalf of those shareholders who would otherwise be entitled to receive a fractional share, and after the transfer agent's completion of such sale, shareholders shall receive a cash payment from the transfer agent in an amount equal to their respective pro rata shares of the total net proceeds of that sale.

Hereinafter in this Article Fifth, the term "Preferred Stock" shall mean each of the Serial Preferred Stock and the Class B Serial Preferred Stock.

A description of each class of shares which the corporation shall have authority to issue and a statement of the rights, voting powers, preferences, qualifications, limitations, restrictions and the special or relative rights granted to or imposed upon the shares of each class and of the authority vested in the Board of Directors of the corporation to establish series of the Preferred Stock and to fix and determine the variations in the relative rights and preferences as between the series thereof are as follows:

1. Establishment of Series of Preferred Stock. Preferred Stock shall be issued in one or more series. Each series shall be designated by the Board of Directors so as to distinguish the shares thereof from the shares of all other series and classes. The Board of Directors may, by resolution, from time to time divide shares of Preferred Stock into series and fix and determine the number of shares and, subject to the provisions of this Article Fifth, the relative rights and preferences of any series so established, provided that all shares of Preferred Stock shall be identical except as to the following relative rights and preferences, in respect of any or all of which there may be variations between different series, namely: the rate of dividend (including the date from which dividends shall be cumulative and, with respect to Class B Serial Preferred Stock, whether such dividend rate shall be fixed or variable and the methods, procedures and formulas for the recalculation or periodic resetting of any variable dividend rate); the price at, and the terms and conditions on, which shares may be redeemed; the amounts payable on shares in the event of voluntary or involuntary liquidation; sinking fund provisions for the redemption or purchase of shares in the event shares of any series are issued with sinking fund provisions; and the terms and conditions on which the shares of any series may be converted in the event the shares of any series are issued with the privilege of conversion. Each share of any series of Preferred Stock shall be identical with all other shares of such series, except as to date from which dividends shall be cumulative.

2. Dividends.

(a) The holders of Serial Preferred Stock of any series shall be entitled to receive, when and as declared by the Board of Directors, out of surplus or net profits legally available therefor, cumulative dividends at the rate of dividend fixed by the Board of Directors for such series as hereinbefore provided, and no more, payable quarter yearly on the first days of January, April, July and October in each year. The dividends on any shares of Serial Preferred Stock shall be cumulative from such date as shall be fixed for that purpose by the Board of Directors prior to the issue of such shares or, if no such date shall be so fixed by the Board of Directors, from the quarter yearly dividend payment date next preceding the date of issue of such shares.

(b) The holders of Class B Serial Preferred Stock of any series shall be entitled to receive, when and as declared by the Board of Directors or any authorized committee thereof, out of funds legally available therefor, cumulative dividends at the rate of dividend fixed by the Board of Directors for such series including any such rate which may be reset or recalculated from time to time pursuant to procedures or formulas established therefor by the Board of Directors, and no more; provided, however, that no dividend shall be declared or paid on the Class B Serial Preferred Stock so long as any of the Serial Preferred Stock remains outstanding, unless all quarter yearly dividends accrued on the Serial Preferred Stock and the dividend thereon for the current quarter yearly dividend period shall have been paid or declared and a sum sufficient for the payment thereof set apart. The dividends on any shares of Class B Serial Preferred Stock shall be cumulative from such date as shall be fixed for that purpose by the Board of Directors prior to the issue of such shares or, if no such date shall be so fixed by the Board of Directors, from the dividend payment date for such series next preceding the date of issue of such shares. If full cumulative dividends on shares of a series of Class B Serial Preferred Stock have not been paid or declared and a sum sufficient for the payment thereof set apart, dividends thereon shall be declared and paid pro rata to the holders of such series entitled thereto. Accrued dividends shall not bear interest.

(c) The holders of Common Stock shall be entitled to receive dividends, when and as declared by the Board of Directors, out of surplus or net profits legally available therefor, provided, however, that no dividend shall be declared or paid on the Common Stock so long as any of the Preferred Stock remains outstanding, unless all dividends accrued on all classes of Preferred Stock and the dividend on Serial Preferred Stock for the current quarter yearly dividend period shall have been paid or declared and a sum sufficient for the payment thereof set apart.

3. Liquidation. In the event of any liquidation, dissolution or winding up of the corporation, whether voluntary or involuntary, then before any payment or distribution shall be made to the holders of Common Stock or Class B Serial Preferred Stock the holders of Serial Preferred Stock shall be entitled to be paid such amount as shall have been fixed by the Board of Directors as hereinbefore provided, plus all dividends which have accrued on the Serial Preferred Stock and have not been paid or declared and a sum sufficient for the payment thereof set apart. Thereafter, the holders of Class B Serial Preferred Stock of each series shall be entitled to be paid such amount as shall have been fixed by the Board of Directors as hereinbefore provided, plus all dividends which have accrued on the Class B Serial Preferred Stock and have not been paid or declared and a sum sufficient for the payment thereof set apart. Thereafter, the remaining assets shall belong to and be divided among the holders of the Common Stock. The consolidation or merger of the corporation with or into any other corporation or corporations or share exchange or division involving the corporation in pursuance of applicable statutes providing for the consolidation, merger, share exchange or division shall not be deemed a liquidation, dissolution or winding up of the corporation within the meaning of any of the provisions of this subdivision.

4. Voting Rights. The holders of Preferred Stock shall have no voting rights except as otherwise required by law or hereinafter provided:

(a) If at any time the amount of any dividends on Preferred Stock which have accrued and which have not been paid or declared and a sum sufficient for the payment thereof set apart shall be at least equal to the amount of four quarter yearly dividends, the holders of Preferred Stock shall have one vote per share, provided, however, that such voting rights of the holders of Preferred Stock shall continue only until all quarter yearly dividends accrued on the Preferred Stock have been paid or declared and a sum sufficient for the payment thereof set apart.

(b) Without the consent of the holders of at least a majority of the shares of Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by vote at a meeting called for that purpose at which the holders of Preferred Stock shall vote as a class,

(i) no additional class of stock ranking on a parity with the Preferred Stock as to dividends or assets shall be authorized;

(ii) the authorized number of shares of Preferred Stock or of any class of stock ranking on a parity with the Preferred Stock as to dividends or assets shall not be increased; and

(iii) the corporation shall not merge or consolidate with or into any other corporation if the corporation surviving or resulting from such merger or consolidation would have after such merger or consolidation any authorized class of stock ranking senior to or on a parity with the Preferred Stock except the same number of shares of stock with the same rights and preferences as the authorized stock of the corporation immediately preceding such merger or consolidation.

(c) Except in pursuance of the provisions of subdivision 4(b) (iii) of this Article Fifth, without the consent of the holders of at least sixty-six and two-thirds (66-2/3) per cent. of the number of shares of Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for that purpose at which the holders of Preferred Stock shall vote as a class,

(i) no change shall be made in the rights and preferences of the Preferred Stock as set forth in the Articles of Incorporation or as fixed by the Board of Directors so as to affect such stock adversely; provided, however, that if any such change would affect any series of Preferred Stock adversely as compared with the effect thereof upon any other series of Preferred Stock, no such change shall be made without the additional consent given as aforesaid of the holders of at least sixty-six and two-thirds (66-2/3) per cent. of the number of shares at the time outstanding of the Preferred Stock of the series which would be so adversely affected;

(ii) no additional class of stock ranking senior to the Preferred Stock as to dividends or assets shall be authorized;

(iii) the authorized number of shares of any class of stock ranking senior to the Preferred Stock as to dividends or assets shall not be increased; and

(iv) the corporation shall not (a) sell, lease, convey or part with control of all or substantially all of its property or business; or (b) voluntarily liquidate, dissolve or wind up its affairs.

Notwithstanding the foregoing:

(i) except as otherwise required by law, the voting rights of any series of Class B Serial Preferred Stock may be limited or eliminated by the Board of Directors prior to the issuance thereof; and

(ii) provided no shares of Serial Preferred Stock are then outstanding, any series of Class B Serial Preferred Stock may be issued with such additional voting rights in the event of dividend arrearages as the Board of Directors may determine to be required to qualify such series for listing on one or more securities exchanges of recognized standing.

The holders of Common Stock of the corporation shall have one vote per share.

5. Redemption.

(a) The corporation, at the option of the Board of Directors, may redeem the whole or any part of the Serial Preferred Stock, or the whole or any part of any series thereof, at any time or from time to time, at such redemption price therefor as shall have been fixed by the Board of Directors as hereinbefore provided, plus all dividends which on the redemption date have accrued on the shares to be redeemed and have not been paid or declared and a sum sufficient for the payment thereof set apart. Notice of every such redemption shall be published not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption in a daily newspaper printed in the English language and published and of general circulation in the Borough of Manhattan, City and State of New York, and in a daily newspaper printed in the English language and published and of general circulation in the City of Pittsburgh, Pennsylvania. Notice of every such redemption shall also be mailed not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption to the holders of record of the shares of Serial Preferred Stock to be redeemed at their respective addresses as the same appear upon the books of the corporation; but no failure to mail such notice or any defect therein or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares of Serial Preferred Stock. In case of a redemption of a part only of any series of the Serial Preferred Stock at the time outstanding, the corporation shall select shares so to be redeemed in such manner, whether pro rata or by lot, as the Board of Directors may determine. Subject to the provisions herein contained, the Board of Directors shall have full power and authority to prescribe the manner in which and the terms and conditions on which the Serial Preferred Stock shall be redeemed from time to time. If notice of redemption shall have been published as hereinbefore provided and if before the redemption date specified in such notice all funds necessary for such redemption shall have been set apart so as to be available therefor, then on and after the date fixed for redemption the shares of Serial Preferred Stock so called for redemption, notwithstanding that any certificate therefor shall not have been surrendered for cancellation, shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith cease and terminate except only the right of the holders thereof to receive upon surrender of certificates therefor the amount payable upon redemption thereof, but without interest; provided, however, that if the corporation shall, after the publication of notice of any such redemption and prior to the redemption date, deposit in trust for the account of the holders of the Serial Preferred Stock to be redeemed with a bank or trust company in good standing, designated in such notice, organized under the laws of the United States of America or of the State of New York or of the Commonwealth of Pennsylvania, doing business in the Borough of Manhattan, The City of New York, or in the City of Pittsburgh, Pennsylvania, and having a capital, undivided profits and surplus aggregating at least five million dollars ($5,000,000), all funds necessary for such redemption, then from and after the time of such deposit the shares of Serial Preferred Stock so called for redemption, notwithstanding that any certificate therefor shall not have been surrendered for cancellation, shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith cease and terminate except only the right of the holders of such shares to receive from such bank or trust company upon surrender of certificates therefor the amount payable upon redemption thereof, but without interest.

All shares of Serial Preferred Stock so redeemed shall be cancelled and shall not be reissued.

(b) The terms and conditions under which the whole or any part of any series of the Class B Serial Preferred Stock may be redeemed shall be established by the Board of Directors prior to the issuance thereof. Unless otherwise determined by the Board of Directors, all shares of Class B Serial Preferred Stock so redeemed or otherwise acquired by the corporation shall be returned to the status of authorized but unissued shares.

6. Preemptive Rights. Neither the holders of the Preferred Stock nor the holders of the Common Stock shall be entitled to participate in any right of subscription to any increased or additional capital stock of the corporation of any kind whatsoever.

7. Uncertificated Shares. Shares of Common Stock, or any part thereof, to the extent determined by the Board of Directors, shall be uncertificated; provided that this section 7 shall not apply to shares represented by a certificate until the certificate is surrendered to the corporation.

SIXTH. In each election of directors every shareholder entitled to vote shall have the right to cast one vote for each share of stock standing in his name on the books of the Company for each of such number of candidates as there are directors to be elected, but no shareholder shall have any right to cumulate his votes and cast them for one candidate or distribute them among two or more candidates.

SEVENTH. A. In addition to any affirmative vote required by law, the Articles or the By-Laws of the corporation (the “Company”), and except as otherwise expressly provided in Section B of this Article Seventh, the

Company shall not knowingly engage, directly or indirectly, in any Stock Repurchase (as hereinafter defined) from an Interested Shareholder (as hereinafter defined) without the affirmative vote of not less than a majority of the votes entitled to be cast by the holders of all then outstanding shares of Voting Stock (as hereinafter defined) which are beneficially owned by persons other than such Interested Shareholder, voting together as a single class. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage or separate class vote may be specified, by law or in any agreement with any national securities exchange or otherwise.

B. The provisions of Section A of this Article Seventh shall not be applicable to any particular Stock Repurchase from an Interested Shareholder, and such Stock Repurchase shall require only such affirmative vote, if any, as is required by law or by any other provision of the Articles or the By-Laws of the Company, or any agreement with any national securities exchange or otherwise, if the conditions specified in either of the following Paragraphs (1) or (2) are met:

(1) The Stock Repurchase is made pursuant to a tender offer or exchange offer for a class of Capital Stock (as hereinafter defined) made available on the same basis to all holders of such class of Capital Stock.

(2) The Stock Repurchase is made pursuant to an open market purchase program approved by a majority of the Continuing Directors (as hereinafter defined), provided that such repurchase is effected on the open market and is not the result of a privately negotiated transaction.

C. For the purposes of this Article Seventh:

(1) The term “Stock Repurchase” shall mean any repurchase, directly or indirectly, by the Company or any Subsidiary of any shares of Capital Stock at a price greater than the then Fair Market Value of such shares.

(2) The term “Capital Stock” shall mean all capital stock of the Company authorized to be issued from time to time under Article FIFTH of the Articles of the Company, and the term “Voting Stock” shall mean all Capital Stock which by its terms may be voted on all matters submitted to shareholders of the Company generally.

(3) The term “person” shall mean any individual, firm, company or other entity and shall include any group comprised of any person and any other person with whom such person or any Affiliate or Associate of such person has any agreement, arrangement or understanding, directly or indirectly, for the purpose of acquiring, holding, voting or disposing of Capital Stock.

(4) The term “Interested Shareholder” shall mean any person (other than the Company or any Subsidiary and other than any savings, profit-sharing, employee stock ownership or other employee benefit plan of the Company or any Subsidiary or any trustee of or fiduciary with respect to any such plan when acting in such capacity) who is on the date in question, or who was at any time within the two year period immediately prior to the date in question, the beneficial owner of Voting Stock representing five percent (5%) or more of the votes entitled to be cast by the holders of all then outstanding shares of Voting Stock.

(5) A person shall be a “beneficial owner” of any Capital Stock (a) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly; (b) which such person or any of its Affiliates or Associates has, directly or indirectly, (i) the right to acquire (whether such right is exercisable immediately or subject only to the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (ii) the right to vote pursuant to any agreement, arrangement or understanding; or (c) which is beneficially owned, directly or

indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Capital Stock. For the purposes of determining whether a person is an Interested Shareholder pursuant to Paragraph 4 of this Section C, the number of shares of Capital Stock deemed to be outstanding shall include shares deemed beneficially owned by such person through application of Paragraph 5 of this Section C, but shall not include any other shares of Capital Stock that may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(6) The terms "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 under the Securities Exchange Act of 1934 as in effect on March 8, 1985 (the term "registrant" in said Rule 12b-2 meaning in this case the Company).

(7) The term "Subsidiary" shall mean any corporation of which a majority of any class of equity security is beneficially owned by the Company; provided, however, that for the purposes of the definition of Interested Shareholder set forth in Paragraph 4 of this Section C, the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is beneficially owned by the Company.

(8) The term "Continuing Director" shall mean any member of the Board of Directors of the Company (the "Board"), while such person is a member of the Board, who is not an Affiliate or Associate or representative of the Interested Shareholder and was a member of the Board prior to the time that the Interested Shareholder became an Interested Shareholder, and any successor of a Continuing Director, while such successor is a member of the Board, who is not an Affiliate or Associate or representative of the Interested Shareholder and is recommended or elected to succeed the Continuing Director by a majority of Continuing Directors.

(9) The term "Fair Market Value" shall mean (a) in the case of cash, the amount of such cash; (b) in the case of stock, the closing sale price on the trading day immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Act on which such stock is listed, or, if such stock is not listed on any such exchange, the closing bid quotation with respect to a share of such stock on the trading day immediately preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any similar system then in use, or if no such quotation is available, the fair market value on the date in question of a share of such stock as determined by a majority of the Continuing Directors in good faith; and (c) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined in good faith by a majority of the Continuing Directors.

D. The Board of Directors shall have the power and duty to determine for the purposes of this Article Seventh, on the basis of information known to them after reasonable inquiry, (a) whether a person is an Interested Shareholder, (b) the number of shares of Capital Stock or other securities beneficially owned by any person, (c) whether a person is an Affiliate or Associate of another and (d) whether the consideration to be paid in any Stock Repurchase has an aggregate Fair Market Value in excess of the then Fair Market Value of the shares of Capital Stock being repurchased. Any such determination made in good faith shall be binding and conclusive on all parties.

E. Nothing contained in this Article Seventh shall be construed to relieve any Interested Shareholder from any fiduciary obligation imposed by law.

F. Notwithstanding any other provisions of the Articles or the By-Laws of the Company (and notwithstanding the fact that a lesser percentage or separate class vote may be specified by law, these Articles or the By-Laws of the Company), the affirmative vote of the holders of not less than eighty percent (80%) of the votes entitled to be cast by the holders of all then outstanding shares of Voting Stock, voting together as a single class, shall be required to amend or repeal, or adopt any provisions inconsistent with, this Article Seventh.

EIGHTH. A. The business and affairs of the corporation (the "Company") shall be managed by a Board of Directors comprised as follows:

(1) The Board of Directors shall consist of the number of persons fixed from time to time by the Board of Directors pursuant to a resolution adopted by a majority vote of the directors then in office.

(2) Beginning with the Board of Directors to be elected at the annual meeting of shareholders held in 1985, directors shall be classified with respect to the time for which they shall severally hold office by dividing them into three classes, as nearly equal in number as possible. At such meeting, each class of directors shall be elected in a separate election. Directors of the first class shall be elected for a term of office to expire at the 1986 annual meeting of shareholders, those of the second class shall be elected for a term of office to expire at the 1987 annual meeting of shareholders, and those of the third class shall be elected for a term of office to expire at the 1988 annual meeting of shareholders. At each annual election held after the 1985 annual meeting of shareholders the class of directors then being elected shall be elected to hold office for a term of office to expire at the third succeeding annual meeting of shareholders after their election. Each director shall hold office for the term for which elected and until his or her successor shall have been elected and qualified, except in the case of earlier death, resignation or removal.

(3) Nominations for the election of directors at an annual meeting of the shareholders may be made by the Board of Directors or a committee appointed by the Board of Directors or by any shareholder entitled to vote in the election of directors at the meeting. Shareholders entitled to vote in such election may nominate one or more persons for election as directors only if written notice of such shareholder's intent to make such nomination or nominations has been given either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Company not later than ninety days prior to the anniversary date of the immediately preceding annual meeting. Such notice shall set forth: (a) the name and address of the shareholder who intends to make the nomination and of the persons or person to be nominated; (b) a representation that the shareholder is a holder of record of stock of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (d) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission as then in effect; and (e) the consent of each nominee to serve as a director of the Company if so elected. The presiding officer of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

(4) Any director, any class of directors, or the entire Board of Directors may be removed from office by shareholder vote at any time, with or without assigning any cause, but only if shareholders entitled to cast at least 80% of the votes which all shareholders would be entitled to cast at an annual election of directors or of such class of directors shall vote in favor of such removal.

(5) Vacancies in the Board of Directors, including vacancies resulting from an increase in the number of directors, shall be filled only by a majority vote of the remaining directors then in office, though less than a quorum, except that vacancies resulting from removal from office by a vote of the shareholders

may be filled by the shareholders at the same meeting at which such removal occurs. All directors elected to fill vacancies shall hold office for a term expiring at the annual meeting of shareholders at which the term of the class to which they have been elected expires. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

B. Notwithstanding any other provisions of the Articles or the By-Laws of the Company (and notwithstanding the fact that a lesser percentage or separate class vote may be specified by law, these Articles or the By-laws of the Company), the affirmative vote of not less than eighty percent (80%) of the votes which all shareholders of the then outstanding shares of capital stock of the Company would be entitled to cast in an annual election of directors, voting together as a single class, shall be required to amend or repeal, or adopt any provisions inconsistent with, this Article Eighth.

NINTH. To the fullest extent that the laws of the Commonwealth of Pennsylvania, as in effect on May 15, 1987 or as thereafter amended, permit elimination or limitation of the liability of directors, no director of the corporation shall be personally liable for monetary damages for any action taken, or any failure to take any action. This Article Ninth shall not apply to any action filed prior to May 15, 1987, nor to any breach of performance of duty or any failure of performance of duty occurring prior to May 15, 1987. The provisions of this Article shall be deemed to be a contract with each director of the corporation who serves as such at any time while such provisions are in effect, and each such director shall be deemed to be serving as such in reliance on the provisions of this Article. Any amendment or repeal of this Article or adoption of any other provision of the Articles or By-laws of the corporation which has the effect of increasing director liability shall operate prospectively only and shall not affect any action taken, or any failure to act, prior to such amendment, repeal or adoption.

TENTH. Except as prohibited by law, the corporation may indemnify any person who is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (including, without limitation, any employee benefit plan) and may take such steps as may be deemed appropriate by the Board of Directors, including purchasing and maintaining insurance, entering into contracts (including, without limitation, contracts of indemnification between the corporation and its directors and officers), creating a trust fund, granting security interests or using other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect such indemnification. This Article shall be effective May 15, 1987.

ELEVENTH. A nominee for director shall be elected to the Board of Directors at a meeting of shareholders if the votes cast for such nominee by holders of shares entitled to vote in the election, exceed the votes cast against such nominee's election (excluding abstentions), except in a contested election (as such term shall be defined in the By-Laws of the company). Any nominee for director in a non-contested election who is not an incumbent director and is not so elected shall not take office. Any incumbent director nominated for re-election in a non-contested election but not so elected shall, in the event the director's successor shall not be duly elected and qualified, take such actions (which may include the tender of the director's resignation for consideration by the Board of Directors) as shall be consistent with applicable law and the company's By-Laws. The Board of Directors shall have the authority to adopt and amend appropriate By-Laws to implement this Article Eleventh.

TWELFTH. Subject to any requirements set forth in the By-Laws of the corporation, an action may be authorized by the shareholders without a meeting by less than unanimous written consent, provided that (a) the shareholder(s) of record seeking to have shareholders of the corporation authorize or take the action by written consent complies with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder, as amended, applicable to solicitations, including the requirement to file with the U.S. Securities and Exchange Commission a consent solicitation statement containing the information specified in Schedule 14A and to file and distribute such consent solicitation statement, and (b) no action by written consent shall be effective until the later of (1) such date as independent inspectors appointed by the corporation certify to the corporation that the consents delivered to the corporation in accordance with the By-Laws of the corporation represent at least the minimum number of votes that would be necessary to take the corporate action and (2) the date that is at least ten (10) days after notice of the action has been given to each shareholder entitled to vote thereon who has not consented thereto.

THIRTEENTH. Subject to any requirements and limitations set forth in the By-Laws of the company, special meetings of the shareholders may be called only by (1) the chairman of the board, (2) the board of directors pursuant to a resolution adopted by the board, (3) the Secretary of the company at the request in proper form of an interested shareholder (as defined in section 2553 of the Pennsylvania Business Corporation Law ("PBCL")) for the purpose of approving a business combination under section 2555(3) or 2555(4) of the PBCL or (4) the Secretary of the company at the request in proper form of shareholders who have continuously held as shareholders of record "Net Long Shares" (as determined in accordance with the By-Laws of the company) representing in the aggregate at least twenty-five (25) percent of the outstanding shares of common stock of the company for at least one year prior to the date such request is delivered to the Secretary. Special meetings of shareholders shall be held at such place, on such date, and at such time as the board of directors shall fix pursuant to a resolution adopted by the board. Following receipt by the Secretary of the company of a request of shareholders that complies with the requirements set forth in the By-Laws of the company, the Secretary of the company shall call a special meeting of the shareholders, except as otherwise provided in the company's By-Laws. References to sections of the PBCL in this Article Thirteenth shall be deemed to be a reference to any successor provision of similar import.

STATEMENT WITH RESPECT TO
$3.75 CUMULATIVE PREFERRED STOCK,
BEING A SERIES OF THE SERIAL PREFERRED STOCK

RESOLVED that pursuant to authority conferred upon the Board of Directors by Article Fifth of the Articles of Incorporation of the corporation, as amended, there is hereby established a series of the Serial Preferred Stock of the corporation consisting initially of 660,000 shares as follows:

1. The shares of such series shall be designated as $3.75 Cumulative Preferred Stock.

2. The rate of dividend payable upon the shares of $3.75 Cumulative Preferred Stock shall be $3.75 per share per annum and the dividends upon shares thereof issued prior to April 1, 1947, shall be cumulative from January 1, 1947.

3. The redemption prices applicable to the shares of $3.75 Cumulative Preferred Stock shall be as follows: If redeemed on or before December 31, 1950, $105 per share; if redeemed after December 31, 1950, and on or before December 31, 1951, $104.50 per share; if redeemed after December 31, 1951, and on or before December 31, 1952, $104 per share; ; if redeemed after December 31, 1952, and on or before December 31, 1953, $103.50 per share; if redeemed after December 31, 1953, and on or before December 31, 1954, $103 per share; if redeemed after December 31, 1954, and on or before December 31, 1955, $102 per share; if redeemed after December 31, 1955, and on or before December 31, 1956, $101 per share; and if redeemed after December 31, 1956, $100 per share, plus in each case dividends which have accrued and have not been paid or declared and a sum sufficient for the payment thereof set apart.

