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

FORM 10-K/A

(Amendment No. 1)

(Mark One)

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

For The Fiscal Year Ended December 31, 2014

OR

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

For the Transition Period from to

Commission File Number 001-35493

STEEL PARTNERS HOLDINGS L.P.

(Exact name of registrant as specified in its charter)

Delaware	**13-3727655**
(State of or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

590 Madison Avenue, 32nd Floor New York, New York	**10022**
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code**: 212-520-2300**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common units, $0 par	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Common Units, no par value

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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 (or for such shorter period that the registrant was required to file such reports), 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 (§232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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 definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	o	Non-accelerated filer	o
Accelerated filer	☑	Smaller reporting company	o

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

The aggregate market value of our common units held by non-affiliates of registrant as of June 30, 2014 was approximately $323.9 million.

On March 9, 2015, there were 27,521,280 common units outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Items 10, 11, 12, 13 and 14 of Part III will be incorporated by reference to certain portions of a definitive proxy statement, which will be filed by the Registrant within 120 days after the close of its fiscal year.

EXPLANATORY NOTE

This Amendment No. 1 to the Annual Report on Form 10-K of Steel Partners Holdings L.P. (the “Company”), amends the Company's Annual Report on Form 10-K for the year ended December 31, 2014, which was filed with the Securities and Exchange Commission on March 16, 2015 (the “Original Form 10-K”). The Company is filing this Amendment No. 1 solely to provide Exhibit 99.2 that was not included in the Original Form 10-K.

No other changes have been made to the Original Form 10-K other than as described above. This Amendment No. 1 does not reflect subsequent events occurring after the filing date of the Original Form 10-K or modify or update in any way the disclosures made in the Original Form 10-K.

Item 15. Exhibits and Financial Statement Schedules

*(a) Financial Statements**

The following financial statements of Steel Partners Holdings L.P., and subsidiaries, are included in Part II, Item 8 of this report:

Consolidated Balance Sheets as of December 31, 2014 and 2013

Consolidated Statements of Operations for the years ended December 31, 2014, 2013 and 2012

Consolidated Statements of Comprehensive (Loss) Income for the years ended December 31, 2014, 2013 and 2012
Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012

Consolidated Statements of Changes in Capital for the years ended December 31, 2014, 2013 and 2012
Notes to Consolidated Financial Statements

(b) *Exhibits.*

The following documents are filed as exhibits hereto:

Exhibit No.	**Description**
2.1	Share Acquisition Agreement, dated as of April 30, 2012, by and among Steel Excel Inc., BNS Holding, Inc., SWH, Inc. and SPH Group Holdings LLC. (incorporated by reference to Exhibit 2.1 of Steel Partners Holdings L.P.'s Current Report on Form 8-K, filed June 6, 2012).
2.2	Asset Purchase Agreement between F&H Acquisition Corp. and Cerberus Business Finance, LLC (incorporated by reference to Exhibit 2.1 of Steel Partners Holdings L.P.'s Current Report on Form 8-K, filed March 14, 2014).
3.1	Certificate of Limited Partnership (incorporated by reference to Exhibit 3.1 to Steel Partners Holdings L.P.'s Registration Statement on Form 10 filed December 15, 2011).
3.2	Amendment to the Certificate of Limited Partnership, dated April 2, 2009 (incorporated by reference to Exhibit 3.2 to Steel Partners Holdings L.P.'s Registration Statement on Form 10 filed December 15, 2011).
3.3	Amendment to the Certificate of Limited Partnership, dated January 20, 2010 (incorporated by reference to Exhibit 3.3 to Steel Partners Holdings L.P.'s Registration Statement on Form 10 filed December 15, 2011).
3.4	Amendment to the Certificate of Limited Partnership, dated October 15, 2010 (incorporated by reference to Exhibit 3.4 to Steel Partners Holdings L.P.'s Registration Statement on Form 10 filed December 15, 2011).
3.5	Fourth Amended and Restated Agreement of Limited Partnership of Steel Partners Holdings L.P. dated as of July 14, 2009. (incorporated by reference to Exhibit 10.2 to Steel Partners Holdings L.P.'s Current Report on Form 8-K, filed October 15, 2013).
4.1	Credit Agreement, dated as of October 23, 2013, by and among SPH Group Holdings LLC, Steel Partners Holdings L.P., the lenders thereunder and PNC Bank, National Association, in its capacity as administrative agent for the lenders thereunder (incorporated by reference to Exhibit 99.1 to Steel Partners Holdings L.P.'s Current Report on Form 8-K, filed October 28, 2013).
4.2	First Amendment, dated as of December 15, 2014, to the Credit Agreement. dated as of October 13, 2013 by and among SPH Group Holdings LLC, Steel Partners Holdings L.P., the lenders thereunder and PNC Bank, National Association, in its capacity as administrative agent for the lenders thereunder (incorporated by reference to Exhibit 4.1 to Steel Partners Holdings L.P.'s Current Report on Form 8-K, filed December 15, 2014).
10.1	License Agreement by and between Steel Partners LLC and Steel Partners Holdings L.P., dated January 1, 2009 (incorporated by reference to Exhibit 10.3 to Steel Partners Holdings L.P.'s Registration Statement on Form 10 filed December 15, 2011).
10.2	Assignment and Assumption Agreement by and among Steel Partners II (Offshore) Ltd., WGL Capital Corp. and Steel Partners Holdings L.P., dated July 15, 2009 (incorporated by reference to Exhibit 10.4 to Amendment No. 1 of Steel Partners Holdings L.P.'s Registration Statement on Form 10 filed January 20, 2012).