4. The amounts payable to the holders of $3.75 Cumulative Preferred Stock in the event of any voluntary liquidation, dissolution or winding-up of the corporation, as provided in Article Fifth of the Articles of Incorporation, before any distribution shall be made to the holders of Common Stock, shall be as follows: If such liquidation, dissolution or winding-up shall occur on or before December 31, 1950, $105 per share; if such liquidation, dissolution or winding-up shall occur after December 31, 1950, and on or before December 31, 1951, $104.50 per share; if such liquidation, dissolution or winding-up shall occur after December 31, 1951, and on or before December 31, 1952, $104 per share; if such liquidation, dissolution or winding-up shall occur after December 31, 1952, and on or before December 31, 1953, $103.50 per share; if such liquidation, dissolution or winding-up shall occur after December 31, 1953, and on or before December 31, 1954, $103 per share; if such liquidation, dissolution or winding-up shall occur after December 31, 1954, and on or before December 31, 1955, $102 per share; if such liquidation, dissolution or winding-up shall occur after December 31, 1955, and on or before December 31, 1956, $101 per share; and if such liquidation, dissolution or winding-up shall occur after December 31, 1956, $100 per share, plus in each case dividends which have accrued and have not been paid or declared and a sum sufficient for the payment thereof set apart. In the event of any involuntary liquidation, dissolution or winding-up of the corporation, as provided in said Article Fifth, the amount payable to the holders of $3.75 Cumulative Preferred Stock, before any payment or distribution shall be made to the holders of Common Stock, shall be $100 per share, plus dividends which have accrued and have not been paid or declared and a sum sufficient for the payment thereof set apart.

STATEMENT WITH RESPECT TO SHARES
AMENDING THE
ARTICLES OF INCORPORATION OF
ARCONIC INC.
5.375% MANDATORY CONVERTIBLE PREFERRED STOCK, SERIES 1

RESOLVED, that pursuant to Section 1522(b) of the Pennsylvania Business Corporation Law of 1988, as amended ("PBCL"), and Section 1 of Article FIFTH of the Company's Articles of Incorporation ("Articles"), there is hereby designated and established a series of Class B Serial Preferred Stock of the Company, denominated as the "5.375 % Mandatory Convertible Preferred Stock, Series 1" (the "Mandatory Convertible Preferred Stock"), and the Pricing Committee hereby fixes and determines the number of such shares and, subject to the provisions of such Article FIFTH, the relative rights and preferences of such shares as set forth in **Exhibit A** hereto (the "Mandatory Convertible Preferred Stock Terms")

Exhibit A

TERMS OF 5.375% MANDATORY CONVERTIBLE PREFERRED STOCK, SERIES 1

SECTION 1. *Designation; Number of Shares; Ranking.* The series of Class B Series Preferred Stock shall be designated as the Corporation's 5.375% Mandatory Convertible Preferred Stock, Series 1, par value $1.00 per share (the "**Mandatory Convertible Preferred Stock**").

The number of shares of Mandatory Convertible Preferred Stock authorized to be issued shall be 2,500,000 (as increased from time to time, up to an aggregate of 2,875,000 shares of Mandatory Convertible Preferred Stock, by an amount equal to the number of any additional shares of Mandatory Convertible Preferred Stock underlying the Corporation's depositary shares purchased by the underwriters named in the Underwriting Agreement pursuant to the exercise of their overallotment option as set forth therein), which number the Board of Directors may decrease (but not below the number of shares of the series then outstanding).

Each share of Mandatory Convertible Preferred Stock shall be identical in all respects to every other share of Mandatory Convertible Preferred Stock. The Mandatory Convertible Preferred Stock, with respect to dividend rights and rights upon the liquidation, winding up or dissolution of the Corporation, ranks:

(a) senior to (i) Common Stock and (ii) each class or series of shares established after the Initial Issue Date the terms of which do not expressly provide that such class or series ranks senior to or on a parity with the Mandatory Convertible Preferred Stock as to dividend rights and distribution rights upon any liquidation, dissolution or winding up of the Corporation (collectively, "**Junior Stock**");

(b) on parity with (i) any other series of Class B Serial Preferred Stock and (ii) each class or series of shares established after the Initial Issue Date the terms of which expressly provide that such class or series will rank on parity with the Mandatory Convertible Preferred Stock as to dividend rights and distribution rights upon any liquidation, dissolution or winding up of the Corporation (collectively, "**Parity Stock**");

(c) junior to (i) the Serial Preferred Stock and (ii) each class or series of shares established after the Initial Issue Date the terms of which expressly provide that such class or series will rank senior to the Mandatory Convertible Preferred Stock as to dividend rights and distribution rights upon the liquidation, dissolution or winding up of the Corporation (collectively, "**Senior Stock**"); and

(d) junior to the Corporation's existing and future indebtedness.

For so long as any shares of Mandatory Convertible Preferred Stock are outstanding, the Corporation shall not authorize or create any shares of its capital stock that are not Junior Stock, Parity Stock, or Senior Stock.

SECTION 2. *Standard Definitions.* As used herein with respect to the Mandatory Convertible Preferred Stock:

"**Accumulated Dividend Amount**" shall mean, with respect to any Fundamental Change, the aggregate amount of undeclared, accumulated and unpaid dividends, if any, on the Mandatory Convertible Preferred Stock for all Dividend Periods prior to the Fundamental Change Effective Date of the relevant Fundamental Change, including for the partial Dividend Period, if any, from, and including, the Dividend Payment Date immediately preceding such Fundamental Change Effective Date to, but excluding, such Fundamental Change Effective Date.

"**Acquisition**" means the Corporation's acquisition of the Firth Rixson business.

"**Acquisition Termination Conversion Rate**" shall have the meaning set forth in Section 5.

"**Acquisition Termination Dividend Amount**" shall have the meaning set forth in Section 5.

"**Acquisition Termination Event**" shall have the meaning set forth in Section 5.

"**Acquisition Termination Make-whole Amount**" shall have the meaning set forth in Section 5.

"**Acquisition Termination Market Value**" shall have the meaning set forth in Section 5.

"**Acquisition Termination Redemption**" means a redemption of the Mandatory Convertible Preferred Stock in accordance with the provisions of Section 5.

"**Acquisition Termination Redemption Date**" shall have the meaning set forth in Section 5.

"**Acquisition Termination Share Price**" shall have the meaning set forth in Section 5.

"**ADRs**" shall have the meaning set forth in Section 13(e).

"**Agent Members**" shall have the meaning set forth in Section 21.

"**Applicable Market Value**" means the Average VWAP per Common Share over the 20 consecutive Trading Day period commencing on and including, the 22nd Scheduled Trading Day prior to the Mandatory Conversion Date.

"**Articles of Incorporation**" shall mean the Corporation's Articles of Incorporation, as amended from time to time.

"**Average Price**" shall have the meaning set forth in Section 3(c)(iii).

"**Average VWAP**" means the average of the VWAP per share for each Trading Day in the relevant period.

"**Beneficial Owner**" means "beneficial owner" as defined in Rule 13d-3 under the Exchange Act.

"**Board of Directors**" means the Board of Directors of the Corporation and shall include any authorized committee of such Board of Directors.

"**Business Day**" means any day other than a Saturday or Sunday or any other day on which commercial banks in New York City are authorized or required by law or executive order to close.

"**By-laws**" means the By-laws of the Corporation, as they may be amended or restated from time to time.

"**Clause I Distribution**" shall have the meaning set forth in Section 13(a)(iv).

"**Clause II Distribution**" shall have the meaning set forth in Section 13(a)(iv).

"**Clause IV Distribution**" shall have the meaning set forth in Section 13(a)(iv).

"**Common Share**" means a share of the Common Stock.

"**Common Stock**" means the Common Stock, par value $1.00 per share, of the Corporation.

"**Conversion, Dividend Disbursing and Redemption Agent**" shall initially mean Computershare Inc., the Corporation's duly appointed conversion, dividend disbursing and redemption agent for the Mandatory Convertible Preferred Stock, and any successor appointed under Section 14.

"**Conversion Date**" shall have the meaning set forth in Section 3(a).

"**Corporation**" shall mean Arconic Inc.

"**Current Market Price**" per Common Share (or, in the case of Section 13(a)(iv), per Common Share, or per unit of capital stock or equity interest, as applicable) on any date means for the purposes of determining an adjustment to the Fixed Conversion Rates:

(i) for purposes of any adjustment pursuant to Section 13(a)(ii), Section 13(a)(iv) (in the event of an adjustment not relating to a Spin-Off), or Section 13(a)(v), the Average VWAP per Common Share over the five consecutive Trading Day period ending on the Trading Day immediately preceding the Ex-Date with respect to the issuance or distribution requiring such computation;

(ii) for purposes of any adjustment pursuant to Section 13(a)(iv) relating to a Spin-Off, the Average VWAP per Common Share, capital stock or equity interests of the subsidiary or other business unit being distributed, as applicable, over the first ten consecutive Trading Days commencing on and including the fifth Trading Day immediately following the effective date of such distribution; and

(iii) for purposes of any adjustment pursuant to Section 13(a)(vi), the Average VWAP per Common Share over the ten consecutive Trading Day period commencing on and including the Trading Day next succeeding the Expiration Date of the relevant tender offer or exchange offer.

“**Depositary**” means DTC or its nominee or any successor.

“Direct Treasury Shares”shall mean shares heretofore or hereafter acquired by the Corporation and deemed to be issued but not outstanding under section 1552(a) of the Pennsylvania Business Corporation Law of 1988, as amended, or any successor provision.

“**Dividend Payment Date**” means January 1, April 1, July 1 and October 1 of each year commencing on January 1, 2015, to and including the Mandatory Conversion Date.

“**Dividend Period**” means the period from, and including, a Dividend Payment Date to, but excluding, the next Dividend Payment Date, except that the initial Dividend Period shall commence on, and include, the Initial Issue Date and shall end on, and exclude, the Dividend Payment Date occurring on January 1, 2015.

“**Dividend Rate**” shall have the meaning set forth in Section 3(a).

“**DTC**” means The Depository Trust Corporation.

“**Early Conversion**” shall have the meaning set forth in Section 8(a).

“**Early Conversion Additional Conversion Amount**” shall have the meaning set forth in Section 8(b).

“**Early Conversion Average Price**” shall have the meaning set forth in Section 8(b).

“**Early Conversion Date**” shall have the meaning set forth in Section 10(b).

“**Early Conversion Settlement Period**” shall have the meaning set forth in Section 8(b).

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

“**Exchange Property**” shall have the meaning set forth in Section 13(e).

“**Ex-Date,**” when used with respect to any issuance or distribution, means the first date on which Common Shares trade without the right to receive such issuance or distribution.

“**Expiration Date**” shall have the meaning set forth in Section 13(a)(vi).

“**Fair Market Value**” means the fair market value as determined in good faith by the Board of Directors, whose determination shall be final and set forth in a resolution of the Board of Directors.

“**Fixed Conversion Rates**” means the Maximum Conversion Rate and the Minimum Conversion Rate.

“**Floor Price**” shall have the meaning set forth in Section 3(e).

A “**Fundamental Change**” shall be deemed to have occurred, at any time after the Initial Issue Date, upon: (i) the consummation of any transaction or event (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, recapitalization or otherwise) in connection with which 90% or more of the outstanding Common Stock is exchanged for, converted into, acquired for or constitutes solely the right to receive, consideration 10% or more of which is not common stock that is listed on, or immediately after the transaction or event will be listed on, any of the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market; (ii) any “person” or “group” (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable), other than the Corporation, any of the Corporation’s majority-owned subsidiaries or any of the Corporation’s or the Corporation’s majority-owned subsidiaries’ employee benefit plans, becoming the Beneficial Owner, directly or indirectly, of more than 50% of the total voting power in the aggregate of all classes of capital stock then outstanding entitled to vote generally in elections of the Corporation’s directors; or (iii) the Common Stock (or, following a Reorganization Event, any common stock, depositary receipts or other securities representing common equity interests into which the Mandatory Convertible Preferred Stock becomes convertible in connection with such Reorganization Event) ceases to be listed for trading on the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors) or another United States national securities exchange.

“**Fundamental Change Conversion**” shall have the meaning set forth in Section 9(a).

“**Fundamental Change Conversion Date**” shall have the meaning set forth in Section 10(c).

“**Fundamental Change Conversion Period**” shall have the meaning set forth in Section 9(a).

“**Fundamental Change Conversion Rate**” means, for any Fundamental Change Conversion, the conversion rate set forth in the table below for the Fundamental Change Effective Date and the Fundamental Change Share Price applicable to such Fundamental Change:

Fundamental Change Share Price on Fundamental Change Effective Date

Fundamental Change Effective Date	$5.00	$10.00	$15.00	$16.16	$17.00	$18.00	$19.39	$25.00	$30.00	$40.00	$50.00	$65.00	$80.00	$100.00
September 22, 2014	28.8937	28.2303	26.5805	26.3172	26.1174	25.9372	25.7370	25.3532	25.2994	25.3692	25.4361	25.4875	25.5124	25.5313
October 1, 2015	29.5177	29.1726	27.2811	27.7978	26.6539	26.4025	26.1199	25.5708	25.4790	25.5142	25.5531	25.5819	25.5973	25.6016
October 1, 2016	30.1631	30.2222	28.3056	29.3228	27.3764	26.9829	26.5375	25.7377	25.6353	25.6486	25.6643	25.6780	25.6865	25.6951
October 1, 2017	30.9406	30.9406	30.9406	30.9406	29.4118	27.7778	25.7838	25.7838	25.7838	25.7838	25.7838	25.7838	25.7838	25.7838

If the Fundamental Change Share Price falls between two Fundamental Change Share Prices set forth in the table above, or if the Fundamental Change Effective Date falls between two Fundamental Change Effective Dates set forth in the table above, the Fundamental Change Conversion Rate shall be determined by straight-line interpolation between the Fundamental Change Conversion Rates set forth for the higher and lower Fundamental Change Share Prices and the earlier and later Fundamental Change Effective Dates based on a 365-day year, as applicable.

If the Fundamental Change Share Price is in excess of $100.00 per share (subject to adjustment in the same manner as adjustments are made to the Fundamental Change Share Price in accordance with the provisions of Section 13(c)(iv)), then the Fundamental Change Conversion Rate shall be the Minimum Conversion Rate.

If the Fundamental Change Share Price is less than $5.00 per share (subject to adjustment in the same manner as adjustments are made to the Fundamental Change Share Price in accordance with the provisions of Section 13(c)(iv)), then the Fundamental Change Conversion Rate shall be the Maximum Conversion Rate.

The Fundamental Change Share Prices in the column headings in the table above are subject to adjustment in accordance with the provisions of Section 13(c)(iv). The Fundamental Change Conversion Rates set forth in the table above are each subject to adjustment in the same manner as each Fixed Conversion Rate as set forth in Section 13.

“**Fundamental Change Dividend Make-whole Amount**” shall have the meaning set forth in Section 9(d)(i)(A).

“**Fundamental Change Effective Date**” shall have the meaning set forth in Section 9(a).

“**Fundamental Change Notice**” shall have the meaning set forth in Section 9(b).

“Fundamental Change Share Price” means, for any Fundamental Change, (i) if the holders of Common Shares receive only cash in such Fundamental Change, the amount of cash paid in such Fundamental Change per Common Share, and (ii) if the holders of Common Shares receive any property other than cash in such Fundamental Change, the Average VWAP per Common Share over the 10 consecutive Trading Day period ending on, and including, the Trading Day preceding the Fundamental Change Effective Date; *provided*, *however*, that if the Corporation elects to pay any portion of a Fundamental Change Dividend Make-whole Amount or of the Accumulated Dividend Amount in Common Shares, then, solely for purposes of calculating the number of Common Shares payable in respect of the Fundamental Change Dividend Make-whole Amount or the Accumulated Dividend Amount, the Fundamental Change Share Price shall be the average VWAP per Common Share over the 10 consecutive Trading Day period beginning on the Trading Day next succeeding the Fundamental Change Effective Date.

“**Global Preferred Shares**” shall have the meaning set forth in Section 21.

“**Holder**” means each person in whose name shares of the Mandatory Convertible Preferred Stock are registered, who shall be treated by the Corporation and the Registrar as the absolute owner of those shares of Mandatory Convertible Preferred Stock for the purpose of making payment and settling conversions and for all other purposes.

“**Initial Dividend Threshold**” shall have the meaning set forth in Section 13(a)(v).

“**Initial Issue Date**” means September 22, 2014, the first original issue date of shares of the Mandatory Convertible Preferred Stock.

“**Initial Price**” shall have the meaning set forth in Section 7(b)(ii).

“**Junior Stock**” shall have the meaning set forth in Section 1.

“**Liquidation Dividend Amount**” shall have the meaning set forth in Section 4(a).

“**Liquidation Preference**” means, as to the Mandatory Convertible Preferred Stock, $500 per share.

“**Mandatory Conversion**” shall have the meaning set forth in Section 7(a).

“**Mandatory Conversion Additional Conversion Amount**” shall have the meaning set forth in Section 7(c).

“**Mandatory Conversion Date**” means October 1, 2017.

“**Mandatory Conversion Rate**” shall have the meaning set forth in Section 7(b).

“**Mandatory Convertible Preferred Stock**” shall have the meaning set forth in Section 1.

“**Maximum Conversion Rate**” shall have the meaning set forth in Section 7(b)(iii).

“**Minimum Conversion Rate**” shall have the meaning set forth in Section 7(b)(i).

“**Officer**” means the Chief Executive Officer, the Chief Financial Officer, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer or the Secretary of the Corporation.

“**Officer’s Certificate**” means a certificate of the Corporation, signed by any duly authorized Officer of the Corporation.

“**Parity Stock**” shall have the meaning set forth in Section 1.

“**Person**” means any individual, partnership, firm, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority or other entity of whatever nature.

“**Prospectus Supplement**” means the prospectus supplement, dated September 16, 2014, to the prospectus dated July 30, 2014, relating to the offering and sale of shares of Mandatory Convertible Preferred Stock.

“**Purchase Agreement**” means the purchase agreement, dated as of June 25, 2014, among the Corporation, FR Acquisition Corporation (US), Inc., FR Acquisitions Corporation (Europe) Limited, FR Acquisition Finance Subco (Luxembourg), S.à.r.l., Oak Hill Capital Partners III, L.P. and Oak Hill Capital Management Partners III, L.P., as the same may be amended or supplemented from time to time.

“Qualifying Market” means the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors) or another United States national securities exchange.

“**Record Date**” means, with respect to any Dividend Payment Date, the December 15, March 15, June 15 or September 15 immediately preceding the applicable January 1, April 1, July 1 or October 1 Dividend Payment Date, respectively. These Record Dates shall apply regardless of whether a particular Record Date is a Business Day.

“**Record Holder**” means, with respect to any Dividend Payment Date, a Holder of record of any shares of the Mandatory Convertible Preferred Stock as such Holder appears on the stock register of the Corporation at 5:00 p.m., New York City time, on the related Record Date.

“**Reference Amount**” shall have the meaning set forth in Section 5.

“**Registrar**” shall initially mean Computershare Trust Company, N.A., the Corporation’s duly appointed registrar for the Mandatory Convertible Preferred Stock and any successor appointed under Section 14.

“**Reorganization Event**” shall have the meaning set forth in Section 13(e).

“**Scheduled Trading Day**” means any day that is scheduled to be a Trading Day.

“**Senior Stock**” shall have the meaning set forth in Section 1.

“**Serial Preferred Stock**” shall mean the Serial Preferred Stock authorized under Article FIFTH of the Articles of Incorporation.

“**Shelf Registration Statement**” shall mean a shelf registration statement filed with the Securities and Exchange Commission in connection with the issuance of or resales of Common Shares issued as payment of a dividend or other amounts issuable in respect of the Mandatory Convertible Preferred Stock, including dividends paid in connection with a conversion.

“**Share Dilution Amount**” shall have the meaning set forth in Section 3(b).

“**Spin-Off**” means a dividend or other distribution (including, for these purposes only, a division under the Pennsylvania Business Corporation Law or any successor statute) by the Corporation to all holders of Common Shares consisting of capital stock of, or similar equity interests in, or relating to a subsidiary or other business unit of the Corporation.

“**Statement with Respect to Shares**” means the Statement with Respect to Shares filed with the Bureau of Corporations of the Department of State of the Commonwealth of Pennsylvania with respect to the Mandatory Convertible Preferred Stock, as it may be amended from time to time.

“**Threshold Appreciation Price**” shall have the meaning set forth in Section 7(b)(i).

“**Trading Day**” means a day on which the Common Stock:

(a) is not suspended from trading, and on which trading in the Common Stock is not limited, on any national or regional securities exchange or association or over-the-counter market during any period or periods aggregating one half-hour or longer; and

(b) has traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of the Common Stock; *provided that* if the Common Stock is not traded on any such exchange, association or market, “**Trading Day**” means any Business Day.

“**Transfer Agent**” shall initially mean Computershare Trust Company, N.A., the Corporation’s duly appointed transfer agent for the Mandatory Convertible Preferred Stock and any successor appointed under Section 14.

“**Trigger Event**” shall have the meaning set forth in Section 13(a)(iv).

“**Underwriting Agreement**” means the Underwriting Agreement relating to the Mandatory Convertible Preferred Stock and the depositary shares representing the Mandatory Convertible Preferred Stock, dated September 16, 2014, among the Corporation and the underwriters named therein.

“**Unit of Exchange Property**” shall have the meaning set forth in Section 13(e).

“**VWAP**” per Common Share on any Trading Day means the per share volume-weighted average price as displayed on Bloomberg page “AA<EQUITY>AQR” (or its equivalent successor if such page is not available) in respect of the period from 9:30 a.m. to 4:00 p.m., New York City time, on such Trading Day; or, if such price is not available, “**VWAP**” means the market value per Common Share on such Trading Day as determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained by the Corporation for this purpose.

SECTION 3. *Dividends*.

(a) *Rate*. Subject to the rights of holders of any class of capital stock ranking senior to the Mandatory Convertible Preferred Stock with respect to dividends, including the Serial Preferred Stock, Holders shall be entitled to receive, when, as and if declared by the Board of Directors out of funds of the Corporation legally available therefor, cumulative dividends at the rate per annum of 5.375% on the Liquidation Preference per share of Mandatory Convertible Preferred Stock (the “**Dividend Rate**”) (equivalent to $26.8750 per annum per share), payable in cash, by delivery of Common Shares or by delivery of any combination of cash and Common Shares, as determined by the Corporation in its sole discretion, in accordance with the provisions set forth in Section 3(c)(i) (subject to the limitations described herein). Declared dividends on the Mandatory Convertible Preferred Stock shall be payable quarterly on each Dividend Payment Date at such annual rate, and dividends shall accumulate from the most recent date as to which dividends shall have been paid or, if no dividends have been paid, from the Initial Issue Date, whether or not in any Dividend Period or Dividend Periods there have been funds legally available for the payment of such dividends. Declared dividends shall be payable on the relevant Dividend Payment Date to Record Holders on the immediately preceding Record Date, whether or not the shares of Mandatory Convertible Preferred Stock held by such Record Holders on such Record Date are converted after such Record Date and on or prior to the immediately succeeding Dividend Payment Date. If a Dividend Payment Date is not a Business Day, payment shall be made on the next succeeding Business Day, without any interest or other payment in lieu of interest accruing with respect to this delay.

The amount of dividends payable on each share of Mandatory Convertible Preferred Stock for each full Dividend Period (after the initial Dividend Period) shall be computed by dividing the Dividend Rate by four. Dividends payable on the Mandatory Convertible Preferred Stock for the initial Dividend Period and any partial Dividend Period shall be computed based upon the actual number of days elapsed during such period over a 360-day year (consisting of twelve 30-day months). Accumulated dividends shall not bear interest.

No dividend shall be declared or paid upon, or any sum or number of Common Shares set apart for the payment of dividends upon, any outstanding shares of Mandatory Convertible Preferred Stock with respect to any Dividend Period unless all dividends for all preceding Dividend Periods have been declared and paid upon, or a sufficient sum or number of Common Shares have been set apart for the payment of such dividends upon, all outstanding shares of Mandatory Convertible Preferred Stock.

Holders shall not be entitled to any dividends on the Mandatory Convertible Preferred Stock, whether payable in cash, property or Common Shares, in excess of full cumulative dividends.

Except as described in this Section 3(a), dividends on any shares of Mandatory Convertible Preferred Stock converted to Common Shares shall cease to accumulate on the Mandatory Conversion Date, the Fundamental Change Conversion Date or the Early Conversion Date (each, a "**Conversion Date**"), as applicable.

(b) *Priority of Dividends*. So long as any share of Mandatory Convertible Preferred Stock remains outstanding, no dividend or distribution shall be declared or paid on Common Shares or any other shares of Junior Stock, and no Common Shares or shares of Junior Stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation or any of its subsidiaries unless all accumulated and unpaid dividends for all preceding Dividend Periods have been declared and paid upon, or a sufficient sum or number of Common Shares have been set apart for the payment of such dividends upon, all outstanding Mandatory Convertible Preferred Stock. The foregoing limitation shall not apply to (i) any dividend or distribution payable in Common Shares or other Junior Stock; (ii) redemptions, purchases or other acquisitions of Common Shares or shares of Junior Stock in connection with the administration of any benefit or other incentive plan, including any employment contract, in the ordinary course of business (including purchases to offset the Share Dilution Amount pursuant to a publicly announced repurchase plan or acquisitions of shares of Common Stock deemed surrendered in connection with the exercise of stock options); provided that any purchases to offset the Share Dilution Amount shall in no event exceed the Share Dilution Amount; (iii) any dividends or distributions of rights in connection with a shareholders' rights plan or any redemption or repurchase of rights pursuant to any shareholders' rights plan; (iv) purchases of Common Shares or shares of Junior Stock pursuant to a contractually binding requirement to buy Common Shares or shares of Junior Stock existing prior to the preceding Dividend Period, including under a contractually binding stock repurchase plan; or (v) the deemed purchase or acquisition of fractional interests in Common Shares or shares of Junior Stock pursuant to the conversion or exchange provisions of such shares or the security being converted or exchanged. The phrase "Share Dilution Amount" means the increase in the number of diluted shares of Common Stock outstanding (determined in accordance with U.S. GAAP, and as measured from the Initial Issue Date) resulting from the grant, vesting or exercise of equity-based compensation to directors, employees and agents and equitably adjusted for any share split, share dividend, reverse share split, reclassification or similar transaction.

When dividends on shares of Mandatory Convertible Preferred Stock (i) have not been declared and paid in full on any Dividend Payment Date or (ii) have been declared but a sum of cash or number of Common Shares sufficient for payment thereof has not been set aside for the benefit of the Record Holders thereof on the applicable Record Date, no dividends may be declared or paid on any shares of Parity Stock unless dividends are declared on the shares of Mandatory Convertible Preferred Stock such that the respective amounts of such dividends declared on the shares of Mandatory Convertible Preferred Stock and such shares of Parity Stock shall be allocated pro rata among the Holders of the shares of Mandatory Convertible Preferred Stock and the holders of any such shares of Parity Stock then outstanding. For purposes of calculating the pro rata allocation of partial dividend payments, the Corporation shall allocate those payments so that the respective amounts of those payments for the declared dividend bear the same ratio to each other as all accumulated dividends and declared and unpaid dividends per share on the shares of Mandatory Convertible Preferred Stock and the shares of such Parity Stock; *provided* that any unpaid dividends on the Mandatory Convertible Preferred Stock will continue to accumulate.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors may be declared and paid on any securities, including Common Shares, from time to time out of any funds legally available for such payment, and Holders shall not be entitled to participate in any such dividends.

(c) *Method of Payment of Dividends*.

(i) Subject to the limitations described below, any declared dividend (or any portion of any declared dividend) on the Mandatory Convertible Preferred Stock, whether or not for a current Dividend Period or any prior Dividend Period, may be paid by the Corporation, as determined in the Corporation's sole discretion:

(A) in cash;

(B) by delivery of Common Shares; or

(C) by delivery of any combination of cash and Common Shares.

(ii) Each payment of a declared dividend on the Mandatory Convertible Preferred Stock shall be made in cash, except to the extent the Corporation timely elects to make all or any portion of such payment in Common Shares. The Corporation shall give notice to Holders of any such election and the portions of such payment that will be made in cash and in Common Shares no later than 10 Scheduled Trading Days prior to the Dividend Payment Date for such dividend; *provided* that if the Corporation does not provide timely notice of this election, the Corporation will be deemed to have elected to pay the relevant dividend in cash.

(iii) All cash payments to which a Holder is entitled in connection with a declared dividend on the shares of Mandatory Convertible Preferred Stock will be rounded to the nearest cent. Any Common Shares issued in payment or partial payment of a declared dividend on the Mandatory Convertible Preferred Stock shall be valued for such purpose at 97% of the Average VWAP per Common Share over the five consecutive Trading Day period beginning on and including the seventh Scheduled Trading Day prior to the applicable Dividend Payment Date (the "**Average Price**").

(d) No fractional shares of Common Stock shall be delivered by the Corporation to Holders in payment or partial payment of a dividend. The Corporation shall instead pay a cash adjustment (computed to the nearest cent) to each Holder that would otherwise be entitled to receive a fraction of a share of Common Stock based on the Average Price with respect to such dividend.

(e) Notwithstanding the foregoing, in no event shall the number of Common Shares to be delivered in connection with any declared dividend on the Mandatory Convertible Preferred Stock, including any declared dividend payable in connection with a conversion, exceed a number equal to the total dividend payment divided by $5.66, subject to adjustment in a manner inversely proportional to any anti-dilution adjustment to each Fixed Conversion Rate as set forth in Section 13 (such dollar amount, as adjusted from time to time, the "**Floor Price**"). To the extent that the amount of any declared dividend exceeds the product of (x) the number of Common Shares delivered in connection with such declared dividend and (y) 97% of the Average Price, the Corporation shall, if it is legally able to do so, notwithstanding any notice by the Corporation to the contrary, pay such excess amount in cash (computed to the nearest cent).

(f) To the extent that the Corporation, in its reasonable judgment, determines that a Shelf Registration Statement is required in connection with the issuance of, or for resales of, Common Shares issued as payment of a dividend on the Mandatory Convertible Preferred Stock, including dividends paid in connection with a conversion, the Corporation shall, to the extent such a Shelf Registration Statement is not currently filed and effective, use its commercially reasonable efforts to file and maintain the effectiveness of such a Shelf Registration Statement until the earlier of such time as all such Common Shares have been resold thereunder and such time as all such shares would be freely tradable without registration by holders thereof that are not "affiliates" of the Corporation for purposes of the Securities Act of 1933, as amended. To the extent applicable, the Corporation shall also use its commercially reasonable efforts to have such Common Shares approved for listing on the New York Stock Exchange (or if the Common Shares are not then listed on the New York Stock Exchange, on the principal other U.S. national or regional securities exchange on which the Common Shares are then listed), and qualified or registered under applicable state securities laws, if required, provided that the Corporation will not be required to qualify as a foreign corporation or to take any action that would subject the Corporation to general service of process in any such jurisdiction where the Corporation is not presently qualified or subject to taxation as a foreign corporation and such qualification or action would subject the Corporation to such taxation.

SECTION 4. *Liquidation, Dissolution or Winding Up.*

(a) In the event of any voluntary or involuntary liquidation, winding up or dissolution of the Corporation, each Holder shall be entitled to receive:

(i) the Liquidation Preference per share of Mandatory Convertible Preferred Stock, plus

(ii) an amount (the "**Liquidation Dividend Amount**") equal to all dividends that have accrued on such Holder's shares to (but excluding) the date fixed for liquidation, winding up or dissolution but have not been paid or declared and a sum sufficient for the payment thereof been set apart, to be paid out of the assets of the Corporation legally available for distribution to its shareholders, after satisfaction of liabilities owed to the Corporation's creditors and payment of any liquidation preference of holders of shares of each class or series of Senior Stock, and before any payment or distribution is made to holders of Junior Stock, including Common Stock.

(b) Neither the merger or consolidation of the Corporation into or with any other corporation or corporations, any share exchange or division involving the Corporation in pursuance of applicable statutes providing for the consolidation, merger, share exchange or division shall be deemed to be a voluntary or involuntary liquidation, winding-up or dissolution of the Corporation for the purposes of this Section 4.

(c) If, upon the voluntary or involuntary liquidation, winding up or dissolution of the Corporation, the amounts payable with respect to (1) the Liquidation Preference plus the Liquidation Dividend Amount of the Mandatory Convertible Preferred Stock and (2) the liquidation preference of, and the amount of accumulated and unpaid dividends to, but excluding, the date fixed for liquidation, dissolution or winding up, on, any Parity Stock are not paid in full, the Holders and all holders of any classes or series of Parity Stock shall share equally and ratably in any distribution of the Corporation's assets in proportion to the respective liquidation preferences and amounts equal to the accumulated and unpaid dividends to which they are entitled.

(d) After the payment to any Holder of the full amount of the Liquidation Preference and the Liquidation Dividend Amount for each of such Holder's shares of Mandatory Convertible Preferred Stock, such Holder as such shall have no right or claim to any of the remaining assets of the Corporation.

SECTION 5. *Acquisition Termination Redemption; No Sinking Fund.*

(a) Within ten Business Days following the earlier of (a) the date on which an Acquisition Termination Event occurs and (b) 5:00 p.m. (New York City time) on April 1, 2015, if the Acquisition has not closed on or prior to such time on such date, the Corporation shall be entitled, but not required, to mail a notice of Acquisition Termination Redemption to the Holders (provided that, if depositary shares representing shares of Mandatory Convertible Preferred Stock are held in book-entry form through DTC, the Corporation may give such notice in respect of such shares in any matter permitted by DTC). If the Corporation shall mail such notice of Acquisition Termination Redemption to Holders, on the Acquisition Termination Redemption Date, the Corporation shall be required to redeem the Mandatory Convertible Preferred Stock, in whole but not in part, at a redemption amount per share of Mandatory Convertible Preferred Stock equal to the Acquisition Termination Make-whole Amount.

“**Acquisition Termination Event**” means either (1) the Purchase Agreement is terminated or (2) the Corporation shall determine in its reasonable judgment that the Acquisition will not occur.

“**Acquisition Termination Make-whole Amount**” means, for each share of Mandatory Convertible Preferred Stock, an amount in cash equal to $505 plus accumulated and unpaid dividends to the Acquisition Termination Redemption Date (whether or not declared); provided, however, that if the Acquisition Termination Share Price exceeds the Initial Price, the Acquisition Termination Make-whole Amount will equal the Reference Amount.

“**Acquisition Termination Share Price**” means the average VWAP per Common Share over the 10 consecutive Trading Day period ending on the Trading Day preceding the date on which the Corporation shall provide notice of Acquisition Termination Redemption to Holders.

The “**Reference Amount**” shall equal the sum of the following amounts:

(i) a number of Common Shares equal to the Acquisition Termination Conversion Rate; plus

(ii) cash in an amount equal to the Acquisition Termination Dividend Amount;

provided that the Corporation may deliver cash in lieu of all or any portion of the Common Shares set forth in clause (i) above, and the Corporation may deliver Common Shares in lieu of all or any portion of the cash amount set forth in clause (ii) above, in each case, as set forth in this Section 5.

“**Acquisition Termination Conversion Rate**” means a rate equal to the Fundamental Change Conversion Rate, assuming for such purpose that the date on which the Corporation shall provide notice of Acquisition Termination Redemption is the Fundamental Change Effective Date and that the Fundamental Change Share Price is the Acquisition Termination Share Price.

“**Acquisition Termination Dividend Amount**” means an amount of cash equal to the sum of (x) the Fundamental Change Dividend Make-whole Amount and (y) the Accumulated Dividend Amount, assuming in each case, for such purpose that the date on which the Corporation shall provide notice of Acquisition Termination Redemption is the Fundamental Change Effective Date.

(b) If the Acquisition Termination Share Price shall exceed the Initial Price, the Corporation may pay cash (computed to the nearest cent) in lieu of delivering all or any portion of the number of Common Shares equal to the Acquisition Termination Conversion Rate. If the Corporation shall make such an election, it shall deliver cash in an amount equal to such number of Common Shares in respect of which it shall have made such election multiplied by the Acquisition Termination Market Value.

(c) In addition, if the Acquisition Termination Share Price shall exceed the Initial Price, the Corporation may elect to deliver Common Shares in lieu of some or all of the Acquisition Termination Dividend Amount. If the Corporation shall make such an election, it shall deliver a number of Common Shares equal to such portion of the Acquisition Termination Dividend Amount to be paid in Common Shares divided by the greater of the Floor Price and 97% of the Acquisition Termination Market Value; provided that, if the Acquisition Termination Dividend Amount or portion thereof in respect of which Common Shares are delivered exceeds the product of such number of Common Shares multiplied by 97% of the Acquisition Termination Market Value, the Corporation shall, if it is legally able to do so, declare and pay such excess amount in cash (computed to the nearest cent).

“**Acquisition Termination Market Value**” means the average VWAP per Common Share over the twenty consecutive Trading Day period commencing on and including the third Trading Day following the date on which the Corporation provides notice of Acquisition Termination Redemption.

“**Acquisition Termination Redemption Date**” means the date specified by the Corporation in its notice of Acquisition Termination Redemption that is not less than 30 nor more than 60 days following the date on which the Corporation shall provide notice of such Acquisition Termination Redemption; provided, that, if the Acquisition Termination Share Price is greater than the Initial Price and the Corporation shall elect to pay cash in lieu of delivering all or any portion of the Common Shares equal to the Acquisition Termination Conversion Rate, or, if the Corporation shall elect to deliver Common Shares in lieu of all or any portion of the Acquisition Termination Dividend Amount, the Acquisition Termination Redemption Date shall be the third Business Day following the last Trading Day of the 20 consecutive Trading Day period used to determine the Acquisition Termination Market Value.

(d) The notice of Acquisition Termination Redemption shall specify, among other things:

(i) the Acquisition Termination Make-whole Amount;

(ii) if the Acquisition Termination Share Price exceeds the Initial Price, the number of Common Shares and the amount of cash comprising the Reference Amount per share of Mandatory Convertible Preferred Stock (before giving effect to any election to pay or deliver, with respect to each share of Mandatory Convertible Preferred Stock, cash in lieu of a number of Common Shares equal to the Acquisition Termination Conversion Rate or Common Shares in lieu of cash in respect of the Acquisition Termination Dividend Amount);

(iii) if applicable, whether the Corporation will deliver cash in lieu of all or any portion of the number of Common Shares equal to the Acquisition Termination Conversion Rate included as a portion of the Reference Amount (specifying, if applicable, the number of such Common Shares in respect of which cash will be delivered);

(iv) if applicable, whether the Corporation will deliver Common Shares in lieu of all or any portion of the Acquisition Termination Dividend Amount included as a portion of the Reference Amount (specifying, if applicable, the percentage of the Acquisition Termination Dividend Amount in respect of which Common Shares will be delivered in lieu of cash); and

(v) the Acquisition Termination Redemption Date.

(e) If any portion of the Acquisition Termination Make-whole Amount is to be paid in Common Shares, no fractional Common Shares will be delivered to the Holders. The Corporation shall instead pay a cash adjustment (rounded to the nearest cent) to each Holder that would otherwise be entitled to a fraction of a Common Share based on the average VWAP per Common Share over the five consecutive Trading Day period beginning on, and including, the seventh Scheduled Trading Day immediately preceding the Acquisition Termination Redemption Date. If more than one share of Mandatory Convertible Preferred Stock is to be redeemed from a Holder, the number of Common Shares issuable in connection with the payment of the Reference Amount shall be computed on the basis of the aggregate number of shares of Mandatory Convertible Preferred Stock so redeemed.

(f) All cash payments to which a Holder is entitled in connection with an Acquisition Termination Redemption will be rounded to the nearest cent.

(g) To the extent that the Corporation, in its reasonable judgment, determines that a Shelf Registration Statement is required in connection with the issuance of, or for resales of, Common Shares issued as any portion of the payment of the Acquisition Termination Make-whole Amount, the Corporation shall, to the extent such a Shelf Registration Statement is not currently filed and effective, use its commercially reasonable efforts to file and maintain the effectiveness of such a Shelf Registration Statement until the earlier of such time as all such Common Shares have been resold thereunder and such time as all such shares would be freely tradable without registration by holders thereof that are not “affiliates” of the Corporation for purposes of the Securities Act of 1933, as amended. To the extent applicable, the Corporation shall also use its commercially reasonable efforts to have such Common Shares qualified or registered under applicable state securities laws, if required, and approved for listing on the New York Stock Exchange (or if the Common Shares are not then listed on the New York Stock Exchange, on the principal other U.S. national or regional securities exchange on which the Common Shares are then listed), provided that the Corporation will not be required to qualify as a foreign corporation or to take any action that would subject the Corporation to general service of process in any such jurisdiction where the Corporation is not presently qualified or subject to taxation as a foreign corporation and such qualification or action would subject the Corporation to such taxation.

(h) Other than pursuant to the Acquisition Termination Redemption provisions described above, shares of Mandatory Convertible Preferred Stock shall not be subject to any redemption, sinking fund or other similar provisions.

SECTION 6. *Voting Rights*.

(a) *General*. Holders shall not have any voting rights except as set forth in Section 4 of Article FIFTH of the Articles of Incorporation (as further limited by subsection (b) of this Section 6) or as otherwise from time to time required by Pennsylvania law.

(b) *Change for Clarification*. Without the consent of the Holders, so long as such action does not adversely affect the special rights, preferences, privileges or voting powers, and limitations and restrictions thereof, of the shares of Mandatory Convertible Preferred Stock, the Corporation may amend, alter, supplement or repeal any terms of the Mandatory Convertible Preferred Stock:

(i) to cure any ambiguity or mistake, or to correct or supplement any provision contained in the Statement with Respect to Shares that may be defective or inconsistent with any other provision contained in the Statement with Respect to Shares;

(ii) to make any provision with respect to matters or questions relating to the Mandatory Convertible Preferred Stock that is not inconsistent with the provisions of the Articles of Incorporation or the Statement with Respect to Shares; or

(iii) to waive the Corporation's rights with respect thereto;

provided, that any such amendment, alteration, supplement or repeal of any terms of the Mandatory Convertible Preferred Stock effected in order to conform the terms thereof to the description of the terms of the Mandatory Convertible Preferred Stock set forth under "Description of Mandatory Convertible Preferred Stock" in the Prospectus Supplement shall be deemed not to adversely affect the special rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Mandatory Convertible Preferred Stock. The full text of the Prospectus Supplement is on file at the principal place of business of the Corporation at 390 Park Avenue, New York, New York 10022.

SECTION 7. *Mandatory Conversion on the Mandatory Conversion Date.*

(a) Each share of Mandatory Convertible Preferred Stock shall automatically convert (unless previously redeemed at the option of the Corporation in accordance with Section 5, converted at the option of the Holder in accordance with Section 8 or pursuant to an exercise of a Fundamental Change Conversion right pursuant to Section 9) on the Mandatory Conversion Date ("**Mandatory Conversion**"), into a number of Common Shares equal to the Mandatory Conversion Rate.

(b) The "**Mandatory Conversion Rate,**" which is the number of Common Shares issuable upon conversion of each share of Mandatory Convertible Preferred Stock on the Mandatory Conversion Date (excluding Common Shares, if any, issued in respect of accrued and unpaid dividends) shall, subject to adjustment in accordance with Section 7(c), be as follows:

(i) if the Applicable Market Value is greater than $19.39 (the "**Threshold Appreciation Price**"), then the Mandatory Conversion Rate shall be equal to 25.7838 Common Shares per share of Mandatory Convertible Preferred Stock (the "**Minimum Conversion Rate**");

(ii) if the Applicable Market Value is less than or equal to the Threshold Appreciation Price but equal to or greater than $16.16 (the "**Initial Price**"), then the Mandatory Conversion Rate per share of Mandatory Convertible Preferred Stock shall be equal to $500 divided by the Applicable Market Value; or

(iii) if the Applicable Market Value is less than the Initial Price, then the Mandatory Conversion Rate shall be equal to 30.9406 Common Shares per share of Mandatory Convertible Preferred Stock (the "**Maximum Conversion Rate**");

provided that the Fixed Conversion Rates, the Threshold Appreciation Price, the Initial Price and the Applicable Market Value are each subject to adjustment in accordance with the provisions of Section 13.

(c) If prior to the Mandatory Conversion Date the Corporation has not declared all or any portion of the accumulated and unpaid dividends on the Mandatory Convertible Preferred Stock, the Mandatory Conversion Rate shall be adjusted so that Holders receive an additional number of Common Shares equal to the amount of accumulated and unpaid dividends that have not been declared ("**Mandatory Conversion Additional Conversion Amount**") divided by the greater of the Floor Price and 97% of the Average Price (calculated as though the Mandatory Conversion Date is the applicable Dividend Payment Date). To the extent that the Mandatory Conversion Additional Conversion Amount exceeds the product of such number of additional shares and 97% of the Average Price, the Corporation shall, if the Corporation is legally able to do so, declare and pay such excess amount in cash (computed to the nearest cent) pro rata to the Holders. No such payment in cash may be made if the payment is not permitted by the Corporation's then existing debt instruments.

SECTION 8. *Early Conversion at the Option of the Holder.*

(a) Other than during a Fundamental Change Conversion Period, the Holders shall have the right to convert their shares of Mandatory Convertible Preferred Stock, in whole or in part (but in no event less than one share of Mandatory Convertible Preferred Stock), at any time prior to the Mandatory Conversion Date ("**Early Conversion**"), into Common Shares at the Minimum Conversion Rate, subject to adjustment as described in Section 13 and to satisfaction of the conversion procedures set forth in Section 10.

(b) If as of any Early Conversion Date the Corporation has not declared all or any portion of the accumulated and unpaid dividends for all full Dividend Periods ending on a Dividend Payment Date prior to such Early Conversion Date, the Minimum Conversion Rate shall be adjusted, with respect to the relevant Early Conversion, so that the converting Holder receives an additional number of Common Shares equal to the amount of accumulated and unpaid dividends that have not been declared for such full Dividend Periods (the "**Early Conversion Additional Conversion Amount**"), *divided by* the greater of the Floor Price and the Average VWAP per Common Share over the 20 consecutive Trading Day period (the "**Early Conversion Settlement Period**") commencing on, and including, the 22nd Trading Day immediately preceding the Early Conversion Date (such average being referred to as the "**Early Conversion Average Price**"). To the extent that the Early Conversion Additional Conversion Amount exceeds the product of the number of additional shares of Common Stock and the Early Conversion Average Price, the Corporation shall not have any obligation to pay the shortfall in cash. Except as described in the first sentence of this Section 8(b), upon any Early Conversion of any shares of the Mandatory Convertible Preferred Stock, the Corporation shall make no payment or allowance for undeclared dividends on such shares of the Mandatory Convertible Preferred Stock, unless such Early Conversion occurs after the Record Date for a declared dividend and on or prior to the immediately succeeding Dividend Payment Date, in which case the Corporation shall pay such dividend on such Dividend Payment Date to the Record Holder of the converted shares as of such Record Date, in accordance with Section 3.

SECTION 9. *Fundamental Change Conversion.*

(a) If a Fundamental Change occurs on or prior to the Mandatory Conversion Date, the Holders shall have the right to (i) convert their shares of Mandatory Convertible Preferred Stock, in whole or in part (but in no event less than one share of Mandatory Convertible Preferred Stock) (any such conversion pursuant to this Section 9(a) being a "**Fundamental Change Conversion**") at any time during the period (the "**Fundamental Change Conversion Period**") that begins on the effective date of such Fundamental Change (the **"Fundamental Change Effective Date**") and ends at 5:00 p.m., New York City time, on the date that is 20 calendar days after the Fundamental Change Effective Date (or, if earlier, the Mandatory Conversion Date) into a number of Common Shares equal to the Fundamental Change Conversion Rate per share of Mandatory Convertible Preferred Stock, (ii) with respect to such converted shares, receive a Fundamental Change Dividend Make-whole Amount payable in cash or in Common Shares; and (iii) with respect to such converted shares, receive the Accumulated Dividend Amount, in the case of clauses (ii) and (iii), subject to the Corporation's right to deliver Common Shares in lieu of all or part of such amounts as set forth in clause (d) below; *provided* that if such Fundamental Change Effective Date or the relevant Fundamental Change Conversion Date falls after the Record Date for a declared dividend and prior to the next Dividend Payment Date, the Corporation shall pay such dividend on such Dividend Payment Date to the Record Holders as of such Record Date, in accordance with Section 3, and such dividend shall not be included in the Accumulated Dividend Amount, and the Fundamental Change Dividend Make-whole Amount shall not include the present value of such dividend. With respect to any Fundamental Change, Holders who do not submit shares of Mandatory Convertible Preferred Stock for conversion during the relevant Fundamental Change Conversion Period will not be entitled to convert their non-submitted shares of Mandatory Convertible Preferred Stock at the relevant Fundamental Change Conversion Rate or to receive the relevant Fundamental Change Dividend Make-whole Amount or the relevant Accumulated Dividend Amount.

(b) On or before the twentieth calendar day prior to the anticipated Fundamental Change Effective Date or, if such prior notice is not practicable, no later than the second Business Day immediately following the actual Fundamental Change Effective Date, a written notice (the "**Fundamental Change Notice**") shall be sent by or on behalf of the Corporation, by first-class mail, postage prepaid, to the Holders. Such notice shall state:

(i) the event causing the Fundamental Change;

(ii) the anticipated Fundamental Change Effective Date or actual Fundamental Change Effective Date, as the case may be;

(iii) that Holders shall have the right to effect a Fundamental Change Conversion in connection with such Fundamental Change during the Fundamental Change Conversion Period;

(iv) the Fundamental Change Conversion Period; and

(v) the instructions a Holder must follow to effect a Fundamental Change Conversion in connection with such Fundamental Change.

If the Corporation notifies Holders of a Fundamental Change later than the twentieth calendar day prior to the Fundamental Change Effective Date of such Fundamental Change, the Fundamental Change Conversion Period shall be extended by a number of days equal to the number of days from, and including, the twentieth calendar day prior to such Fundamental Change Effective Date to, but excluding, the date of such notice; *provided* that the Fundamental Change Conversion Period shall not be extended beyond the Mandatory Conversion Date.

(c) Not later than the second Business Day following the Fundamental Change Effective Date of a Fundamental Change, the Corporation shall notify Holders of:

(i) the Fundamental Change Conversion Rate;

(ii) the Fundamental Change Dividend Make-whole Amount and whether the Corporation will pay such amount in cash, Common Shares or a combination thereof, specifying the combination, if applicable; and

(iii) the Accumulated Dividend Amount as of the Fundamental Change Effective Date and whether the Corporation will pay such amount in cash, Common Shares or a combination thereof, specifying the combination, if applicable.

(d) (i) For any shares of Mandatory Convertible Preferred Stock that are converted during the Fundamental Change Conversion Period, in addition to the Common Shares issued upon conversion at the Fundamental Change Conversion Rate, the Corporation shall at its option:

(A) pay the Holder in cash (computed to the nearest cent), to the extent the Corporation is legally permitted to do so, the present value, computed using a discount rate of 5.375% per annum, of all dividend payments on the Holder's shares of Mandatory Convertible Preferred Stock for all the remaining Dividend Periods (excluding any Accumulated Dividend Amount) from and including such Fundamental Change Effective Date to but excluding the Mandatory Conversion Date (the "**Fundamental Change Dividend Make-whole Amount**");

(B) increase the number of Common Shares to be issued on conversion by a number equal to (x) the Fundamental Change Dividend Make-whole Amount divided by (y) the greater of the Floor Price and 97% of the Fundamental Change Share Price, or

(C) pay the Fundamental Change Dividend Make-whole Amount in a combination of cash and Common Shares in accordance with the provisions of clauses (A) and (B) immediately above.

(ii) In addition, to the extent that the Accumulated Dividend Amount exists as of the Fundamental Change Effective Date, Holders who convert shares of Mandatory Convertible Preferred Stock within the Fundamental Change Conversion Period will be entitled to receive such Accumulated Dividend Amount upon conversion. The Accumulated Dividend Amount will be payable, at the Corporation's election, in:

(A) cash (computed to the nearest cent), to the extent the Corporation is legally permitted to do so,

(B) an additional number of Common Shares equal to (x) the Accumulated Dividend Amount divided by (y) the greater of the Floor Price and 97% of the Fundamental Change Share Price, or

(C) a combination of cash and Common Shares in accordance with the provisions of clauses (A) and (B) immediately above.

(iii) The Corporation shall pay the Fundamental Change Dividend Make-whole Amount and the Accumulated Dividend Amount in cash (computed to the nearest cent), except to the extent the Corporation elects on or prior to the second Business Day following the Fundamental Change Effective Date of a Fundamental Change to make all or any portion of such payments in Common Shares. If the Corporation elects to deliver Common Shares in respect of all or any portion of the Fundamental Change Dividend Make-whole Amount or the Accumulated Dividend Amount, to the extent that the Fundamental Change Dividend Make-whole Amount or the Accumulated Dividend Amount or any portion thereof paid in Common Shares exceeds the product of the number of additional shares of Common Stock the Corporation delivers in respect thereof and 97% of the Fundamental Change Share Price, the Corporation shall, if it is legally able to do so, pay such excess amount in cash (computed to the nearest cent). No such payment in cash may be made if the payment is not permitted by the Corporation's then existing debt instruments.

(iv) No fractional Common Shares shall be delivered by the Corporation to converting Holders in respect of the Fundamental Change Dividend Make-whole Amount or the Accumulated Dividend Amount. A cash adjustment (computed to the nearest cent) shall be paid by the Corporation to each Holder that would otherwise be entitled to receive a fraction of a Common Share based on the Average VWAP per Common Share over the five consecutive Trading Day period beginning on, and including, the seventh Scheduled Trading Day immediately preceding the relevant Conversion Date.

SECTION 10. *Conversion Procedures.*

(a) Pursuant to Section 7, on the Mandatory Conversion Date, any outstanding shares of Mandatory Convertible Preferred Stock shall automatically convert into Common Shares. The person or persons entitled to receive the Common Shares issuable upon Mandatory Conversion of the Mandatory Convertible Preferred Stock shall be treated as the record holder(s) of such Common Shares as of 5:00 p.m., New York City time, on the Mandatory Conversion Date. Except as provided under Section 13(c)(iii) and Section 13(c)(v), prior to 5:00 p.m., New York City time, on the Mandatory Conversion Date, the Common Shares issuable upon conversion of the Mandatory Convertible Preferred Stock shall not be deemed to be outstanding for any purpose and Holders shall have no rights with respect to such Common Shares, including voting rights, rights to respond to tender offers and rights to receive any dividends or other distributions on the Common Shares, by virtue of holding the Mandatory Convertible Preferred Stock.

(b) To effect an Early Conversion pursuant to Section 8, a Holder who

(i) holds a beneficial interest in a Global Preferred Share must deliver to DTC the appropriate instruction form for conversion pursuant to DTC's conversion program and, if required, pay all transfer or similar taxes or duties, if any; or

(ii) holds shares of Mandatory Convertible Preferred Stock in definitive, certificated form must:

(A) complete and manually sign the conversion notice on the back of the Mandatory Convertible Preferred Stock certificate or a facsimile of such conversion notice;

(B) deliver the completed conversion notice and the certificated shares of Mandatory Convertible Preferred Stock to be converted to the Conversion and Dividend Disbursing Agent;

(C) if required, furnish appropriate endorsements and transfer documents; and

(D) if required, pay all transfer or similar taxes or duties, if any.

The Early Conversion shall be effective on the date on which a Holder has satisfied the foregoing requirements, to the extent applicable ("**Early Conversion Date**"). A Holder shall not be required to pay any transfer or similar taxes or duties relating to the issuance or delivery of Common Shares if such Holder exercises its conversion rights, but such

Holder shall be required to pay any transfer or similar tax or duty that may be payable relating to any transfer involved in the issuance or delivery of Common Shares in a name other than the name of such Holder. A certificate representing the Common Shares issuable upon conversion shall be issued and delivered to the converting Holder or, if the shares of Mandatory Convertible Preferred Stock being converted are in book-entry form, the Common Shares issuable upon conversion shall be delivered to the converting Holder through book-entry transfer through the facilities of the Depositary, in each case together with delivery by the Corporation to the converting Holder of any cash to which the converting Holder is entitled, on the latest of (i) the third Business Day immediately succeeding the Early Conversion Date, (ii) the third Business Day immediately succeeding the last day of the Early Conversion Settlement Period and (iii) the Business Day after the Holder has paid in full all applicable taxes and duties, if any.

The person or persons entitled to receive the Common Shares issuable upon Early Conversion shall be treated for all purposes as the record holder(s) of such Common Shares as of 5:00 p.m., New York City time, on the applicable Early Conversion Date. Except as set forth in Section 13(c)(iii) and Section 13(c)(v), prior to 5:00 p.m., New York City time on such applicable Early Conversion Date, the Common Shares issuable upon conversion of any Mandatory Convertible Preferred Stock shall not be deemed to be outstanding for any purpose, and Holders shall have no rights with respect to such Common Shares (including voting rights, rights to respond to tender offers for the Common Shares and rights to receive any dividends or other distributions on the Common Shares) by virtue of holding Mandatory Convertible Preferred Stock.

In the event that an Early Conversion is effected with respect to shares of Mandatory Convertible Preferred Stock constituting fewer than all the shares of Mandatory Convertible Preferred Stock held by a Holder, upon such Early Conversion the Corporation shall execute and instruct the Registrar and Transfer Agent to countersign and deliver to the Holder thereof, at the expense of the Corporation, a certificate evidencing the shares of Mandatory Convertible Preferred Stock as to which Early Conversion was not effected, or, if the shares of Mandatory Convertible Preferred Stock are held in book-entry form, the Corporation shall cause the Transfer Agent and Registrar to reduce the number of shares of Mandatory Convertible Preferred Stock represented by the global certificate by making a notation on Schedule I attached to the global certificate or otherwise notate such reduction in the register maintained by such Transfer Agent and Registrar.

(c) To effect a Fundamental Change Conversion pursuant to Section 9, a Holder who

(i) holds a beneficial interest in a Global Preferred Share must deliver to DTC the appropriate instruction form for conversion pursuant to DTC's conversion program and, if required, pay all transfer or similar taxes or duties, if any; or

(ii) holds shares of Mandatory Convertible Preferred Stock in definitive, certificated form must:

(A) complete and manually sign the conversion notice on the back of the Mandatory Convertible Preferred Stock certificate or a facsimile of such conversion notice;

(B) deliver the completed conversion notice and the certificated shares of Mandatory Convertible Preferred Stock to be converted to the Conversion and Dividend Disbursing Agent;

(C) if required, furnish appropriate endorsements and transfer documents; and

(D) if required, pay all transfer or similar taxes or duties, if any.

The Fundamental Change Conversion shall be effective on the date on which a Holder has satisfied the foregoing requirements, to the extent applicable (the "**Fundamental Change Conversion Date**"). A Holder shall not be required to pay any transfer or similar taxes or duties relating to the issuance or delivery of Common Shares if such Holder exercises its conversion rights, but such Holder shall be required to pay any transfer or similar tax or duty that may be payable relating to any transfer involved in the issuance or delivery of Common Shares in a name other than the name of such Holder. A certificate representing the Common Shares issuable upon conversion shall be issued and delivered to the converting Holder or, if the shares of Mandatory Convertible Preferred Stock being converted are in book-entry form, the Common Shares issuable upon conversion shall be delivered to the converting Holder through book-entry transfer through the facilities of the Depositary, in each case together with delivery by the Corporation to the converting Holder of any cash to which the converting Holder is entitled, on the later of the third Business Day immediately succeeding the Fundamental Change Conversion Date and the Business Day after the Holder has paid in full all applicable taxes and duties, if any.

The person or persons entitled to receive the Common Shares issuable upon such Fundamental Change Conversion shall be treated for all purposes as the record holder(s) of such Common Shares as of 5:00 p.m., New York City time, on the applicable Fundamental Change Conversion Date. Except as set forth in Section 13(c)(iii) and Section 13(c)(v), prior to 5:00 p.m., New York City time on such applicable Fundamental Change Conversion Date, the Common Shares issuable upon conversion of any shares of Mandatory Convertible Preferred Stock shall not be deemed to be outstanding for any purpose, and Holders shall have no rights with respect to the Common Shares (including voting rights, rights to respond to tender offers for the Common Shares and rights to receive any dividends or other distributions on the Common Shares) by virtue of holding Mandatory Convertible Preferred Stock.

In the event that a Fundamental Change Conversion is effected with respect to shares of Mandatory Convertible Preferred Stock constituting fewer than all the shares of Mandatory Convertible Preferred Stock held by a Holder, upon such Fundamental Change Conversion the Corporation shall execute and instruct the Registrar and Transfer Agent to countersign and deliver to the Holder thereof, at the expense of the Corporation, a certificate evidencing the shares of Mandatory Convertible Preferred Stock as to which Fundamental Change Conversion was not effected, or, if the shares of Mandatory Convertible Preferred Stock are held in book-entry form, the Corporation shall cause the Transfer Agent and Registrar to reduce the number of shares of Mandatory Convertible Preferred Stock represented by the global certificate by making a notation on Schedule I attached to the global certificate or otherwise notate such reduction in the register maintained by such Transfer Agent and Registrar.

(d) In the event that a Holder shall not by written notice designate the name in which Common Shares to be issued upon conversion of shares of Mandatory Convertible Preferred Stock should be registered or, if applicable, the address to which the certificate or certificates representing such Common Shares should be sent, the Corporation shall be entitled to register such shares, and make such payment, in the name of the Holder as shown on the records of the Corporation and, if applicable, to send the certificate or certificates representing such Common Shares to the address of such Holder shown on the records of the Corporation.

(e) Converted shares of Mandatory Convertible Preferred Stock shall cease to be outstanding on the applicable Conversion Date, subject to the right of Holders of such shares to receive Common Shares issuable upon conversion of such shares of Mandatory Convertible Preferred Stock and other amounts and Common Shares, if any, to which they are entitled pursuant to Sections 7, 8 or 9, as applicable and, if the applicable Conversion Date occurs after the Record Date for a declared dividend and prior to the immediately succeeding Dividend Payment Date, subject to the right of the Record Holders of such shares on such Record Date to receive payment of such declared dividend on such Dividend Payment Date pursuant to Section 3.

SECTION 11. *Reservation of Common Shares.*

(a) The Corporation shall at all times reserve and keep available out of its authorized and unissued Common Shares, solely for issuance upon the conversion of Mandatory Convertible Preferred Stock as herein provided, free from any preemptive or other similar rights, a number of Common Shares equal to the product of the Maximum Conversion Rate then in effect and the number of shares of Mandatory Convertible Preferred Stock then outstanding. For purposes of this Section 11(a), the number of Common Shares that shall be deliverable upon the conversion of all outstanding shares of Mandatory Convertible Preferred Stock shall be computed as if at the time of computation all such outstanding shares were held by a single Holder.

(b) All Common Shares delivered upon conversion of shares of Mandatory Convertible Preferred Stock shall be duly authorized, validly issued, fully paid and non-assessable, free and clear of all liens, claims, security interests and other encumbrances (other than liens, charges, security interests and other encumbrances created by the Holders).

(c) Prior to the delivery of any securities that the Corporation shall be obligated to deliver upon conversion of shares of Mandatory Convertible Preferred Stock, the Corporation shall use reasonable best efforts to comply with all federal and state laws and regulations thereunder requiring the registration of such securities with, or any approval of or consent to the delivery thereof by, any governmental authority.

(d) The Corporation hereby covenants and agrees that, if at any time the Common Stock shall be listed on the New York Stock Exchange or any other national securities exchange or automated quotation system, the Corporation shall, if permitted by the rules of such exchange or automated quotation system, list and keep listed, so long as the Common Stock shall be so listed on such exchange or automated quotation system, all Common Shares issuable upon conversion of, or issuable in respect of the payment of dividends, the Acquisition Termination Make-whole Amount, the Accumulated Dividend Amount or the Fundamental Change Dividend Make-whole Amount on, the Mandatory Convertible Preferred Stock.

SECTION 12. *Fractional Shares.*

(a) No fractional Common Shares shall be issued as a result of any conversion of Mandatory Convertible Preferred Stock.

(b) In lieu of any fractional Common Share otherwise issuable in respect of any mandatory conversion pursuant to Section 7 or a conversion at the option of the Holder pursuant to Section 8 or Section 9, the Corporation shall pay an amount in cash (computed to the nearest cent) equal to the product of (i) that same fraction and (ii) the Average VWAP of the Common Shares over the five consecutive Trading Day period beginning on, and including, the seventh Scheduled Trading Day immediately preceding the Mandatory Conversion Date, Fundamental Change Conversion Date or Early Conversion Date, as applicable.

(c) If more than one share of Mandatory Convertible Preferred Stock is surrendered for conversion at one time by or for the same Holder, the number of full Common Shares issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of Mandatory Convertible Preferred Stock so surrendered.

SECTION 13. *Anti-Dilution Adjustments to the Fixed Conversion Rates.*

(a) Each Fixed Conversion Rate shall be subject to the following adjustments:

(i) *Stock Dividends and Distributions*. If the Corporation issues Common Shares to all holders of Common Shares as a dividend or other distribution, each Fixed Conversion Rate in effect at 5:00 p.m., New York City time, on the date fixed for determination of the holders of Common Shares entitled to receive such dividend or other distribution shall be divided by a fraction:

(A) the numerator of which is the number of Common Shares outstanding at 5:00 p.m., New York City time, on the date fixed for such determination, and

(B) the denominator of which is the sum of the number of Common Shares outstanding at 5:00 p.m., New York City time, on the date fixed for such determination and the total number of Common Shares constituting such dividend or other distribution.

Subject to the provisions of Section 13(a)(iv)(E), any adjustment made pursuant to this clause (i) shall become effective immediately after 5:00 p.m., New York City time, on the date fixed for such determination. If any dividend or distribution described in this clause (i) is declared but not so paid or made, each Fixed Conversion Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to make such dividend or distribution, to such Fixed Conversion Rate that would be in effect if such dividend or distribution had not been declared. For the purposes of this clause (i), the number of Common Shares outstanding at 5:00 p.m., New York City time, on the date fixed for such determination shall not include any Direct Treasury Shares but shall include any shares issuable in respect of any scrip certificates issued in lieu of fractions of Common Shares. For so long as any shares of Mandatory Convertible Preferred Stock are outstanding, the Corporation shall not pay any dividend or make any other distribution on Common Shares that are Direct Treasury Shares.

(ii) *Issuance of Stock Purchase Rights*. If the Corporation issues to all holders of Common Shares rights or warrants (other than rights or warrants issued pursuant to a dividend reinvestment plan or share purchase plan or other similar plans), entitling such holders, for a period of up to 45 calendar days from the date of issuance of such rights or warrants, to subscribe for or purchase Common Shares at a price per share less than the Current Market Price, each Fixed Conversion Rate in effect at 5:00

p.m., New York City time, on the date fixed for determination of the holders of Common Shares entitled to receive such rights or warrants shall be increased by multiplying such Fixed Conversion Rate by a fraction:

(A) the numerator of which is the sum of the number of Common Shares outstanding at 5:00 p.m., New York City time, on the date fixed for such determination and the number of Common Shares issuable pursuant to such rights or warrants, and

(B) the denominator of which shall be the sum of the number of Common Shares outstanding at 5:00 p.m., New York City time, on the date fixed for such determination and the number of Common Shares equal to the the aggregate offering price payable to exercise such rights or warrants divided by the Current Market Price.

Subject to the provisions of Section 13(a)(iv)(E), any adjustment made pursuant to this clause (ii) shall become effective immediately after 5:00 p.m., New York City time, on the date fixed for such determination. In the event that such rights or warrants described in this clause (ii) are not so issued, each Fixed Conversion Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to issue such rights or warrants, to such Fixed Conversion Rate that would then be in effect if such issuance had not been declared. To the extent that such rights or warrants are not exercised prior to their expiration or Common Shares are otherwise not delivered pursuant to such rights or warrants upon the exercise of such rights or warrants, each Fixed Conversion Rate shall be readjusted to such Fixed Conversion Rate that would then be in effect had the adjustment made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of Common Shares actually delivered. In determining whether any rights or warrants entitle the holders thereof to subscribe for or purchase Common Shares at less than the Current Market Price, and in determining the aggregate offering price payable to exercise such rights or warrants, there shall be taken into account any consideration received for such rights or warrants and the value of such consideration (if other than cash, to be determined in good faith by the Board of Directors, which determination shall be final). For the purposes of this clause (ii), the number of Common Shares at the time outstanding shall not include any Direct Treasury Shares but shall include any shares issuable in respect of any scrip certificates issued in lieu of fractions of Common Shares. For so long as any shares of Mandatory Convertible Preferred Stock are outstanding, the Corporation shall not issue any such rights or warrants in respect of Common Shares that are Direct Treasury Shares.

(iii) *Subdivisions and Combinations of the Common Shares*. If outstanding Common Shares shall be subdivided into a greater number of Common Shares or combined into a lesser number of Common Shares, each Fixed Conversion Rate in effect at 5:00 p.m., New York City time, on the effective date of such subdivision or combination shall be multiplied by a fraction:

(A) the numerator of which is the number of Common Shares that would be outstanding immediately after, and solely as a result of, such subdivision or combination, and

(B) the denominator of which is the number of Common Shares outstanding immediately prior to such subdivision or combination.

Any adjustment made pursuant to this clause (iii) shall become effective immediately after 5:00 p.m., New York City time, on the effective date of such subdivision or combination.

(iv) *Debt or Asset Distribution*.

(A) If the Corporation distributes to all holders of Common Shares evidences of its indebtedness, shares of capital stock, securities, rights to acquire the Corporation's capital stock, cash or other assets (excluding (1) any dividend or distribution covered by Section 13(a)(i), (2) any rights or warrants covered by Section 13(a)(ii), (3) any dividend or distribution covered by Section 13(a)(v) and (4) any Spin-Off to which the provisions set forth in Section 13(a)(iv)(B) apply), each Fixed Conversion Rate in effect at 5:00 p.m., New York City time, on the date fixed for the determination of holders of Common Shares entitled to receive such distribution shall be multiplied by a fraction:

(1) the numerator of which is the Current Market Price, and

(2) the denominator of which is the Current Market Price minus the Fair Market Value, on such date fixed for determination, of the portion of the evidences of indebtedness, shares of capital stock, securities, rights to acquire the Corporation's capital stock, cash or other assets so distributed applicable to one Common Share.

(B) In the case of a Spin-Off, each Fixed Conversion Rate in effect at 5:00 p.m., New York City time, on the date fixed for the determination of holders of Common Shares entitled to receive such distribution shall be multiplied by a fraction:

(1) the numerator of which is the sum of (x) the Current Market Price of the Common Shares and (y) the Fair Market Value of the portion of those shares of capital stock or similar equity interests so distributed that is applicable to one Common Share as of the 15th Trading Day after the effective date for such distribution (or, if such shares of capital stock or equity interests are listed on a national or regional securities exchange, the Current Market Price of such securities), and

(2) the denominator of which is the Current Market Price of the Common Shares.

(C) Any adjustment made pursuant to this clause (iv) shall become effective immediately after 5:00 p.m., New York City time, on the date fixed for the determination of the holders of Common Shares entitled to receive such distribution. In the event that such distribution described in this clause (iv) is not so made, each Fixed Conversion Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to make such distribution, to such Fixed Conversion Rate that would then be in effect if such distribution had not been declared. If an adjustment to each Fixed Conversion Rate is required under this clause (iv) during any settlement period or Early Conversion Settlement Period in respect of shares of Mandatory Convertible Preferred Stock that have been tendered for conversion, delivery of the Common Shares issuable upon conversion shall be delayed to the extent necessary in order to complete the calculations provided for in this clause (iv).

(D) For purposes of this clause (iv) (and subject in all respects to clause (ii)), rights, options or warrants distributed by the Corporation to all holders of its Common Shares entitling them to subscribe for or purchase shares of the Corporation's capital stock, including, but not limited to, Common Shares (either initially or under certain circumstances), which rights, options or warrants, until the occurrence of a specified event or events (**"Trigger Event"**): (i) are deemed to be transferred with such Common Shares; (ii) are not exercisable; and (iii) are also issued in respect of future issuances of the Common Shares, shall be deemed not to have been distributed for purposes of this clause (iv) (and no adjustment to the Conversion Rate under this clause (iv) shall be required) until the occurrence of the earliest Trigger Event, whereupon such rights, options or warrants shall be deemed to have been distributed and an appropriate adjustment (if any is required) to the Fixed Conversion Rates shall be made under this clause (iv).

If any such right, option or warrant, including any such existing rights, options or warrants distributed prior to the Initial Issue Date, is subject to events, upon the occurrence of which such rights, options or warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and the date fixed for the determination of the holders of Common Shares entitled to receive such distribution with respect to new rights, options or warrants with such rights (in which case the existing rights, options or warrants shall be deemed to terminate and expire on such date without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights, options or warrants, or any Trigger Event or other event (of the type described in the immediately preceding sentence) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the Fixed Conversion Rates under this clause (iv) was made, (1) in the case of any such rights, options or warrants that shall all have been redeemed or purchased without exercise by any holders thereof, upon such final redemption or purchase (x) the Fixed Conversion Rates shall be readjusted as if such rights, options or warrants had not been issued and (y) the Fixed Conversion Rates shall then again be readjusted to give effect to such distribution, deemed distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per share redemption or purchase price received by a holder or holders of Common Shares with respect to such rights, options or warrants (assuming such holder had retained such rights, options or warrants), made to all holders of Common Shares as of the date of such redemption or purchase, and (2) in the case of such rights, options or warrants that shall have expired or been terminated without exercise by any holders thereof, the Fixed Conversion Rates shall be readjusted as if such rights, options and warrants had not been issued. For purposes of clause (1) of the immediately preceding sentence, any rights that have become void by reason of the actions or status of the holder(s) thereof shall not be included in determining whether all rights have been redeemed or purchased.

(E) For purposes of clause (i), clause (ii) and this clause (iv), if any dividend or distribution to which this clause (iv) is applicable includes one or both of:

(A) a dividend or distribution of Common Shares to which clause (i) is applicable (the "**Clause I Distribution**"); or

(B) an issuance of rights or warrants to which clause (ii) is applicable (the "**Clause II Distribution**"),

then (1) such dividend or distribution, other than the Clause I Distribution, if any, and the Clause II Distribution, if any, shall be deemed to be a dividend or distribution to which this clause (iv) is applicable (the "**Clause IV Distribution**") and any Fixed Conversion Rate adjustment required by this clause (iv) with respect to such Clause IV Distribution shall then be made, and (2) the Clause I Distribution, if any, and Clause II Distribution, if any, shall be deemed to immediately follow the Clause IV Distribution and any Fixed Conversion Rate adjustment required by clause (i) and clause (ii) with respect thereto shall then be made, except that, if determined by the Corporation (I) the date fixed for determination of the holders of Common Shares entitled to receive any Clause I Distribution or Clause II Distribution shall be deemed to be the date fixed for the determination of holders of Common Shares entitled to receive the Clause IV Distribution and (II) any Common Shares included in any Clause I Distribution or Clause II Distribution shall be deemed not to be "outstanding at 5:00 p.m., New York City time, on the date fixed for such determination" within the meaning of clauses (i) and (ii).

(v) *Cash Distributions*. If the Corporation distributes an amount consisting exclusively of cash to all holders of Common Shares other than a regular, quarterly cash dividend that does not exceed $0.03 per Common Share (the "**Initial Dividend Threshold**") (excluding (1) any cash that is distributed in a Reorganization Event to which Section 13(e) applies, (2) any dividend or other distribution in connection with the voluntary or involuntary liquidation, dissolution or winding up of the Corporation and (3) any consideration payable as part of a tender or exchange offer by the Corporation or any subsidiary of the Corporation covered by Section 13(a)(vi)), each Fixed Conversion Rate in effect at 5:00 p.m., New York City time, on the date fixed for determination of the holders of Common Shares entitled to receive such dividend or other distribution shall be multiplied by a fraction:

(1) the numerator of which is the Current Market Price minus the Initial Dividend Threshold (provided that if the distribution is not a regular quarterly cash dividend, the Initial Dividend Threshold will be deemed to be zero), and

(2) the denominator of which is the Current Market Price minus the amount per Common Share of such dividend or other distribution.

The Initial Dividend Threshold is subject to adjustment in a manner inversely proportional to adjustments to the Fixed Conversion Rates; provided that no adjustment will be made to the Initial Dividend Threshold for any adjustment to the Fixed Conversion Rates pursuant to this clause (v).

Any adjustment made pursuant to this clause (v) shall become effective immediately after 5:00 p.m., New York City time, on the date fixed for the determination of the holders of Common Shares entitled to receive such dividend or other distribution. In the event that any distribution described in this clause (v) is not so paid or made, each Fixed Conversion Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay such dividend or make such distribution, to such Fixed Conversion Rate which would then be in effect if such distribution had not been declared.

(vi) *Self Tender Offers and Exchange Offers*. If the Corporation or any subsidiary of the Corporation successfully completes a tender or exchange offer pursuant to a Schedule TO or registration statement on Form S-4 for Common Shares (excluding any securities convertible or exchangeable for Common Shares), where the cash and the value of any other consideration included in the payment per Common Share exceeds the Current Market Price, each Fixed Conversion Rate in effect at 5:00 p.m., New York City time, on the date of expiration of the tender or exchange offer (the "**Expiration Date**") shall be multiplied by a fraction:

(A) the numerator of which shall be equal to the sum of:

(1) the aggregate cash and Fair Market Value on the Expiration Date of any other consideration paid or payable for Common Shares purchased in such tender or exchange offer; and

(2) the product of (I) the Current Market Price and (II) (A) the number of Common Shares outstanding at the time such tender or exchange offer expires less (B) any purchased Common Shares; and

(B) the denominator of which shall be equal to the product of (I) the Current Market Price and (II) the number of Common Shares outstanding at the time such tender or exchange offer expires, including any purchased Common Shares.

Any adjustment made pursuant to this clause (vi) shall become effective immediately after 5:00 p.m., New York City time, on the 10th Trading Day immediately following the Expiration Date but will be given effect as of 9:00 a.m., New York City time, on the Expiration Date. In the event that the Corporation or one of its subsidiaries is obligated to purchase Common Shares pursuant to any such tender offer or exchange offer, but the Corporation or such subsidiary is permanently prevented by applicable law from effecting any such purchases, or all such purchases are rescinded, then each Fixed Conversation Rate shall be readjusted to be such Fixed Conversion Rate that would then be in effect if such tender offer or exchange offer had not been made. Except as set forth in the preceding sentence, if the application of this clause (vi) to any tender offer or exchange offer would result in a decrease in each Fixed Conversation Rate, no adjustment shall be made for such tender offer or exchange offer under this clause (vi). If an adjustment to each Fixed Conversion Rate is required pursuant to this clause (vi) during any settlement period or Early Conversion Settlement Period in respect of shares of Mandatory Convertible Preferred Stock that have been tendered for conversion, delivery of the related conversion consideration shall be delayed to the extent necessary in order to complete the calculations provided for in this clause (vi).

(vii) *Fair Market Value in Excess of Current Market Price.* Except with respect to a Spin-Off, in cases as to which Section 13(a)(iv) or Section 13(a)(v) applies where the Fair Market Value of the evidences of the Corporation's indebtedness, shares of capital stock, securities, rights to acquire the Corporation's capital stock, cash or other assets applicable to one Common Share distributed to holders of Common Shares equals or exceeds the Current Market Price (as determined for purposes of calculating the conversion rate adjustment pursuant to Section 13(a)(iv) or Section 13(a)(v)), rather than being entitled to an adjustment in each Fixed Conversion Rate, Holders shall be entitled to receive upon conversion, in addition to a number of Common Shares otherwise deliverable on the applicable Conversion Date, the kind and amount of the evidences of the Corporation's indebtedness, shares of capital stock, securities, rights to acquire the Corporation's capital stock, cash or other assets comprising the distribution that such Holder would have received if such Holder had owned immediately prior to the record date for determining the holders of Common Shares entitled to receive the distribution, for each share of Mandatory Convertible Preferred Stock, a number of Common Shares equal to the Maximum Conversion Rate in effect on the date of such distribution.

(viii) *Rights Plans*. To the extent that the Corporation has a rights plan in effect with respect to the Common Shares on any Conversion Date, upon conversion of any shares of Mandatory Convertible Preferred Stock, converting Holders shall receive, in addition to the Common Shares, the rights under such rights plan, unless, prior to such Conversion Date, the rights have separated from the Common Shares, in which case each Fixed Conversion Rate shall be adjusted at the time of separation of such rights as if the Corporation made a distribution to all holders of the Common Shares as described in Section 13(a)(iv), subject to readjustment in the event of the expiration, termination or redemption of such rights. Any distribution of rights or warrants pursuant to a rights plan that would allow Holders to receive upon conversion, in addition to any Common Shares, the rights described therein (unless such rights or warrants have separated from Common Shares) shall not constitute a distribution of rights or warrants that would entitle Holders to an adjustment to the Fixed Conversion Rates.

(b) *Adjustment for Tax Reasons*. The Corporation may make such increases in each Fixed Conversion Rate, in addition to any other increases required by this Section 13, as the Corporation deems advisable to avoid or diminish any income tax to holders of the Common Shares resulting from any dividend or distribution of Common Shares (or issuance of rights or warrants to acquire Common Shares) or from any event treated as such for income tax purposes or for any other reasons; *provided* that the same proportionate adjustment must be made to each Fixed Conversion Rate.

(c) *Calculation of Adjustments; Adjustments to Threshold Appreciation Price, Initial Price and Fundamental Change Share Price*.

(i) All adjustments to each Fixed Conversion Rate shall be calculated to the nearest 1/10,000th of a Common Share. Prior to the Mandatory Conversion Date, no adjustment in a Fixed Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least one percent therein. If any adjustment by reason of this Section 13(c)(i) is not required to be made, such adjustment shall be carried forward and taken into account in any subsequent adjustment; *provided*, however, that on the earlier of the Mandatory Conversion Date, an Acquisition Termination Redemption Date, an Early Conversion Date and a Fundamental Change Effective Date, adjustments to each Fixed Conversion Rate shall be made with respect to any such adjustment carried forward that has not been taken into account before such date.

(ii) If an adjustment is made to the Fixed Conversion Rates pursuant to Sections 13(a) or 13(b), an inversely proportional adjustment shall also be made to the Threshold Appreciation Price and the Initial Price solely for purposes of determining which of clauses (i), (ii) and (iii) of Section 7(b) shall apply on the Mandatory Conversion Date. Such adjustment shall be made by dividing each of the Threshold Appreciation Price and the Initial Price by a fraction, the numerator of which shall be either Fixed Conversion Rate immediately after such adjustment pursuant to Sections 13(a) or 13(b) and the denominator of which shall be such Fixed Conversion Rate immediately before such adjustment. Whenever any provision of the Statement with Respect to Shares requires the Corporation or the Board of Directors to calculate the VWAP per Common Share over a span of multiple days, the Board of Directors shall make appropriate adjustments (including, without limitation, to the Applicable Market Value, the Early Conversion Average Price, the Stock Price and the Average Price (as the case may be)) to account for any adjustments to the Initial Price, the Threshold Appreciation Price, the Floor Price and the Fixed Conversion Rates (as the case may be) that become effective, or any event that would require such an adjustment if the Ex-Date, Effective Date or Expiration Date (as the case may be) of such event occurs, during the relevant period used to calculate such prices or values (as the case may be).

(iii) If:

(A) the record date for a dividend or distribution on Common Shares occurs after the end of the 20 consecutive Trading Day period used for calculating the Applicable Market Value and before the Mandatory Conversion Date; and

(B) such dividend or distribution would have resulted in an adjustment of the number of Common Shares issuable to the Holders had such record date occurred on or before the last Trading Day of such 20 consecutive Trading Day period,

then the Corporation shall deem the Holders to be holders of record, for each share of their Mandatory Convertible Preferred Stock, of a number of Common Shares equal to the Mandatory Conversion Rate for purposes of that dividend or distribution. In this case, the Holders would receive the dividend or distribution on Common Shares together with the number of Common Shares issuable upon the Mandatory Conversion Date.

(iv) If an adjustment is made to the Fixed Conversion Rates pursuant to Sections 13(a) or 13(b), a proportional adjustment shall be made to each Fundamental Change Share Price column heading set forth in the table included in the definition of "Fundamental Change Conversion Rate" as of the day on which the Fixed Conversion Rates are so adjusted. Such adjustment shall be made by multiplying each Fundamental Change Share Price included in such table, applicable immediately prior to such adjustment, by a fraction, the numerator of which is the Minimum Conversion Rate immediately prior to the adjustment giving rise to such Fundamental Change Share Price adjustment, and the denominator of which is the Minimum Conversion Rate as so adjusted.

(v) No adjustment to the Fixed Conversion Rates shall be made if Holders may participate, at the same time, upon the same terms and otherwise on the same basis as holders of Common Stock and solely as a result of holding Mandatory Convertible Preferred Stock, in the transaction that would otherwise give rise to an adjustment as if they held, for each share of Mandatory Convertible Preferred Stock, a number of Common Shares equal to the Maximum Conversion Rate then in effect. In addition, the Fixed Conversion Rates shall not be adjusted:

(A) upon the issuance of any Common Shares pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Corporation's securities and the investment of additional optional amounts in Common Stock under any plan;

(B) upon the issuance of any Common Shares or rights or warrants to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Corporation or any of its subsidiaries;

(C) upon the issuance of any Common Shares pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the Initial Issue Date;

(D) for a change solely in the par value of the Common Stock;

(E) for stock repurchases that are not tender offers, including structured or derivative transactions; or

(F) for accumulated and unpaid dividends on the Mandatory Convertible Preferred Stock, except as provided under Sections 7, 8 and 9.

(d) *Notice of Adjustment*. Whenever the Fixed Conversion Rates and the Fundamental Change Conversion Rates set forth in the table in the definition of "Fundamental Change Conversion Rate" are to be adjusted, the Corporation shall:

(i) compute such adjusted Fixed Conversion Rates and Fundamental Change Conversion Rates and prepare and transmit to the Transfer Agent an Officer's Certificate setting forth such adjusted Fixed Conversion Rates and Fundamental Change Conversion Rates, the method of calculation thereof in reasonable detail and the facts requiring such adjustment and upon which such adjustment is based;

(ii) as soon as practicable following the occurrence of an event that requires an adjustment to the Fixed Conversion Rates and the Fundamental Change Conversion Rates, provide, or cause to be provided, a written notice to the Holders of the occurrence of such event; and

(iii) within 10 Business Days following the determination of such adjusted Fixed Conversion Rates and Fundamental Change Conversion Rates provide, or cause to be provided, to the Holders a statement setting forth in reasonable detail the method by which the adjustments to the Fixed Conversion Rates and Fundamental Change Conversion Rates were determined and setting forth such adjusted Fixed Conversion Rates and Fundamental Change Conversion Rates.

(e) *Reorganization Events*. In the event of:

(i) any consolidation or merger of the Corporation with or into another Person (other than a merger or consolidation in which the Corporation is the continuing corporation and in which the Common Shares outstanding immediately prior to the merger or consolidation are not exchanged for cash, securities or other property of the Corporation or another Person);

(ii) any sale, transfer, lease or conveyance to another Person of all or substantially all of the property and assets of the Corporation;

(iii) any reclassification of Common Shares into securities including securities other than Common Shares; or

(iv) any statutory exchange of securities of the Corporation with another Person (other than in connection with a merger or acquisition),

in each case, as a result of which the Common Shares would be converted into, or exchanged for, securities, cash or other property (each, a "**Reorganization Event**"), each share of Mandatory Convertible Preferred Stock outstanding immediately prior to such Reorganization Event shall, without the consent of the Holders, become convertible into the kind of securities, cash and other property that such Holder would have been entitled to receive if such Holder had converted its Mandatory Convertible Preferred Stock into Common Shares immediately prior to such Reorganization Event (such securities, cash and other property, the "**Exchange Property**," with each "**Unit of Exchange Property**" meaning the kind and amount of such Exchange Property that a Holder of one Common Share is entitled to receive). For purposes of the foregoing, the type and amount of Exchange Property in the case of any Reorganization Event that causes the Common Stock to be converted into the right to receive more than a single type of consideration (determined based in part upon any form of shareholder election) shall be deemed to be the weighted average of the types and amounts of consideration received by the holders of Common Shares that affirmatively make such an election (or of all holders of Common Shares if none makes an election). The Corporation shall notify Holders of the weighted average as soon as practicable after such determination is made. The number of Units of Exchange Property for each share of Mandatory Convertible Preferred Stock converted following the effective date of such Reorganization Event shall be determined as if references in Section 7, Section 8 and Section 9 to Common Shares were to Units of Exchange Property (without any interest thereon and without any right to dividends or distributions thereon which have a record date that is prior to such Conversion Date, except as provided in Section 13(a)(vii), Section 13(c)(iii) and Section 13(c)(v)). For the purpose of determining which of clauses (i), (ii) and (iii) of Section 7(b) shall apply upon Mandatory Conversion, and for the purpose of calculating the Mandatory Conversion Rate if clause (ii) of Section 7(b) is applicable, the value of a Unit of Exchange Property shall be determined in good faith by the Board of Directors (which determination will be final), except that if a Unit of Exchange Property includes common stock or American Depositary Receipts ("**ADRs**") that are traded on a U.S. national securities exchange, the value of such common stock or ADRs shall be the average over the 20 consecutive Trading Day period ending on, and including, the third Trading Day immediately preceding the Mandatory Conversion Date of the volume weighted average prices for such common stock or ADRs, as displayed on the applicable Bloomberg screen (as determined in good faith by the Board of Directors (which determination will be final)); or, if such price is not available, the average market value per share of such common stock or ADRs over such period as determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained by the Corporation for this purpose.

The above provisions of this Section 13(e) shall similarly apply to successive Reorganization Events and the provisions of Section 13 shall apply to any shares of capital stock or ADRs of the Corporation (or any successor thereto) received by the holders of Common Shares in any such Reorganization Event.

The Corporation (or any successor thereto) shall, as soon as reasonably practicable (but in any event within 20 calendar days) after the occurrence of any Reorganization Event, provide written notice to the Holders of such occurrence and of the kind and amount of the cash, securities or other property that constitute the Exchange Property. Failure to deliver such notice shall not affect the operation of this Section 13(e).

SECTION 14. *Transfer Agent, Registrar, and Conversion, Dividend Disbursing and Redemption Agent.* The duly appointed Transfer Agent and Registrar for the Mandatory Convertible Preferred Stock shall be Computershare Trust Company, N.A., and the Conversion Agent, Dividend Disbursing Agent, and Redemption Agent for the Mandatory Convertible Preferred Stock shall be Computershare Inc. The Corporation may, in its sole discretion, remove the Transfer Agent, Registrar or Conversion Agent, Dividend Disbursing Agent and Redemption Agent in accordance with the agreement between the Corporation and the Transfer Agent, Registrar or Conversion Agent, Dividend Disbursing Agent and Redemption Agent, as the case may be; *provided* that if the Corporation removes Computershare Trust Company, N.A. or Computershare Inc., the Corporation shall appoint a successor transfer agent, registrar or conversion, dividend disbursing and redemption agent, as the case may be, who shall accept such appointment prior to the effectiveness of such removal. Upon any such removal or appointment, the Corporation shall send notice thereof by first-class mail, postage prepaid, to the Holders.

SECTION 15. *Record Holders.* To the fullest extent permitted by applicable law, the Corporation and the Transfer Agent may deem and treat the Holder of any share of Mandatory Convertible Preferred Stock as the true and lawful owner thereof for all purposes.

SECTION 16. *Notices.* All notices or communications in respect of the Mandatory Convertible Preferred Stock shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in the Statement with Respect to Shares, in the Articles of Incorporation or the By-laws and by applicable law. Notwithstanding the foregoing, if shares of Mandatory Convertible Preferred Stock are represented by Global Preferred Shares, such notices may also be given to the Holders in any manner permitted by DTC or any similar facility used for the settlement of transactions in the shares of Mandatory Convertible Preferred Stock.

SECTION 17. *No Preemptive Rights.* The Holders shall have no preemptive or preferential rights to purchase or subscribe for any stock, obligations, warrants or other securities of the Corporation of any class.

SECTION 18. *Other Rights.* The shares of the Mandatory Convertible Preferred Stock shall not have any rights, preferences, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Articles of Incorporation or as provided by applicable law.

SECTION 19. *Share Certificates.*

(a) Shares of Mandatory Convertible Preferred Stock shall initially be represented by share certificates substantially in the form set forth as Exhibit A hereto.

(b) Share certificates representing shares of the Mandatory Convertible Preferred Stock shall be signed in accordance with the By-laws and applicable Pennsylvania law, by manual or facsimile signature.

(c) A share certificate representing shares of the Mandatory Convertible Preferred Stock shall not be valid until manually countersigned by an authorized signatory of the Transfer Agent and Registrar. Each share certificate representing shares of the Mandatory Convertible Preferred Stock shall be dated the date of its countersignature.

(d) If any Officer of the Corporation who has signed a share certificate no longer holds that office at the time the Transfer Agent and Registrar countersigns the stock certificate, the share certificate shall be valid nonetheless.

(e) The Corporation may at its option issue shares of Mandatory Convertible Preferred Stock without certificates under the circumstances specified in Section 21(d).

SECTION 20. *Replacement Certificates*.

(a) If physical certificates are issued, and any of the Mandatory Convertible Preferred Stock certificates shall be mutilated, lost, stolen or destroyed, the Corporation shall, at the expense of the Holder, issue, in exchange and in substitution for and upon cancellation of the mutilated Mandatory Convertible Preferred Stock certificate, or in lieu of and substitution for the Mandatory Convertible Preferred Stock certificate lost, stolen or destroyed, a new Mandatory Convertible Preferred Stock certificate of like tenor and representing an equivalent Liquidation Preference of Mandatory Convertible Preferred Stock, but only upon receipt of evidence of such loss, theft or destruction of such Mandatory Convertible Preferred Stock certificate and indemnity, if requested, reasonably satisfactory to the Corporation and the Transfer Agent.

(b) The Corporation is not required to issue any certificate representing the Mandatory Convertible Preferred Stock on or after the Mandatory Conversion Date. In lieu of the delivery of a replacement certificate following the Mandatory Conversion Date, the Transfer Agent, upon delivery of the evidence and indemnity described above, shall deliver the Common Shares issuable and any cash deliverable pursuant to the terms of the Mandatory Convertible Preferred Stock formerly evidenced by the certificate.

SECTION 21. *Book Entry Form.*

(a) Shares of Mandatory Convertible Preferred Stock shall be issued in global form ("**Global Preferred Shares**") eligible for book-entry settlement with the Depositary, represented by one or more stock certificates in global form registered in the name of the Depositary or a nominee of the Depositary bearing the form of global securities legend set forth in Exhibit A. The aggregate number of shares of Mandatory Convertible Preferred Stock represented by each stock certificate representing Global Preferred Shares may from time to time be increased or decreased by a notation by the Registrar and Transfer Agent on Schedule I attached to the stock certificate.

(b) Members of, or participants in, the Depositary ("**Agent Members**") shall have no rights under the Statement with Respect to Shares, with respect to any Global Preferred Shares, and the Depositary shall be treated by the Corporation, the Registrar and any agent of the Corporation or the Registrar as the absolute owner of the Mandatory Convertible Preferred Stock held as Global Preferred Shares. Notwithstanding the foregoing, nothing herein shall prevent the Corporation, the Registrar or any agent of the Corporation or the Registrar from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and its Agent Members, the operation of customary practices of the Depositary governing the exercise of the rights of a holder of a beneficial interest in any shares of Mandatory Convertible Preferred Stock. The Holders may grant proxies or otherwise authorize any Person to take any action that a Holder is entitled to take pursuant to the Mandatory Convertible Preferred Stock, the Statement with Respect to Shares, or the Articles of Incorporation.

(c) Transfers of a Global Preferred Share shall be limited to transfers of such Global Preferred Share in whole, but not in part, to nominees of the Depositary or to a successor of the Depositary or such successor's nominee.

(d) If DTC is at any time unwilling or unable to continue as Depositary for the Global Preferred Shares or DTC ceases to be registered as a "clearing agency" under the Exchange Act, and in either case a successor Depositary is not appointed by the Corporation within 90 days, the Corporation shall issue certificated shares in exchange for the Global Preferred Shares or otherwise provide for alternate book-entry arrangements with respect to the Mandatory Convertible Preferred Stock. In any such case, the Global Preferred Shares shall be exchanged in whole for definitive stock certificates, in substantially the form attached hereto as Exhibit A, representing an equal aggregate Liquidation Preference or otherwise exchanged pursuant to such alternate book-entry arrangements providing for beneficial interests of an equal aggregate Liquidation Preference. If definitive stock certificates are issued pursuant to this Section 21(d), such definitive stock certificates shall be registered in the name or names of the Person or Persons specified by DTC in a written instrument to the Registrar.

SECTION 22. *Miscellaneous*

(a) The Corporation shall pay any and all stock transfer and documentary stamp taxes that may be payable in respect of any issuance or delivery of shares of Mandatory Convertible Preferred Stock or Common Shares or other securities issued on account of shares of Mandatory Convertible Preferred Stock pursuant hereto or certificates representing such shares or securities. The Corporation shall not, however, be required to pay any such tax that may be payable in respect of any transfer involved in the issuance or delivery of Common Shares or other securities in a name other than that in which the shares of Mandatory Convertible Preferred Stock with respect to which such shares or other securities are issued or delivered were registered, and shall not be required to make any such issuance or delivery unless and until the Person otherwise entitled to such issuance or delivery has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid or is not payable.

(b) The Liquidation Preference and the Dividend Rate each shall be subject to equitable adjustment whenever there shall occur a stock split, combination, reclassification or other similar event involving the Mandatory Convertible Preferred Stock. Such adjustments shall be determined in good faith by the Board of Directors and submitted by the Board of Directors to the Transfer Agent.

Exhibit A

[FORM OF FACE OF CLASS B MANDATORY CONVERTIBLE PREFERRED STOCK, SERIES 1 CERTIFICATE]

[INCLUDE FOR GLOBAL PREFERRED SHARES]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("**DTC**"), TO THE CORPORATION OR THE TRANSFER AGENT NAMED ON THE FACE OF THIS CERTIFICATE, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO. HAS AN INTEREST HEREIN. TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE.

Certificate Number [ ]

[Initial] Number of shares of Mandatory Convertible Preferred Stock: [ ]

CUSIP: [ADD]

ISIN: [ADD]

Arconic Inc.

5.375% Class B Mandatory Convertible Preferred Stock, Series 1 (par value $1.00 per share) (Liquidation Preference as specified below)

Arconic, Inc., a Pennsylvania corporation (the "**Corporation**"), hereby certifies that [ ] (the "**Holder**"), is the registered owner of [ ]][the number shown on Schedule I hereto of] fully paid and non-assessable shares of the Corporation's designated 5.375% Class B Mandatory Convertible Preferred Stock, Series 1, with a par value of $1.00 per share and a Liquidation Preference of $500 per share (the "**Mandatory Convertible Preferred Stock**"). Shares of Mandatory Convertible Preferred Stock are transferable on the books and records of the Registrar, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer. The designations, rights, privileges, restrictions, preferences and other terms and provisions of the shares of Mandatory Convertible Preferred Stock represented hereby are and shall in all respects be subject to the provisions of the Statement with Respect to Shares establishing the terms of the 5.375% Mandatory Convertible Preferred Stock of Arconic Inc. dated September 22, 2014, as the same may be amended from time to time (the "**Statement with Respect to Shares**"), and the other provisions of the Articles of Incorporation of Arconic Inc., as the same may be amended from time to time. Capitalized terms used herein but not defined shall have the meaning given them in the Statement with Respect to Shares. The Corporation will provide a copy of the Statement with Respect to Shares and the Articles of Incorporation to the Holder without charge upon written request to the Corporation at its principal place of business.

Reference is hereby made to the provisions of the Mandatory Convertible Preferred Stock set forth on the reverse hereof and in the Statement with Respect to Shares and the Articles of Incorporation, which provisions shall for all purposes have the same effect as if set forth at this place.

Upon receipt of this executed certificate, the Holder is bound by the Statement with Respect to Shares and the Articles of Incorporation and is entitled to the benefits thereunder.

Unless the Transfer Agent and Registrar have properly countersigned, these shares of Mandatory Convertible Preferred Stock shall not be entitled to any benefit under the Statement with Respect to Shares or the Articles of Incorporation or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, this certificate has been executed on behalf of the Corporation by two Officers of the Corporation this [ ] of [ ] [ ].

Arconic Inc.

By: ____________________________
Name:
Title:

By: ____________________________
Name:
Title:

COUNTERSIGNATURE

These are shares of the Mandatory Convertible Preferred Stock referred to in the within-mentioned Statement with Respect to Shares.

Dated: [ ], [ ]

[Computershare Trust Company, N.A..], as
Registrar and Transfer Agent

By: ____________________________
Name:
Title:

[FORM OF REVERSE OF CERTIFICATE FOR MANDATORY CONVERTIBLE PREFERRED STOCK]

Cumulative dividends on each share of Mandatory Convertible Preferred Stock shall be payable at the applicable rate provided in the Statement with Respect to Shares.

The Mandatory Convertible Preferred Stock shall be convertible in the manner and accordance with the terms set forth in the Statement with Respect to Shares.

The Corporation shall furnish without charge to each Holder who so requests a statement of the designations, voting rights, preferences, limitations, and special rights of the shares of each class or series authorized to be issued so far as they have been fixed and the authority of the board of directors to fix and determine the designations, voting rights, preferences, limitations, and special rights of the classes and series of shares of the corporation.

NOTICE OF CONVERSION

(To be Executed by the Holder
in order to Convert the Mandatory Convertible Preferred Stock)

The undersigned hereby irrevocably elects to convert (the "**Conversion**") [   ] shares of 5.375% Class B Mandatory Convertible Preferred Stock, Series 1 (the "**Mandatory Convertible Preferred Stock**"), of Arconic Inc. (hereinafter called the "**Corporation**"), represented by stock certificate No(s). [   ] (the "**Mandatory Convertible Preferred Stock Certificates**"), into shares of the common stock, par value $1.00 per share, of the Corporation (the "**Common Stock**") according to the conditions of the Statement with Respect to Shares establishing the terms of Mandatory Convertible Preferred Stock (the "**Statement with Respect to Shares**"), as of the date written below. If shares of Common Stock are to be issued in the name of a person other than the undersigned, the undersigned shall pay all transfer taxes payable with respect thereto, if any. Each Mandatory Convertible Preferred Stock Certificate (or evidence of loss, theft or destruction thereof) is attached hereto.

Capitalized terms used but not defined herein shall have the meanings ascribed thereto in or pursuant to the Statement with Respect to Shares.

Date of Conversion: ______________________________

Applicable Conversion Rate: ________________________

Number of shares of Mandatory Convertible Preferred Stock to be Converted: ____________

Number of Shares of Common Stock to be Issued:* ____________________

Signature: ______________________________

Name: _________________________________

Address:** ______________________________

____

____

Fax No.: ______________________________

* The Corporation is not required to issue shares of Common Stock until the original Mandatory Convertible Preferred Stock Certificate(s) (or evidence of loss, theft or destruction thereof) to be converted are received by the Corporation or the Conversion and Dividend Disbursing Agent.

** Address where shares of Common Stock and any other payments or certificates shall be sent by the Corporation.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers the shares of Mandatory Convertible Preferred Stock evidenced hereby to:

____

(Insert assignee's social security or taxpayer identification number, if any)

____

____

____

(Insert address and zip code of assignee)

and irrevocably appoints:

____

____

as agent to transfer the shares of Mandatory Convertible Preferred Stock evidenced hereby on the books of the Transfer Agent. The agent may substitute another to act for him or her.

Date:

Signature: ______________________________
(Sign exactly as your name appears on the other side of this Certificate)

Signature Guarantee: ______________________________

(Signature must be guaranteed by an "eligible guarantor institution" that is a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Transfer Agent, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("**STAMP**") or such other "signature guarantee program" as may be determined by the Transfer Agent in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

Schedule I[1]

Arconic Inc.

Global Preferred Share
5.375% Class B Mandatory Convertible Preferred Stock, Series 1

Certificate Number:

The number of shares of Mandatory Convertible Preferred Stock initially represented by this Global Preferred Share shall be [ ]. Thereafter the Transfer Agent and Registrar shall note changes in the number of shares of Mandatory Convertible Preferred Stock evidenced by this Global Preferred Share in the table set forth below:

Amount of Decrease in Number of Shares Represented by this Global Preferred Share	Amount of Increase in Number of Shares Represented by this Global Preferred Share	Number of Shares Represented by this Global Preferred Share following Decrease or Increase	Signature of Authorized Officer of Transfer Agent and Registrar

1 Attach Schedule I only to Global Preferred Shares.

ARCONIC INC.
BY-LAWS
(Amended as of November 1, 2016)

ARTICLE I - IDENTIFICATION

Section 1. *Principal Office*. The principal office of the Company shall be in the City of New York, New York.

Section 2. *Seal*. The Company shall have a corporate seal in such form as the board of directors shall by resolution from time to time prescribe.

Section 3. *Fiscal Year*. The fiscal year of the Company shall end on the 31st day of December.

ARTICLE II - SHAREHOLDERS' MEETINGS

Section 1. *Place of Meetings*. Meetings of the shareholders of the Company shall be held at such place within or without the Commonwealth of Pennsylvania as may be fixed by the board of directors pursuant to authority hereby granted.

Section 2. *Annual Meeting*. The annual meeting of the shareholders shall be held on the Friday next following the first Monday in May of each year at nine thirty o'clock A.M., local time in effect at the place of the meeting, or on such other day or at such other time as may be fixed by the board of directors pursuant to authority hereby granted.

Section 3. *Special Meeting*.

(A) Calling of Special Meetings of Shareholders. Special meetings of the shareholders may be called only by (1) the chairman of the board, (2) the board of directors pursuant to a resolution adopted by the board, (3) the secretary of the Company at the request in proper form of an interested shareholder (as defined in section 2553 of the Pennsylvania Business Corporation Law ("PBCL")) for the purpose of approving a business combination under section 2555(3) or 2555(4) of the PBCL or (4) the secretary of the Company at the request in proper form of shareholders who have continuously held as shareholders of record "Net Long Shares" (as determined in accordance with Section 3(C) of this Article II) representing in the aggregate at least twenty-five (25) percent of the outstanding shares of common stock of the Company (the "Requisite Percent") for at least one year prior to the date such request is delivered to the secretary. Special meetings of shareholders shall be held at such place, on such date, and at such time as the board of directors shall fix pursuant to a resolution adopted by the board. Following receipt by the secretary of the Company of a request of shareholders that complies with the requirements set forth in this Section 3 (a "Special Meeting Request"), the secretary of the Company shall call a special meeting of the shareholders, except as otherwise provided in Section 3(E) of this Article II. References to sections of the PBCL in this Section 3(A) shall be deemed to be a reference to any successor provision of similar import.

(B) Special Meeting Request. To be in proper form, a Special Meeting Request must be in writing, must state the purpose or purposes of the proposed meeting and must include all information that would be required to be included in a notice of a business proposal delivered pursuant to Section 5(A)(2) of this Article II and, in the case of a director nomination, all information that would be required to be included in a notice satisfying the requirements set forth in Section A(3) of Article EIGHTH of the Company's Articles, which in each case shall be updated or supplemented as set forth in the last paragraph of Section 5(A)(2) of this Article II. In addition to the foregoing, a Special Meeting Request made pursuant to Section 3(A)(4) of this Article II must include (x) an acknowledgment of the shareholders requesting the special meeting that any reduction in such shareholders' aggregate Net Long Shares below the Requisite Percent following the delivery of a Special Meeting Request to the secretary of the Company shall constitute a revocation of such Special Meeting Request and (y) documentary evidence that the requesting shareholders own the Requisite Percent of Net Long Shares as of the date on which the Special Meeting Request was delivered to the secretary of the Company (the "Delivery Date") and that such shareholders have continuously held such Requisite Percent for at least one year prior to such Delivery Date.

(C) Net Long Shares. For purposes of this Section 3, "Net Long Shares" shall be limited to the number of shares beneficially owned, directly or indirectly, by any shareholder or beneficial owner that constitute such person's net long position as defined in Rule 14e-4 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provided that (1) for purposes of such definition, in determining such holder's "short position," the reference in such rule to "the date that a tender offer is first publicly announced or otherwise made known by the bidder to the holders of the security to be acquired" shall be the Delivery Date of the relevant Special Meeting Request, and the reference to the "highest tender offer price or stated amount of the consideration offered for the subject security" shall refer to the closing sales price of the Company's common stock on the New York Stock Exchange on such date (or, if such date is not a trading day, the next succeeding trading day), and (2) "Net Long Shares" shall not include any shares as to which such person does not have the right to vote or direct the vote at the special meeting or as to which such person has entered into a derivative or other agreement, arrangement or understanding that hedges or transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of such shares. In addition, to the extent that any affiliates of the shareholder or beneficial owner are acting in concert with the shareholder or beneficial owner with respect to the calling of the special meeting, the determination of Net Long Shares may include the effect of aggregating the Net Long Shares (including any negative number) of such affiliate or affiliates. Whether shares constitute "Net Long Shares" shall be decided by the board of directors in its reasonable determination, which determination shall be conclusive and binding on the Company and the shareholders.

(D) Revocation of Special Meeting Request. A shareholder may revoke a Special Meeting Request at any time by written revocation. Following such revocation, the board of directors, in its discretion, may cancel the special meeting unless, in the case of a Special Meeting Request made pursuant to Section 3(A)(4) of this Article II, any remaining requesting shareholders continue to satisfy the requirements set forth in this Section 3. For purposes of this Section 3, written revocation shall mean delivering a notice of revocation to the secretary of the Company or a public announcement (as such term is defined in Section 5(C)(2) of this Article II) that the shareholders who submitted a Special Meeting Request no longer meet the requirements set forth in this Section 3.

(E) Limitations. The secretary of the Company shall not call a special meeting in response to a Special Meeting Request made pursuant to Section 3(A)(4) of this Article II if (1) an identical or substantially similar item (as determined by the board of directors, a "Similar Item") is included or will be included in the Company's notice of meeting as an item of business to be brought before a meeting of shareholders that will be held not later than ninety (90) days after the Delivery Date of the Special Meeting Request; (2) the Delivery Date is during the period commencing ninety (90) days prior to the date of the next annual meeting and ending on the date of the next annual meeting; (3) a Similar Item was presented at any meeting of shareholders held within one hundred and eighty (180) days prior to the Delivery Date; (4) the Special Meeting Request relates to an item of business that is not a proper subject for shareholder action under applicable law; or (5) such Special Meeting Request was made in a manner that involved a violation of Regulation 14A under the Exchange Act or other applicable law. For purposes of this Section 3(E), the election of directors shall be deemed to be a Similar Item with respect to all items of business involving the election or removal of directors.

Section 4. *Chairman of the Meeting*. All meetings of the shareholders shall be called to order and presided over by the chairman of the board, or in the absence of the chairman of the board, by a vice chairman of the board, the president or another director, in the order designated by the chairman of the board, or if none of these be present, by a chairman elected by a majority of the votes which all shareholders present are entitled to cast on any matter coming before the meeting.

Section 5. *Notice of Shareholder Business*.

(A) Annual Meetings of Shareholders.

(1) The proposal of business (other than director nominations) to be considered by the shareholders may be made at an annual meeting of shareholders (a) pursuant to the Company's notice of meeting, (b) by or at the direction of the board of directors or (c) by any shareholder of the Company who was a shareholder of record at the time of giving of notice provided for in these By-laws, who is entitled to vote at the meeting and who complies with the notice procedures set forth in these By-laws.

(2) For business (other than director nominations, which are subject to the requirements of Section A(3) of Article EIGHTH of the Company's Articles, as the same may be amended from time to time) to be properly brought before an annual meeting by a shareholder pursuant to Section 5(A)(1)(c) of this Article II, the shareholder must have given timely notice thereof in proper form in writing to the secretary of the Company and such business must otherwise be a proper matter for shareholder action. To be timely, a shareholder's notice shall be delivered to the secretary of the Company at the principal executive offices of the Company not later than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting and shall be updated and supplemented as set forth below; provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the shareholder must be so delivered not later than ninety (90) days prior to the date of such annual meeting or, if the first public announcement of the date of such annual meeting is less than one hundred (100) days prior to the date of such annual meeting, the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Company. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a shareholder's notice as described above. To be in proper form, a shareholder's notice shall set forth and disclose:

(i) as to any business (other than director nominations) that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of (x) the shareholder making the proposal, (y) the beneficial owner, if any, on whose behalf the proposal is made and (z) their respective affiliates and associates or others acting in concert therewith (each person or entity specified by the foregoing clauses (x), (y) and (z), a "Proposing Shareholder");

(ii) a description of all agreements, arrangements and understandings between a Proposing Shareholder and any other person or persons (including their names) in connection with the proposal of such business by the shareholder;

(iii) the text of the proposal or business (including the text of any resolutions proposed for consideration and, in the event that such proposal or business includes a proposal to amend the By-laws or Articles of Incorporation of the Company, the text of the proposed amendment);

(iv) the name and address, as they appear on the Company's books, of each Proposing Shareholder;

(v) the class or series and number of shares of the Company which are, directly or indirectly, owned beneficially and of record by each Proposing Shareholder;

(vi) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Company or with a value derived in whole or in part from the value of any class or series of shares of the Company, or any derivative or synthetic arrangement having the characteristics of a long position in any class or series of shares of the Company, or any contract, derivative, swap or other transaction or series of transactions designed to produce economic benefits and risks that correspond substantially to the ownership of any class or series of shares of the Company, including due to the fact that the value of such contract, derivative, swap or other transaction or series of transactions is determined by reference to the price, value or volatility of any class or series of shares of the Company, whether or not such instrument, contract or right shall be subject to settlement in the underlying class or series of shares of the Company, through the delivery of cash or other property, or otherwise, and without regard to whether the shareholder of record, the beneficial owner, if any, or any affiliates or associates or others acting in concert therewith, may have entered into transactions that hedge or mitigate the economic effect of such instrument, contract or right, or any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Company (any of the foregoing, a "Derivative Instrument") directly or indirectly owned beneficially by each Proposing Shareholder;

(vii) any proxy, contract, arrangement, understanding, or relationship pursuant to which any Proposing Shareholder has a right to vote any class or series of shares of the Company;

(viii) any agreement, arrangement, understanding, relationship or otherwise, including any repurchase or similar so-called "stock borrowing" agreement or arrangement, involving a Proposing Shareholder, directly or indirectly, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of any class or series of the shares of the Company by, manage the risk of share price changes for, or increase or decrease the voting power of, such shareholder with respect to any class or series of the shares of the Company, or which provides, directly or indirectly, the opportunity to profit or share in any profit derived from any decrease in the price or value of any class or series of the shares of the Company (any of the foregoing, a "Short Interest");

(ix) any rights to dividends on the shares of the Company owned beneficially by any Proposing Shareholder that are separated or separable from the underlying shares of the Company;

(x) any proportionate interest in shares of the Company or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which any Proposing Shareholder is a general partner or, directly or indirectly, beneficially owns an interest in a general partner of such general or limited partnership;

(xi) any performance-related fees (other than an asset-based fee) that a Proposing Shareholder is entitled to based on any increase or decrease in the value of shares of the Company or Derivative Instruments, if any, including without limitation any such interests held by members of such Proposing Shareholder's immediate family sharing the same household;

(xii) any significant equity interests or any Derivative Instruments or Short Interests in any principal competitor of the Company held by a Proposing Shareholder;

(xiii) any direct or indirect interest of a Proposing Shareholder in any contract with the Company, any affiliate of the Company or any principal competitor of the Company (including, in any such case, any employment agreement, collective bargaining agreement or consulting agreement);

(xiv) to the extent not covered by the foregoing clauses (i) through (xiii), any disclosures that would be required pursuant to Item 5 or Item 6 of Schedule 13D if the requirements therein were applicable to each Proposing Shareholder; and

(xv) any other information relating to each Proposing Shareholder that would be required to be disclosed in a proxy statement and form of proxy or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder.

To be considered timely, a shareholder's notice shall be updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to the secretary of the Company at the principal executive offices of the Company not later than five business days after the record date for the meeting in the case of the update and supplement required to be made as of the record date, and not later than eight (8) business days prior to the date for the meeting or any adjournment or postponement thereof in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof.

(B) Special Meetings of Shareholders.

(1) Except as otherwise required by law or the Articles, only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the Company's notice of meeting or otherwise brought by or at the direction of the board of directors.

(2) Nominations of persons for election to the board of directors may be made at a special meeting of shareholders at which directors are to be elected pursuant to the Company's notice of meeting (a) by or at the direction of the board of directors or (b) provided that the board of directors has determined that directors shall be elected at such meeting or the secretary of the Company has called a special meeting pursuant to Section 3 of this Article II for the purpose of electing directors, by any shareholder of the Company who is a shareholder of record at the time of giving notice provided for in these By-laws and at the time of the special meeting, who shall be entitled to vote at such special meeting and who complies with the notice procedures set forth in these By-laws. In the event the Company calls a special meeting of shareholders for the purpose of electing one or more directors to the board of directors, any such shareholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Company's notice of meeting, if a shareholder's notice setting forth the information required by Section A(3) of Article EIGHTH of the Company's Articles is delivered to the secretary of the Company not later than the close of business on the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting. A shareholder's notice shall be updated and supplemented as set forth in the last paragraph of Section 5(A)(2) of this Article II. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a shareholder's notice as described in this Section 5(B)(2).

(C) General.

(1) Only such persons who are nominated in accordance with the procedures set forth in the Articles and in these By-laws shall be eligible to serve as directors and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in these By-laws or in the Articles of the Company. Except as otherwise provided by law, the Articles or these By-laws, the presiding officer of the meeting shall have the power and duty to determine whether any business proposed to be brought before the meeting was proposed in accordance with the procedures set forth in these By-laws or the Articles and, if any proposed business is not in compliance with these By-laws or the Articles, to declare that such defective proposal shall be disregarded.

(2) For purposes of these By-laws, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Company with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of these By-laws, a shareholder shall also comply with all applicable requirements of the Exchange Act with respect to the matters set forth in these By-laws; provided, however, that any references in these By-laws to the Exchange Act are not intended to and shall not limit the separate and additional requirements set forth in these By-laws with respect to nominations or proposals as to any other business to be considered pursuant to this Section 5. Nothing in these By-laws shall be deemed to affect any rights (i) of shareholders to request inclusion of proposals in the

Company’s proxy statement pursuant to Rule 14a-8 under the Exchange Act, including without limiting the generality of the foregoing, the time limits for notice of such proposals as provided under Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of preferred stock to elect directors under specified circumstances. Subject to Rule 14a-8 under the Exchange Act, nothing in these By-laws shall be construed to permit any shareholder, or give any shareholder the right, to include or have disseminated or described in the Company’s proxy statement any nomination of a director or directors or any other business proposal.

(D) Submission of Questionnaire, Representation and Agreement. To be eligible to be a nominee for election or reelection as a director of the Company, a person must deliver (in accordance with the time periods prescribed for delivery of notice under Section A(3) of Article EIGHTH of the Company’s Articles or Section 5(B) of this Article II, as applicable) to the secretary of the Company a written questionnaire with respect to the background and qualification of such person and any other person or entity that such person may represent or on whose behalf the nomination is being made (which questionnaire shall be provided by the secretary) and a written representation and agreement (in the form provided by the secretary) that such person (A) has no agreement or understanding with any person or entity as to how such person will act or vote on any issue or question as a director, (B) is not and will not become a party to any agreement or understanding with any person or entity other than the Company with respect to compensation, reimbursement or indemnification in connection with service or action as a director, (C) will comply with the director stock ownership guidelines of the Company and (D) in such person’s individual capacity and on behalf of any person or entity for whom such person may be a representative or on whose behalf the nomination is being made, has complied and will comply with all applicable corporate governance, conflicts, confidentiality and stock ownership and trading policies of the Company, including, for the avoidance of doubt, Section 6 of this Article II. In addition, a director nominee must comply with all applicable laws regarding service as a director of the Company, including, without limitation, the requirements as amended of: the Clayton Antitrust Act of 1914, 15 U.S.C. §19; the Company’s Department of State export license; the Department of Defense rules and regulations applicable to the Company; the New York Stock Exchange and other exchanges on which the Company’s securities are listed; and the minimum standards for service as a director prescribed in the Company’s Corporate Governance Guidelines.

Section 6. *Election of Directors*. In any non-contested election of directors, any incumbent director nominee who receives a greater number of votes cast against his or her election than in favor of his or her election (excluding abstentions) by holders of shares entitled to vote in the election shall immediately tender his or her resignation, and the board of directors shall decide, through a process managed by the Governance and Nominating Committee and excluding the nominee in question, whether to accept the resignation at its next regularly scheduled board meeting. The board’s explanation of its decision shall be promptly disclosed in accordance with the rules and regulations of the Securities and Exchange Commission. An election of directors shall be considered to be contested if there are more nominees for election than positions on the board of directors to be filled by election at the meeting of shareholders.

Section 7. *Shareholder Action by Written Consent.*

(A) Shareholder Action by Written Consent.

(1) Any action required or permitted to be taken at a meeting of the shareholders or of a class of shareholders of the Company may be taken without a meeting, provided that a consent or consents in writing to such action, setting forth the action so taken, shall be (1) signed by the shareholders who would have been entitled to cast the minimum number of votes that would be necessary to authorize the action at a meeting at which all shareholders entitled to vote thereon were present and voting and (2) filed with the secretary of the Company. Delivery made to the secretary shall be by hand or by certified or registered mail, return receipt requested, at the Company’s principal executive offices.

(2) Every written consent shall bear the date of signature of each shareholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within 45 days of the earliest dated written consent received in accordance with this Section 7, a written consent or consents signed by a sufficient number of holders to take such action are delivered to the Company in the manner prescribed in this Section 7. The Company shall provide prompt notice of such action to those shareholders entitled to vote on the action who have not consented.

(B) Record Date for Action by Written Consent.

(1) In order that the Company may determine the shareholders entitled to consent to corporate action in writing without a meeting, the board of directors may fix a record date, which record date shall not precede the earlier of (x) the date upon which the resolution fixing the record date is adopted by the board of directors and, if any, (y) the date upon which the Company received a request from a shareholder to set a record date for such action, and which date shall not be more than twenty (20) days after the date upon which the resolution fixing the record date is adopted by the board of directors. Any shareholder of record seeking to have the shareholders authorize or take corporate action by written consent shall request the board of directors to fix a record date, which request shall be in proper form and delivered to the secretary of the Company at the principal executive offices of the Company. To be in proper form, such request must be in writing and shall set forth and disclose:

(i) a brief description of the action or actions proposed to be taken by written consent, and reasons for such action(s) and any material interest in such action of each Proposing Shareholder (which, for purposes of this Section 6(B)(1), shall mean the shareholder requesting the record date, any beneficial shareholder on whose behalf the request is made and their respective affiliates and associates and others acting in concert therewith);

(ii) a description of all agreements, arrangements and understandings between a Proposing Shareholder and any other person or persons (including their names) in connection with the action proposed to be taken by written consent;

(iii) the information specified in Section 5(A)(2)(iii) through (xiv) of this Article II;

(iv) any other information relating to any Proposing Shareholder that would be required to be disclosed in a proxy statement and form of proxy or other filings required to be made in connection with solicitations of proxies for the action proposed to be taken by written consent pursuant to Section 14 of the Exchange Act;

(v) in the case of any director election proposed to be made by written consent, (X) the information required by Section A(3) of Article EIGHTH (but excluding clause (b) thereof) of the Company's Articles to be included in a shareholder's notice of director nominations and (Y) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among each Proposing Shareholder, on the one hand, and each proposed nominee and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the Proposing Shareholder were the "registrant".

ARTICLE III - BOARD OF DIRECTORS

Section 1. *Number*. Until the board of directors has increased or decreased the number of the directors as hereinafter provided, the number of the directors shall be thirteen (13). The board is hereby authorized to increase or decrease the number of the directors from time to time without a vote of the shareholders, provided, however, that such number shall not be less than seven (7) nor more than fifteen (15).

Section 2. *General Powers*. The board of directors shall have power in general to manage the business and affairs of the Company consistent with the law, the Articles of the Company and these By-laws, and may from time to time adopt such regulations regarding the powers and duties of the respective officers, assistant officers and agents and the conduct of the Company's business as the board may deem proper and expedient.

Section 3. *Election and Nomination of Directors*. Candidates for election as directors at any annual meeting of shareholders shall be nominated and elected for terms to expire not later than the third annual meeting following their election, in accordance with the By-laws and Articles of the Company and applicable law.

Section 4. *Annual Meeting*. The board of directors shall without notice meet each year upon adjournment of the annual meeting of the shareholders at the principal office of the Company, or on such other day or at such other time or place as shall be fixed by the board at any time in advance of the meeting date or designated in a notice of the meeting, for the purposes of organization, election of officers and consideration of any other business that may properly be brought before the meeting.

Section 5. *Regular Meetings.* Regular meetings of the board of directors shall be held at such times and places as shall be fixed by the board at any time in advance of the meeting date or designated in a notice of the meeting.

Section 6. *Special Meetings*. Special meetings of the board of directors may be called by the chairman of the board, a vice chairman of the board, the president or any two directors.

Section 7. *Notice of Annual, Regular and Special Meetings.*

(A) <u>No Notice For Meetings Held at Time and Place Fixed in Advance</u>. No notice of the annual or a regular meeting of the board of directors shall be necessary if the meeting is held at the time and place fixed by the board in advance of the meeting date.

(B) <u>Notice</u>. Notice of the annual or any regular meeting to be held at another time or place and of all special meetings of the board, setting forth the time and place of the meeting, shall be given by letter or other writing deposited in the United States mail or with an express mail or private courier service not later than during the second day immediately preceding the day for such meeting, or by word of mouth, telephone, facsimile, e-mail or other oral, written or electronic communication means received not later than during the day immediately preceding the day for such meeting.

Section 8. *Quorum and Action by Unanimous Consent.*

(A) <u>Quorum</u>. A majority of the directors in office shall be necessary to constitute a quorum for the transaction of business at a meeting of the board of directors, but if at any meeting a quorum shall not be present the meeting may adjourn from time to time until a quorum shall be present.

(B) <u>Action by Unanimous Consent</u>. Any action required or permitted to be taken at a meeting of the board of directors or any committee thereof may be taken without a meeting if a consent or consents thereto by all of the directors in office, or, in the case of any action by a committee of the board of directors, by all of the directors of such committee, is filed with the secretary of the

Company. For the purposes of this Section 8(B), consent may be given by means of a physical written copy or transmitted by facsimile transmission, e-mail or similar electronic communications technology, provided that the means of giving consent shall enable the Company to keep a record of the consents in a manner satisfying the requirements of Section 107 of the Pennsylvania Associations Code.

Section 9. *Executive Committee*. The board of directors may, by resolution adopted by a majority of the whole board, designate three or more of the directors to constitute an executive committee which to the extent provided in a resolution adopted by a majority of the whole board shall have and exercise the authority of the board in the management of the business and affairs of the Company except as otherwise limited by law.

Section 10. *Audit Committee.* The board of directors shall, by resolution adopted by a majority of the whole board, designate three or more of the directors to constitute an audit committee. Audit committee members shall not be officers or full time employees of the Company or its subsidiaries. The audit committee shall have such authority and shall perform such duties as shall be provided from time to time in accordance with resolutions of the board.

Section 11. *Compensation and Benefits Committee.* The board of directors may, by resolution adopted by a majority of the whole board, designate three or more of the directors to constitute a compensation committee which to the extent provided in such resolution or other action by the board shall have and exercise the authority (a) to fix and determine, and change from time to time, the compensation of all officers of the Company elected by the board, including, but not restricted to, monthly or other periodic compensation and incentive or other additional compensation, (b) to authorize or approve all contracts of the Company with any officer for remuneration (whether in the form of a pension, deferred compensation or otherwise) to be paid from the general funds of the Company after the termination of regular employment of such officer, and (c) to administer or perform specified functions under any one or more of the stock option or other incentive, pension or benefit plans of the Company; provided that the said committee shall not exercise any of its said authority with respect to any of its members.

Section 12. *Compensation of Assistant Officers and Agents*. Unless otherwise determined by the board of directors, the chief executive officer of the Company shall have the authority to fix and determine, and change from time to time, the compensation of all assistant officers and agents of the Company elected or appointed by the board or by the chief executive officer, including, but not restricted to, monthly or other periodic compensation and incentive or other additional compensation.

Section 13. *Limitation Regarding Incentive Plans*. Nothing contained in the foregoing two sections of this Article III shall be construed to vest, or to authorize vesting, in the chief executive officer of the Company any authority with respect to stock options or other incentives under plans which provide for administration by the board of directors or a committee thereof.

Section 14. *Other Committees*. In addition to the committees described in this Article III, the board of directors may, by resolution adopted by a majority of the whole board, designate one or more other committees of the board, each of which shall consist of one or more of the directors. Each such other committee shall have such authority and shall perform such other duties as may be provided from time to time in resolutions of the board.

Section 15. *Substitute Committee Members*. In the absence or disqualification of any member of any committee of the board of directors, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another director to act at the meeting in the place of any such absent or disqualified member.

Section 16. *Participation by Conference Telephone or Other Electronic Technology*. One or more directors may participate in a meeting of the board of directors or of a committee thereof by means of conference telephone or other electronic technology by means of which all persons participating in the meeting can hear each other.

Section 17. *Personal Liability of Directors*. To the fullest extent that the laws of the Commonwealth of Pennsylvania, as in effect on May 15, 1987 or as thereafter amended, permit elimination or limitation of the liability of directors, no director of the Company shall be personally liable for monetary damages for any action taken, or any failure to take any action. This Section 17 shall not apply to any action filed prior to May 15, 1987, nor to any breach of performance of duty or any failure of performance of duty occurring prior to May 15, 1987. The provisions of this Section 17 shall be deemed to be a contract with each director of the Company who serves as such at any time while such provisions are in effect, and each such director shall be deemed to be serving as such in reliance on the provisions of this Section 17. Any amendment or repeal of this Section 17 or adoption of any other By-law or provision of the Articles of the Company which has the effect of increasing director liability shall operate prospectively only and shall not affect any action taken, or any failure to act, prior to such amendment, repeal or adoption. This Section 17 may be amended or repealed only with the affirmative vote of the holders of a majority of the outstanding shares of common stock of the Company.

ARTICLE IV - OFFICERS

Section 1. *Number and Election.* The board of directors at its annual meeting shall elect a president, a secretary and a treasurer, or persons who act as such, and may elect a chairman of the board, one or more vice presidents, a controller, a general counsel and such other officers and assistant officers as the board may deem appropriate. The board shall from time to time designate the chief executive officer who shall be either the chairman of the board or the president. The board may also from time to time elect such other officers and assistant officers and appoint such agents as it may deem appropriate. Assistant officers and agents also may be appointed by the chief executive officer.

Section 2. *Qualifications*. The chairman of the board shall be a member of the board of directors but the other officers need not be directors.

Section 3. *Term of Office*. Each officer and assistant officer shall hold office until the annual meeting of the board of directors next following the meeting of the board at which such officer or assistant officer is elected, except in the case of earlier death, resignation or removal.

Section 4. *Chairman of the Board*. The chairman of the board shall preside at all meetings of the board of directors at which such chairman is present. In the absence of the chairman of the board, a vice chairman of the board, the president or another director, in the order designated by the chairman of the board, shall preside at meetings of the board of directors. If the chairman of the board is not the chief executive officer, the chairman of the board shall have such powers and perform such other duties as the president may from time to time delegate to such chairman, except as otherwise determined by the board.

Section 5. *President*. If the president is not the chief executive officer, the president shall have such powers and perform such other duties as the chairman of the board may from time to time delegate to the president, except as otherwise determined by the board.

Section 6. *Vice Presidents*. Each vice president, including any vice president designated as executive, senior or otherwise, shall have such powers and perform such duties as the chairman of the board or the president may from time to time delegate to such vice president, except as otherwise determined by the board of directors.

Section 7. *Secretary*. The secretary shall attend meetings of the shareholders, the board of directors and the executive committee, shall keep minutes thereof in suitable books, and shall send out all notices of meetings as required by law or these By-laws. The secretary shall be ex officio an assistant treasurer. The secretary shall, in general, perform all duties incident to the office of secretary.

Section 8. *Treasurer*. The treasurer shall receive all money paid to the Company and keep or cause to be kept accurate accounts of all money received or payments made in books kept for that purpose. The treasurer shall deposit all money received by the treasurer in the name and to the credit of the Company in banks or other places of deposit. The treasurer shall disburse the money of the Company by checks or vouchers. The treasurer shall be ex officio an assistant secretary. The treasurer shall, in general, perform all duties incident to the office of treasurer.

Section 9. *Controller*. The controller shall be responsible for the implementation of accounting policies and procedures, the installation and supervision of all accounting records, including the preparation and interpretation of financial statements, the compilation of production costs and cost distributions and the taking and valuation of physical inventories. The controller shall also be responsible for the maintenance of adequate records of authorized appropriations and the approval for payment of all checks and vouchers. The controller shall, in general, perform all duties incident to the office of controller.

Section 10. *General Counsel*. The general counsel shall advise the Company on legal matters affecting the Company and its activities and shall supervise and direct the handling of all such legal matters. The general counsel shall, in general, perform all duties incident to the office of general counsel.

Section 11. *Assistant Officers*. Each assistant officer shall have such powers and perform such duties as may be delegated to such assistant officer by the officer to whom such assistant officer is an assistant or, in the absence or inability to act of such officer, by the officer to whom such officer reports or by the chief executive officer.

ARTICLE V - INDEMNIFICATION

Section 1. *Indemnification Granted*. Every person who is or was a director, officer or employee of the Company or of any other corporation, partnership, joint venture, trust or other enterprise which such person serves or served as such at the request of the Company (hereinafter referred to as an “eligible person”) shall in accordance with this Article V, but not if prohibited by law, be indemnified by the Company as hereinafter provided against reasonable expense and any liability paid or incurred by such person in connection with or resulting from any claim in which such person may be involved, as a party or otherwise, by reason of such person’s being or having been a director, officer or employee of the Company or such other enterprise, whether or not such person continues to be such at the time such liability or expense shall have been paid or incurred.

Section 2. *Certain Definitions*. As used in this Article V, the term “claim” shall mean any threatened or actual claim, action, suit or proceeding (whether brought by or in the right of the Company or such other enterprise or otherwise), whether civil, criminal, administrative or investigative; the term “expense” shall mean counsel fees and disbursements and all other expenses (except any liability) incurred in connection with any claim; and the term “liability” shall mean amounts of judgments, fines or penalties against, and amounts paid in settlement by, an eligible person with respect to any claim.

Section 3. *Expense Reimbursement to the Extent Successful*. Any eligible person who has been wholly successful, on the merits or otherwise, with respect to any claim shall be reimbursed by the Company for such person’s reasonable expense. Any eligible person who has been partially successful shall be proportionately reimbursed by the Company for such person’s reasonable expense.

Section 4. *Indemnification Where Not Wholly Successful*. Any eligible person who has been partially unsuccessful and any other eligible person not described in Section 3 of this Article V shall be reimbursed by the Company for such person's reasonable expense and for any liability if a Referee shall deliver to the Company the written finding of such Referee that such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Company, and in addition with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct of such person was unlawful. Where such person is found by the Referee to have met the foregoing standards of conduct with respect to one or more but not all the claims made against such person, such person shall be entitled to indemnification for such expense and liability in such proportion as the Referee shall determine. The termination of any claim by judgment, order, settlement (whether with or without court approval), adverse decision, or conviction after trial or upon a plea of guilty or of nolo contendere or its equivalent, shall not of itself create a presumption that an eligible person did not meet the foregoing standards of conduct. The person claiming indemnification shall, at the request of the Referee, appear before the Referee and answer questions which the Referee deems relevant and shall be given ample opportunity to present to the Referee evidence upon which such person relies for indemnification; and the Company shall at the request of the Referee, make available to the Referee facts, opinions or other evidence in any way relevant for the Referee's finding which are within the possession or control of the Company. As used in this Article V, the term "Referee" shall mean independent legal counsel (who may be regular independent legal counsel of the Company), or other disinterested person or persons, selected to act as such hereunder by the board of directors of the Company, whether or not a disinterested quorum exists.

Section 5. *Advancement of Expenses*. Any expense incurred with respect to any claim may be advanced by the Company prior to the final disposition thereof upon receipt of an undertaking by or on behalf of the recipient to repay such amount if it is ultimately determined that such recipient is not to be indemnified under this Article V.

Section 6. *Article V Not Exclusive; Survival of Rights*. The rights of indemnification provided in this Article V shall be in addition to any rights to which any eligible person may otherwise be entitled by contract or as a matter of law; and in the event of such person's death, such rights shall extend to the heirs and legal representatives of such person.

ARTICLE VI - SHARE CERTIFICATES AND TRANSFERS

Section 1. *Share Certificates*. Share certificates shall be in such form as the board of directors may from time to time determine. Each certificate shall be signed by the chairman of the board, the president, the treasurer or the secretary of the Company, by manual or facsimile signature.

Section 2. *Transfer Agent and Registrar*. The board of directors may from time to time appoint one or more transfer agents and may appoint one or more registrars of transfer, each to act with respect to such preferred and common shares of the Company as the board of directors may designate. No share certificate of the Company shall be valid or binding unless countersigned, manually or by facsimile signature, by a transfer agent if one has been appointed to act with respect to the shares evidenced by such certificate, and registered before issue by a registrar if one has been appointed to act with respect to the shares evidenced by such certificate.

Section 3. *Signatures by Former Corporate Officers or Agents*. In case any officer of the Company, or any authorized signatory of any transfer agent or registrar, who has signed, or whose facsimile signature has been placed upon, any share certificate shall have ceased to be such officer or authorized signatory because of death, resignation or otherwise, before the certificate is issued, it may be issued with the same effect as if the officer or authorized signatory had not ceased to be such at the date of its issue.

ARTICLE VII - AMENDMENTS

These By-laws may be altered, amended, added to or repealed by the board of directors at any meeting of the board duly convened with or without notice of that purpose, subject to the power of the shareholders to change such action.

ARTICLE VIII - INDEMNIFICATION FOR DIRECTORS

Section 1. *Right to Indemnification*. Except as prohibited by law, every director of the Company shall be entitled as of right to be indemnified by the Company against expenses and any liability paid or incurred by such person in connection with any actual or threatened claim, action, suit or proceeding, civil, criminal, administrative, investigative or other, whether brought by or in the right of the Company or otherwise, in which he or she may be involved, as a party or otherwise, by reason of such person being or having been a director of the Company or by reason of the fact that such person is or was serving at the request of the Company as a director, officer, employee, fiduciary or other representative of another corporation, partnership, joint venture, trust, employee benefit plan or other entity (such claim, action, suit or proceeding hereinafter being referred to as a “claim”); provided, that no such right of indemnification shall exist with respect to a claim brought by a director against the Company except as provided in the last sentence of this Section 1. Indemnification hereunder shall include the right to have expenses incurred by such person in connection with a claim paid in advance by the Company prior to final disposition of such claim, subject to any obligation which may be imposed by law, By-law, agreement or otherwise to reimburse the Company in certain events. As used herein, “expenses” shall include fees and expenses of counsel selected by any such director and “liability” shall include amounts of judgments, excise taxes, fines, penalties and amounts paid in settlement. With respect to any claim brought by a director or other person against the Company, the director or other person shall be entitled to be indemnified for expenses incurred in connection with such claim pursuant to this Section 1 only (i) if the claim is a suit brought as a claim for indemnity under Section 2 of this Article VIII or otherwise, (ii) if the director or other person is successful in whole or in part in the claim for which expenses are claimed or (iii) if the indemnification for expenses is included in a settlement of the claim or is awarded by a court.

Section 2. *Right of Claimant to Bring Suit*. If a claim under Section 1 of this Article VIII is not paid in full by the Company within thirty (30) days after a written claim has been received by the Company, the claimant may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim. It shall be a defense to any such suit to recover indemnification that the claimant’s conduct was such that under Pennsylvania law the Company is prohibited from indemnifying the claimant for the amount claimed, but the burden of proving such defense shall be on the Company. Neither the failure of the Company (including its board of directors, legal counsel and its shareholders) to have made a determination prior to the commencement of such suit that indemnification of the claimant is proper in the circumstances, nor an actual determination by the Company (including its board of directors, legal counsel or its shareholders) that the claimant’s conduct was such that indemnification is prohibited by law, shall be a defense to the suit to recover indemnification or create a presumption that the claimant’s conduct was such that indemnification is prohibited by law. The only defense to any such suit to receive payment of expenses in advance shall be failure to make an undertaking to reimburse if such an undertaking is required by law, By-law, agreement or otherwise.

Section 3. *Insurance and Funding*. The Company may purchase and maintain insurance to protect itself and any person eligible to be indemnified hereunder against any liability or expense asserted or incurred by such person in connection with any claim, whether or not the Company would have the power to indemnify such person against such liability or expense by law or under the provisions of this Article. The Company may create a trust fund, grant a security interest, cause a letter of credit to be issued or use other means (whether or not similar to the foregoing) to ensure the payment of such sums as may become necessary to effect indemnification as provided herein.

Section 4. *Non-Exclusivity; Nature and Extent of Rights*. The right of indemnification provided for in this Article VIII (i) shall not be deemed exclusive of any other rights, whether now existing or hereafter created, to which those seeking indemnification hereunder may be entitled under any provision of the Articles or By-laws, or any agreement, vote of shareholders or directors or otherwise, (ii) shall be deemed to create contractual rights in favor of persons entitled to indemnification hereunder, (iii) shall continue as to persons who have ceased to have the status pursuant to which they were entitled or were denominated as entitled to indemnification hereunder and shall inure to the benefit of the heirs and legal representatives of persons entitled to indemnification hereunder and (iv) shall be applicable to claims commenced after the adoption hereof, whether arising from acts or omissions occurring before or after the adoption hereof. The right of indemnification provided for herein may not be amended or repealed so as to limit in any way the indemnification provided for herein with respect to any acts or omissions occurring prior to any such amendment or repeal.

(Amended November 1, 2016)

EXHIBIT 10(c)

ARCONIC INC.

AMENDED AND RESTATED DEFERRED FEE PLAN FOR DIRECTORS

(Effective November 1, 2016)

ARTICLE I INTRODUCTION

Arconic Inc. (formerly, Alcoa Inc.) (the "Company") has established this Amended and Restated Deferred Fee Plan for Directors (the "Plan") to provide non-employee directors with an opportunity to defer receipt of fees earned for services as a member of the Company's Board of Directors (the "Board"), and to provide for deferrals of Restricted Share Units (as defined herein) with respect to common stock of the Company granted to non-employee directors.

ARTICLE II DEFINITIONS

2.1 Definitions. The following definitions apply unless the context clearly indicates otherwise:

(a) Alcoa Stock Fund means, with respect to deferred amounts credited, or intra-plan transfers made, prior to November 1, 2016, the Investment Option established hereunder with reference to the Alcoa Stock Fund under the Savings Plan.

(b) Annual Equity Award means the annual Restricted Share Unit award that a Director will be entitled to receive as compensation for serving as a Director in a relevant year (not including any Fees), which will be granted under the Stock Plan.

(c) Beneficiary means the person or persons designated by a Director under Section 4.1 to receive any amount payable under Section 5.3.

(d) Board has the meaning ascribed to such term in Article I.

(e) Chairman means the Chairman of the Board.

(f) Code means the United States Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

(g) Company has the meaning ascribed to such term in Article I.

(h) Credits means amounts credited to a Director's Deferred Fee Account, with all Investment Option units valued by reference to the comparable fund offered under the Savings Plan.

(i) Deferred Fee Account means a bookkeeping account established by the Company in the name of a Director with respect to amounts deferred into Investment Options hereunder. For the avoidance of doubt, Deferred Fee Account does not include any amounts deferred into Deferred Fee RSU Awards.

(j) Deferred Fee RSU Award means each award of Restricted Share Units granted in lieu of Fees pursuant to a deferral election made by a Director pursuant to Article III.

(k) Director means a non-employee member of the Board who participates in this Plan. Any Director who is a director or chairman of the board of directors of a subsidiary or affiliate of the Company shall not, by virtue thereof, be deemed to be an employee of the Company or such subsidiary or affiliate for purposes of eligibility under this Plan.

(l) Director Share Ownership Guideline means the minimum value of Shares or, for deferred amounts credited, or intra-plan transfers made, prior to November 1, 2016, units in the Alcoa Stock Fund required to be held by each Director until retirement from the Board, as established from time to time by the Board. Effective January 1, 2015, the Director Share Ownership Guideline for a Director is $750,000. A Director’s compliance with the Director Share Ownership Guideline shall be measured based on the value of the Director’s investment on the first Monday in December of each year, or on such other date as may be designated by the Secretary’s office (the “Annual Valuation Date”).

(m) Equity Restructuring means a nonreciprocal transaction between the Company and its shareholders, such as a stock dividend, stock split (including a reverse stock split), spin-off, rights offering or recapitalization through a large, nonrecurring cash dividend, that affects the Shares (or other securities of the Company) or the price of Shares (or other securities) and causes a change in the per share value of the Shares.

(n) Fair Market Value means, with respect to Shares on any given date, the closing price per Share on that date as reported on the New York Stock Exchange or other stock exchange on which the Shares principally trade. If the New York Stock Exchange or such other exchange is not open for business on the date fair market value is being determined, the closing price as reported for the next business day on which that exchange is open for business will be used.

(o) Fees means all cash amounts payable to a Director for services rendered as a member of the Board that are specifically designated as fees, including, but not limited to, annual and/or quarterly retainer fees, fees (if any) paid for attending meetings of the Board or any Committee thereof, fees for serving as a Committee Chair, as Lead Director or Chairman or as a member of a Committee, and any per diem fees.

(p) Investment Options means the respective options established hereunder with reference to the comparable funds under the Savings Plan, with the exception of the Company’s Stock Fund which shall not be an Investment Option for deferred amounts credited on or after November 1, 2016.

(q) Plan has the meaning ascribed to such term in Article I. The Plan constitutes an amendment, restatement and renaming of the Company’s 2005 Deferred Fee Plan for Directors.

(r) Restricted Share Unit means an award of a right to receive Shares, including any such award that is granted under, and subject to the terms of, the Stock Plan.

(s) Shares means the shares of common stock of the Company, $1.00 par value per Share.

(t) Savings Plan means the Company's principal tax-qualified retirement savings plan for salaried employees.

(u) Secretary means the Secretary of the Company.

(v) Separation from Service means a "separation from service" as defined in Section 409A of the Code.

(w) Stock Plan means the 2013 Arconic Stock Incentive Plan, as Amended and Restated, and as may be further amended from time to time in accordance with its terms, and any successor thereto.

(x) Unforeseeable Emergency means a severe financial hardship to the Director resulting from (1) an illness or accident of the Director or his or her spouse or dependent; (2) loss of the Director's property due to casualty; or (3) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the Director's control. For the avoidance of doubt, a circumstance does not constitute an "Unforeseeable Emergency" for purposes of the Plan unless such circumstance constitutes an "unforeseeable emergency" as defined in Section 409A of the Code.

ARTICLE III DEFERRAL OF COMPENSATION

3.1 Deferral of Fees. A Director may elect, with respect to each calendar year, to defer under the Plan the receipt of all Fees, or of all Fees of one or more types, or a specified portion (in 1% increments) otherwise payable to him or her and may elect to invest such deferred Fees in one or more Investment Options and/or in Deferred Fee RSU Awards. Fees deferred in respect of each calendar year shall be separately designated and tracked in an individual sub-account to the Director's Deferred Fee Account (each, an "Annual Sub-Account") and shall be paid in accordance with Article V of the Plan.

3.2 Deferral of Restricted Share Units. Unless otherwise determined by the Board or as may be required pursuant to Section 6.7, any Restricted Share Units granted to a Director (whether as a Deferred Fee RSU Award or an Annual Equity Award) shall, once any vesting requirements have been met, be deferred and paid in accordance with Article V of the Plan. Any dividend equivalents on Restricted Share Units shall be deferred and paid in the same manner and at the same time as the Restricted Share Units to which they relate.

3.3 Manner of Electing Deferral. A Director may elect to defer the receipt of all or certain Fees and may elect the form of payment of Restricted Share Units by giving written notice (including by electronic means) to the Secretary on an election form provided by the Company, or in any other manner that is deemed sufficient from time to time by the Board. Such election form will require the Director to specify (i) the percentage (if any) of the Director's Fees that will be deferred and the manner of investment of such deferred Fees in accordance with Sections 3.5 and 3.6, and (ii) the form of payment of any deferred Fees (including Deferred Fee RSU Awards) and, separately, of the Director's Annual Equity Award, which in each case, may be either a single lump sum payment or up to ten (10) annual installment payments. In the event and to the extent that a Director fails to specify the form of payment, payment will be made in a lump sum. Payment will be made in accordance with Article V of the Plan.

3.4 Annual Elections of Deferral. An election to defer Fees and to elect the form of payment of an Annual Equity Award shall be made prior to the beginning of the calendar year in which the Fees will be earned or, as applicable, the Annual Equity Award will be granted; provided, however, that an election made within 30 days after a person first becomes a Director shall be effective for Fees earned, or any Annual Equity Award granted, after the date of such deferral election. The election to defer receipt of payment may not be canceled or modified unless the Chairman, in his sole discretion, determines in accordance with Section 5.1 that an Unforeseeable Emergency exists, or except as otherwise permitted by the Code.

3.5 Deferring Fees into Investment Options. A Director may designate all or a portion of his or her deferred Fees to be invested in one or more of the Investment Options, in which case, the Director's deferred Fees shall be credited to the designated Investment Option(s) at the beginning of the calendar quarter following the quarter in which such Fees were earned. Such Fees shall be credited to the Director's Deferred Fee Account as Credits for "units" in the Director's Deferred Fee Account. As of any specified date, the value per unit in the Director's Deferred Fee Account shall be deemed to be the value determined for the comparable fund under the Savings Plan.

3.6 Deferred Fee RSU Awards. A Director may designate all or a portion of his or her deferred Fees to be invested in Deferred Fee RSU Awards, except that a deferral of Fees pursuant to an election made within 30 days after a person first becomes a Director may be invested in Deferred Fee RSU Awards only with respect to any Fees to be earned in the quarter (or other Fees payment period) following the quarter in which the Director commences service on the Board. The number of Restricted Share Units subject to each Deferred Fee RSU Award shall be determined by dividing the dollar amount of the Fees subject to the Director's election by the Fair Market Value of a Share on the date(s) that such Fees (or any installment thereof) would otherwise have been paid in cash to the Director (the "Fees Payment Date"). Unless otherwise determined by the Board, the Deferred Fee RSU Award shall (i) be granted on the applicable Fees Payment Date(s), (ii) not be subject to vesting requirements or other forfeiture restrictions, and (iii) be granted under, and subject to the terms of, the Stock Plan and evidenced by a form of Award Agreement (as defined in the Stock Plan) that shall be approved by the Board prior to the grant of any such Deferred Fee RSU Award, which Award Agreement is incorporated by reference into this Section 3.6. The Shares subject to the Deferred Fee RSU Award shall be delivered to the Director in accordance with Article V of the Plan.

3.7 Subsequent Deferral Elections. After a deferral election made by a Director in accordance with this Article III has become irrevocable under Section 409A of the Code, the Director may elect to change the time and form of payment of the deferred amount covered by such election only by submitting a payment election change at least (12) months prior to the date on which the deferred amount (or first installment thereof, as applicable) is scheduled to be paid (the "First Scheduled Payment Date") that will result in a delay of payment (or commencement of payment) of such deferred amount until the date that is at least five (5) years after the First Scheduled Payment Date. A payment election change is irrevocable upon receipt and shall not take effect until the first date that is at least twelve (12) months after the date of receipt.

3.8 Transfers Between Investment Options. Subject to Section 3.9, to the extent that a Director has Credits notionally invested in one or more Investment Options (other than the Alcoa Stock Fund, if applicable), the Director may elect to designate a different Investment Option for all or any portion of such Credits in accordance with the procedures established by the Board from time to time.

3.9 Transfers to or from the Alcoa Stock Fund. Effective November 1, 2016, the Alcoa Stock Fund is no longer an Investment Option for deferred Fees credited under the Plan after November 1, 2016 and no additional deferred Fees, or Credits notionally invested in other Investment Options, may be credited to, or transferred into, the Alcoa Stock Fund. A Director who holds Credits in the Alcoa Stock Fund as of November 1, 2016 may not transfer such Credits to other Investment Options if, as of the last Annual Valuation Date, the Director is not in compliance with the Director Share Ownership Guideline. If the Director is in compliance with the Director Share Ownership Guideline as of the last Annual Valuation Date, the Director may transfer Credits from the Alcoa Stock Fund to other Investment Options only upon preclearance of such transaction by the Secretary in accordance with the Company's Insider Trading Policy. Notwithstanding the foregoing, beginning six (6) months after the Director's Separation from Service, and prior to a complete distribution of any amounts in the Director's Deferred Fee Account, the Director may transfer Credits from the Alcoa Stock Fund to other Investment Options to the same extent and frequency as a participant in the Savings Plan. Any transfer out of the Alcoa Stock Fund permitted by this Section 3.9 can be accomplished only once every fifteen (15) days. In addition, such transfers shall be subject to reasonable administrative minimums, and any other restrictions recommended by counsel to ensure compliance with applicable law.

3.10 Method of Payment. All payments with respect to a Director's Deferred Fee Account shall be made in cash, and no Director shall have the right to demand payment in Shares or in any other medium. Subject to the terms of the Stock Plan, if applicable, and except as set forth in Section 5.2, all payments with respect to Deferred Fee RSU Awards and Annual Equity Awards shall be made in Shares.

ARTICLE IV BENEFICIARIES

4.1 Designation of Beneficiary. Each Director may designate from time to time one or more natural persons or entities as his or her Beneficiary or Beneficiaries to whom the amounts credited to his or her Deferred Fee Account and/or his or her Deferred Fee RSU Awards are to be paid if he or she dies before all such amounts have been paid to the Director. Each Beneficiary designation shall be made on a form prescribed by the Company and shall be effective only when filed with the Secretary during the Director's lifetime. Each Beneficiary designation filed with the Secretary shall revoke all Beneficiary designations previously made. The revocation of a Beneficiary designation shall not require the consent of any Beneficiary. In the absence of an effective Beneficiary designation, or if payment cannot be made to a Beneficiary, payment shall be made to the Director's estate. Any beneficiary designation with respect to an Annual Equity Award or Deferred Fee RSU Award will be made in accordance with the terms of the Stock Plan, to the extent applicable.

ARTICLE V PAYMENTS

5.1 Payment upon Unforeseeable Emergency. No payment may be made from a Director's Deferred Fee Account or in settlement of a Director's Annual Equity Awards and Deferred Fee RSU Awards except as provided in this Article V, unless an Unforeseeable Emergency exists as determined by the Chairman in his sole discretion. If an Unforeseeable Emergency is determined by the Chairman to exist, the Chairman shall determine when and to what extent Credits in the Director's Deferred Fee Account and/or Shares underlying the Director's Annual Equity Awards and Deferred Fee RSU Awards may be paid to such Director prior to or after the Director's Separation from Service; provided, however, that the amounts distributed in connection with such an emergency cannot exceed the amounts necessary to satisfy the emergency plus what is necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which the hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Director's assets (to the extent such liquidation would not itself cause severe financial hardship). All payments with respect to an Unforeseeable Emergency shall be made in a lump sum upon the Chairman's determination that an Unforeseeable Emergency exists, subject to any advance approval by the Board as may be required for purposes of exemption under Section 16(b) of the Securities Exchange Act of 1934, as amended.

5.2 Payment upon a Director's Separation from Service.

(a) Payment of any amount in a Director's Deferred Fee Account (valued in accordance with the last sentence of Section 3.5) and of the Director's Deferred Fee RSU Awards (if any) and Annual RSU Awards shall be made following the Director's Separation from Service, as set forth in this Section 5.2, except as otherwise set forth in Section 5.1 or Section 5.3.

(b) To the extent a Director elected to receive a lump sum payment, such payment shall be made in the sixth calendar month that commences following the date of the Director's Separation from Service, but in no event earlier than after a full six (6) months following such Separation from Service.

(c) To the extent a Director elected to receive installment payments, the first such installment payment shall be made either (i) during the sixth calendar month that commences following the Director's Separation from Service, but in no event earlier than after a full six (6) months following such Separation from Service, or (ii) during the first month of the calendar year following the Director's Separation from Service, whichever of (i) or (ii) occurs later. Subsequent installment payments shall be made during the first calendar month of each succeeding year until the Director's Deferred Fee Account is exhausted or all Restricted Share Units have been paid, as applicable. If the Director elected to receive deferred Fees credited to any Annual Sub-Account or settlement of a Deferred Fee RSU Award or Annual Equity Award in installment payments, the amount of each payment shall be, respectively, a fraction of the value of the Director's Annual Sub-Account and in such sub-account, or a fraction of the number of Restricted Share Units that remains subject to such Deferred Fee RSU Award or Annual Equity Award, in each case on the last day of the calendar month preceding payment, the numerator of which fraction is one and the denominator of which is the total number of installments elected minus the number of installments previously paid. Any fractional Share portion of an installment payment of a Deferred Fee RSU Award or Annual Equity Award, or any portion of a dividend equivalent on such award that was not reinvested in additional Restricted Share Units pursuant to its terms, will be paid in cash at the same time as the installment payment to which it is attributable.

5.3 Payment upon a Director's Death. If a Director dies with any amount credited to his or her Deferred Fee Account and/or any outstanding Deferred Fee RSU Awards, the value of said Deferred Fee Account and/or Shares underlying such Deferred Fee RSU Awards shall be paid as soon as administratively practicable in a single payment to the Beneficiary (or in separate payments to the Beneficiaries if more than one were designated by the Director) or to the Director's estate, as the case may be (subject to the terms of the Stock Plan if and to the extent applicable to the Deferred Fee RSU Awards). If a Director dies with any outstanding Annual Equity Awards that are vested (or become vested upon the Director's death), such awards shall be paid as soon as administratively practicable in a single payment to the party eligible to receive such payment under the terms of the Stock Plan.

5.4 Separate Payments. Each payment payable under this Plan is intended to constitute a separate payment for purposes of Section 409A of the Code.

ARTICLE VI MISCELLANEOUS

6.1 Capitalization Adjustments. In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to shareholders, or any other change affecting the Shares or the price of the Shares or, alternatively, in the event of an Equity Restructuring, any Credits in the Alcoa Stock Fund will be subject to the applicable adjustment provisions of the Stock Plan.

6.2 Director's Rights Unsecured. Payments payable hereunder shall be payable out of the general assets of the Company, and no segregation of assets for such payments shall be made by the Company. The right of any Director or Beneficiary to receive payments from a Deferred Fee Account shall be a claim against the general assets of the Company as an unsecured general creditor. The Company may, in its absolute discretion, establish one or more trusts or reserves, which may be funded by reference to amounts of Credits standing in the Director's Deferred Fee Accounts hereunder or otherwise. Any such trust or reserve shall remain subject to the claims of creditors of the Company. If any amounts held in a trust of the above described nature are found (due to the creation or operation of said trust) in a final decision by a court of competent jurisdiction, or under a "determination" by the Internal Revenue Service in a closing agreement in audit or final refund disposition (within the meaning of Section 1313(a) of the Code), to have been includable in the gross income of a Director or Beneficiary prior to payment of such amounts from said trust, the trustee for the trust shall, as soon as practicable, pay to such Director or Beneficiary an amount equal to the amount determined to have been includable in gross income in such determination, and shall accordingly reduce the Director's or Beneficiary's future benefits payable under this Plan. The trustee shall not make any distribution to a Director or Beneficiary pursuant to this paragraph unless it has received a copy of the written determination described above, together with any legal opinion that it may request as to the applicability thereof.

6.3 Responsibility for Taxes. The Director or Beneficiary is liable for any and all taxes that are applicable to the amounts payable under the Plan, including any taxes deemed payable prior to payment out of the Plan.

6.4 Non-assignability. The right of any Director or Beneficiary to the payment of Credits in a Deferred Fee Account shall not be assigned, transferred, pledged or encumbered and shall not be subject in any manner to alienation or anticipation.

6.5 Administration and Interpretation. The Plan shall be administered by the Board. Subject to the terms of the Plan and applicable law and without limitation, the Board shall have full power and authority to: (i) designate Directors for participation, (ii) determine the terms and conditions of any deferral made under the Plan, (iii) interpret and administer the Plan and any instrument or agreement relating to, or deferral made under, the Plan, (iv) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan, and (v) make any other determination and take any other action that the Board deems necessary or desirable for the administration of the Plan. To the extent permitted by applicable laws, the Board may, in its discretion, delegate to the Secretary's office any or all authority and responsibility to act with respect to administrative matters relating to the Plan, and to the extent set forth in the Plan, the Board may delegate certain questions of construction and interpretation to the Chairman, whose decision on such matters shall be final and binding. The determination of the Board on all matters within its authority relating to the Plan shall be final, conclusive and binding upon all parties, including the Company, its shareholders, the Directors and any Beneficiary.

6.6 Section 409A of the Code. The Plan is intended to comply with the requirements of Section 409A of the Code, and the provisions of the Plan and any deferral election form shall be interpreted in a manner that satisfies the requirements of Section 409A of the Code, and the Plan shall be operated accordingly. If any provision of the Plan or any term or condition of any deferral election form would otherwise frustrate or conflict with this intent, the provision, such provision, term or condition will be interpreted and deemed amended so as to avoid this conflict. Although the Company may attempt to avoid adverse tax treatment under Section 409A of the Code, the Company makes no representation to that effect and expressly disavows any covenant to maintain favorable or avoid unfavorable tax treatment. The Company shall be unconstrained in its corporate activities without regard to the potential negative tax impact on a Director.

6.7 Non-U.S. Directors. Directors who are foreign nationals or residents or employed outside the United States, or both, may participate in the Plan on such terms and conditions different from those applicable to Directors who are not foreign nationals or residents or who are employed in the United States as may, in the judgment of the Board, be necessary or desirable in order to recognize differences in local law, regulations or tax policy.

6.8 Amendment and Termination. The Plan may be amended, modified or terminated at any time by the Board. No amendment, modification or termination shall, without the consent of a Director, adversely affect such Director's rights with respect to amounts theretofore credited to his or her Deferred Fee Account or with respect to Annual Equity Awards or Deferred Fee RSU Awards theretofore granted to such Director.

6.9 Notices. All notices to the Company under the Plan shall be in writing and shall be given to the Secretary or to an agent or other person designated by the Secretary.

6.10 Governing Law. This Plan shall be construed in accordance with and governed by the laws of the Commonwealth of Pennsylvania, excluding any choice of law provisions, which may indicate the application of the laws of another jurisdiction.

ARCONIC INC.

NON-EMPLOYEE DIRECTOR COMPENSATION POLICY

Effective November 1, 2016

1. General. This Non-Employee Director Compensation Policy (the "Policy"), sets forth the cash and equity-based compensation that has been approved by the Board of Directors (the "Board") of Arconic Inc., a Pennsylvania corporation, (the "Company") as payable to eligible non-employee members of the Board ("Non-Employee Directors") commencing November 1, 2016. The cash and equity-based compensation described in this Policy shall be paid or be made, as applicable, automatically and without further action of the Board, to each Non-Employee Director who may be eligible to receive such compensation. This Policy shall remain in effect until it is revised or rescinded by further action of the Board. The terms and conditions of this Policy shall supersede any prior cash or equity compensation arrangements between the Company and its Non-Employee Directors.

2. Cash Compensation.

(a) Annual Retainers. Each Non-Employee Director shall be eligible to receive an annual cash retainer of $120,000 for service on the Board. In addition, a Non-Employee Director shall receive the following additional annual retainers, as applicable:

Non-Employee Director Position	Additional Annual Cash Retainer Fee	
Lead Director Fee	$	25,000
Audit Committee Chair Fee (includes Audit Committee Member Fee)	$	27,500
Audit Committee Member Fee	$	11,000
Compensation and Benefits Committee Chair Fee	$	20,000
Other Committee Chair Fee	$	16,500

(b) Payment of Retainers. The annual retainers described in Section 2(a) shall be earned on a quarterly basis based on a calendar quarter and shall be paid by the Company in arrears not later than the third business day following the end of each calendar quarter (if not deferred by the Non-Employee Director in accordance with subsection (c) hereof). In the event a Non-Employee Director does not serve as a Non-Employee Director, or in the applicable positions described in Section 2(a), for an entire calendar quarter, the retainer paid to such Non-Employee Director shall be prorated for the portion of such calendar quarter actually served as a Non-Employee Director, or in such positions, as applicable.

(c) Deferral of Retainers. Non-Employee Directors may elect to defer payment of all or a portion of the annual retainers described in Section 2(a) into specified investment funds and/or into vested restricted share units for shares of the Company's common stock, which deferral will be made pursuant to the terms of the Company's Amended and Restated Deferred Fee Plan for Directors or its successor plan (the "Deferred Fee Plan"). Unless otherwise determined by the Board, any restricted share units will be granted under the 2013 Arconic Stock Incentive Plan or its successor plan (the "Equity Plan"), on the date on which such retainer(s) would otherwise have been paid in cash.

3. Equity Compensation. Non-Employee Directors shall be granted the equity awards described below. The awards described below in paragraphs 3(a) and 3(b) shall be granted under and shall be subject to the terms and provisions of the Equity Plan and shall be granted subject to an award agreement in substantially the same form approved by the Board prior to the grant date, setting forth the terms of the award, consistent with the Equity Plan. For purposes of this Section 3, the number of shares subject to any restricted share unit award will be determined by dividing the grant date dollar value specified under subsection (a) or (b) hereof by the Fair Market Value (as defined in the Equity Plan) of a share of the Company's common stock on the date of grant.

(a) Annual Equity Award. A person who is a Non-Employee Director immediately following each annual meeting of the Company's shareholders and who will continue to serve as a Non-Employee Director following such annual meeting shall be automatically granted, on the second market trading day following the date of each such annual meeting, a restricted share unit award with a grant date value equal to $120,000 (the "Annual Equity Award"). The Annual Equity Award shall vest on the earlier of the first anniversary date of the grant date or the date of the Company's next subsequent annual meeting of shareholders following the grant date.

(b) Pro-Rated Annual Equity Award. On the date of a person's initial appointment as a Non-Employee Director (or, if such date is not a market trading day, the first market trading day thereafter), and provided such person has not otherwise received an Annual Equity Award for the relevant year under Section 3(a), the Non-Employee Director shall be automatically granted a restricted share unit award with a grant date value equal to $120,000 multiplied by a fraction, the numerator of which is 365 less the number of days that have elapsed since the date of the Company's last annual meeting of shareholders and the Non-Employee Director's date of initial appointment, and the denominator of which is 365 (the "Pro-Rated Award"). The Pro-Rated Award shall vest on the date of the Company's next subsequent annual meeting of shareholders following the date of the Non-Employee Director's appointment to the Board.

(c) Deferral of Equity Award. Payment of the Annual Equity Award or any Pro-Rated Award will be deferred until the Non-Employee Director's separation from service, in accordance with the terms of the Deferred Fee Plan, unless otherwise required by applicable laws.

4. Stock Ownership Guideline. Non-Employee Directors are required to attain ownership of at least $750,000 in the Company's common stock and maintain such ownership until retirement from the Board.

5. Policy Subject to Amendment, Modification and Termination. This Policy may be amended, modified or terminated by the Board in the future at its sole discretion, provided that no such action that would materially and adversely impact the rights with respect to annual retainers payable in the fiscal quarter during which a Non-Employee Director is then performing services shall be effective without the consent of the affected Non-Employee Director.

EXHIBIT 12

Arconic and subsidiaries
Computations of Ratio of Earnings to Fixed Charges and
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
(in millions, except ratios)

Nine months ended September 30,	2016
Earnings:	
Income before income taxes	$ 704
Noncontrolling interests’ share of earnings of majority-owned subsidiaries without fixed charges	—
Equity income	(32)
Fixed charges added to earnings	415
Distributed income of less than 50 percent-owned persons	64
Amortization of capitalized interest:	
Consolidated	30
Proportionate share of 50 percent-owned persons	—
Total earnings	$1,181
Fixed Charges:	
Interest expense:	
Consolidated	$ 389
Proportionate share of 50 percent-owned persons	—
	$ 389
Amount representative of the interest factor in rents:	
Consolidated	$ 26
Proportionate share of 50 percent-owned persons	—
	$ 26
Fixed charges added to earnings	$ 415
Interest capitalized:	
Consolidated	$ 35
Proportionate share of 50 percent-owned persons	—
	$ 35
Preferred stock dividend requirements of majority-owned subsidiaries	$ —
Total fixed charges	$ 450
Pretax earnings required to pay preferred stock dividends*	$ 81
Combined total fixed charges and preferred stock dividends	$ 531
Ratio of earnings to fixed charges	2.6
Ratio of earnings to combined fixed charges and preferred stock dividends	2.2

* Based on a U.S. statutory tax rate of 35%

EXHIBIT 15

November 9, 2016

Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

RE: Arconic Inc.

Commissioners:

We are aware that our report dated November 9, 2016 on our review of interim financial information of Arconic Inc. and its subsidiaries (Arconic) for the three- and nine-month periods ended September 30, 2016 and 2015 and included in Arconic's quarterly report on Form 10-Q for the quarter ended September 30, 2016 is incorporated by reference in its Registration Statements on Form S-3 (Nos. 333-197371 and 333-201055) and Form S-8 (Nos. 333-32516, 333-106411, 333-128445, 333-146330, 333-153369, 333-155668, 333-159123, 333-168428, 333-170801, 333-182899, 333-189882, 333-203275, 333-205829, 333-209772, 333-209777, and 333-212246).

Very truly yours,

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania

Certifications **EXHIBIT 31**

I, Klaus Kleinfeld, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Arconic Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2016

/s/ KLAUS KLEINFELD

Name: Klaus Kleinfeld
Title: Chairman and Chief Executive Officer

I, Ken Giacobbe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Arconic Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2016

/s/ KEN GIACOBBE

Name: Ken Giacobbe
Title: Executive Vice President and Chief Financial Officer

EXHIBIT 32

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Arconic Inc., a Pennsylvania corporation (the "Company"), does hereby certify that:

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2016

/s/ KLAUS KLEINFELD
Name: Klaus Kleinfeld
Title: Chairman and Chief Executive Officer

Date: November 9, 2016

/s/ KEN GIACOBBE
Name: Ken Giacobbe
Title: Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-Q and shall not be considered filed as part of the Form 10-Q.

MINE SAFETY DISCLOSURE

At Arconic, management strives to work safely in a manner that protects and promotes the health and well-being of the Company's employees, contractors, and the communities in which Arconic operates because it is fundamentally the right thing to do. Despite uncertainties and economic challenges, Arconic remains committed to living its values and managing risks accordingly. In 2015, 44.4% of Arconic's global locations reported no recordable injuries, and 79.1% reported zero lost workdays. In Arconic's 2015 Employee Global Voices Survey, "If I see a situation that is unsafe, I can stop work" received the highest overall rating (at 92% favorable) by employees participating in the survey.

Arconic's health and safety systems are anchored by committed people who are actively engaged and effectively support a safe work environment, safe work methods, and overall production system stability. Each day, people at all levels proactively monitor and intervene to defend against weaknesses that develop in Arconic's safety systems by identifying potential hazards and error-likely situations and responding to eliminate or control them.

In the table below, there are disclosures involving the Point Comfort, Texas alumina refinery. All citations have been or are being addressed. None constituted an imminent danger.

Dodd-Frank Act Disclosure of Mine Safety and Health Administration Safety Data

Certain of Arconic's U.S. facilities are subject to regulation by the Mine Safety and Health Administration (MSHA) under the U.S. Federal Mine Safety and Health Act of 1977 (the "Mine Act"). The MSHA inspects these facilities on a regular basis and issues various citations and orders when it believes a violation has occurred under the Mine Act. Whenever the MSHA issues a citation or order, it also generally proposes a civil penalty, or fine, related to the alleged violation. Citations or orders can be contested and appealed, and as part of that process, are often reduced in severity and amount, and are sometimes dismissed.

Management believes the following mine safety disclosures meet the requirements of section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act").

Mine Safety Data. The table and other data below present mine safety information related to Arconic's U.S. facilities subject to MSHA regulation, as required by section 1503(a)(1) of the Dodd-Frank Act. The following data reflects citations and orders received from the MSHA during the quarter ended September 30, 2016, as reflected in the MSHA system on September 30, 2016, and the proposed penalties received from the MSHA during such period. ($ in full amounts)

Mine or Operating Name/MSHA Identification Number(1)	Section 104 S&S Citations(3) (#)	Section 104(b) Orders(4) (#)	Section 104(d) Citations and Orders(5) (#)	Section 110(b)(2) Violations(6) (#)	Section 107(a) Orders(7) (#)	Total Dollar Value of MSHA Assessments Pro-posed(8) ($)	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violations Under Section 104(e) (yes/no)	Received Notice of Potential to Have Pattern Under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
Point Comfort, TX Alumina Refinery(2)	1	—	1	—	—	$ 23,783	—	no	no	15	2	2

(1) The MSHA assigns an identification number to each mine or operation and may or may not assign separate identification numbers to related facilities. The information provided in this table is presented by mine or operation rather than the MSHA identification number because that is how Arconic manages and operates its business, and management believes that this presentation is more useful to investors.
(2) Under the Interagency Agreement dated March 29, 1979 between the MSHA, the U.S. Department of Labor, and The Occupational Safety and Health Administration, alumina refineries (such as Arconic's Point Comfort facility) are subject to MSHA jurisdiction.
(3) Represents the total number of citations issued under section 104 of the Mine Act, for violations of mandatory health or safety standards that could significantly and substantially contribute to a serious injury if left unabated. This includes the citations listed under the column headed §104(d).
(4) Represents the total number of orders issued under section 104(b) of the Mine Act, which represents a failure to abate a citation under section 104(a) within the period prescribed by the MSHA. This results in an order of immediate withdrawal from the area of the mine affected by the condition until the MSHA determines that the violation has been abated.
(5) Represents the total number of citations and orders issued under section 104(d) of the Mine Act for unwarrantable failure to comply with mandatory health or safety standards.
(6) Represents the total number of flagrant violations identified under section 110(b)(2) of the Mine Act.
(7) Represents the total number of imminent danger orders issued under section 107(a) of the Mine Act.
(8) Amounts represent the total dollar value of proposed assessments received.

During the quarter ended September 30, 2016, Arconic had no mining related contractor fatalities. None of the Company's mining operations received written notice from the MSHA of a pattern of, or the potential to have a pattern of, violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of mine health or safety hazards under section 104(e) of the Mine Act.

The Federal Mine Safety and Health Review Commission (the "Commission") is an independent adjudicative agency that provides administrative trial and appellate review of legal disputes arising under the Mine Act. As of September 30, 2016, Arconic has a total of 15 matters pending before the Commission. Fourteen of these matters concern contests of citations or orders issued under the Mine Act, along with the contests of the proposed penalties for each of these. The other matter was a retaliation complaint filed by an employee, which was dismissed by an Administrative Law Judge on September 28, 2015. The employee has appealed the dismissal to the Commission, where the matter is pending. All of these matters concern citations, orders or proposed assessments issued by MSHA during 2016 (seven), 2015 (six) or 2014 (two).