10.3	Second Amended and Restated Deferred Fee Agreement, dated as of October 31, 2002, as amended and restated as of January 1, 2005, and as further amended and restated as of July 15, 2009, by and between Steel Partners Holdings L.P. and WGL Capital Corp (incorporated by reference to Exhibit 10.5 to Amendment No. 1 of Steel Partners Holdings L.P.'s Registration Statement on Form 10 filed January 20, 2012).
10.4	Investor Services Agreement by and among Steel Partners Holdings L.P., Steel Partners LLC and WGL Capital Corp., dated July 15, 2009 (incorporated by reference to Exhibit 10.6 to Steel Partners Holdings L.P.'s Registration Statement on Form 10 filed December 15, 2011).
10.5	Advance Agreement by and between Steel Partners Holdings L.P. and Steel Partners II Master Fund L.P., dated June 28, 2009 (incorporated by reference to Exhibit 10.7 to Steel Partners Holdings L.P.'s Registration Statement on Form 10 filed December 15, 2011).
10.6	Amended and Restated Services Agreement by and between Steel Partners Holdings L.P. and SP Corporate Services, LLC, effective as of dated July 15, 2009 (incorporated by reference to Exhibit 10.8 to Amendment No. 1 of Steel Partners Holdings L.P.'s Registration Statement on Form 10 filed January 20, 2012).
10.7	Letter Agreement by and between Steel Partners Holdings L.P. and Steel Partners II GP LLC, dated July 15, 2009 (incorporated by reference to Exhibit 10.9 to Steel Partners Holdings L.P.'s Registration Statement on Form 10 filed December 15, 2011).
10.8	Management Services Agreement by and between SP Corporate Services LLC and Handy & Harman Ltd. and Handy & Harman Group Ltd., dated as of January 1, 2012 (incorporated by reference to Exhibit 10.10 to Amendment No. 1 of Steel Partners Holdings L.P.'s Registration Statement on Form 10 filed January 20, 2012).
10.9***	Employment Agreement by and among WHX Corporation, Handy & Harman, and James McCabe, Jr. dated as of February 1, 2007 (incorporated by reference to Exhibit 10.1 of Steel Partners Holdings L.P.'s Form 10-Q, filed May 15, 2012).
10.10***	Amendment to Employment Agreement by and among WHX Corporation, Handy & Harman, and James F. McCabe, Jr., effective January 1, 2009 (incorporated by reference to Exhibit 10.2 of Steel Partners Holdings L.P.'s Form 10-Q, filed May 15, 2012).
10.11***	Second Amendment to Employment Agreement by and among WHX Corporation, Handy & Harman, and James F. McCabe, Jr., effective January 4, 2009 (incorporated by reference to Exhibit 10.3 of Steel Partners Holdings L.P.'s Form 10-Q, filed May 15, 2012).
10.12	First Amendment to Management Services Agreement between Handy & Harman Ltd., Handy & Harman Group Ltd. and SP Corporate Services LLC (incorporated by reference to Exhibit 10.1 to Steel Partners Holdings L.P.'s Current Report on Form 8-K filed April 2, 2013).
10.13	Fifth Amended and Restated Management Agreement by and among Steel Partners Holdings L.P., SPH Group LLC and SP General Services LLC, dated as of May 11, 2012. (incorporated by reference to Exhibit 10.1 to Steel Partners Holdings L.P.'s Current Report on Form 8-K, filed October 15, 2013).
10.14	Management Services Agreement between SP Corporate Services LLC and iGo, Inc. effective October 1, 2013. (incorporated by reference to Exhibit 10.3 to Steel Partners Holdings L.P.'s Current Report on Form 8-K, filed October 15, 2013).
10.15	Pledge Agreement, dated as of October 23, 2013, by and among SPH Group Holdings LLC, Steel Partners Holdings L.P., and PNC Bank, National Association, as agent for the benefit of the lenders (incorporated by reference to Exhibit 99.2 to Steel Partners Holdings L.P.'s Current Report on Form 8-K, filed October 28, 2013).
10.16	Amended and Restated Management Services Agreement between SP Corporate Services LLC and Steel Excel Inc. (incorporated by reference to Exhibit 10.1 to Steel Partners Holdings L.P.'s Current Report on Form 8-K, filed January 14, 2014).
10.17	Amendment No. 1 to Amended and Restated Management Services Agreement (incorporated by reference to Exhibit 10.2 to Steel Partners Holdings L.P.'s Current Report on Form 8-K, filed January 14, 2014). .
10.18	Amendment No. 2 to Amended and Restated Management Services Agreement (incorporated by reference to Exhibit 10.3 to Steel Partners Holdings L.P.'s Current Report on Form 8-K, filed January 14, 2014).
10.19	Amendment No. 3 to the Amended and Restated Management Services Agreement between Steel Excel Inc. and SP Corporate Services LLC, dated as of January 1, 2014 (incorporated by reference to Exhibit 10.1 to Steel Partners Holdings L.P.'s Quarterly Report on Form 10-Q, filed November 6, 2014).

21*	Subsidiaries of Steel Partners Holdings L.P.
24*	Power of Attorney (included in the signature page)
31.1**	Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification by the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification by the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	2012, 2011 and 2010 Financial Statements of Steel Excel Inc. (incorporated by reference to Exhibit 99.2 of Steel Partners Holdings L.P.'s Form 10-K, filed March 23, 2013).
99.2**	Financial Statements of SL Industries, Inc.
99.3*	Financial Statements of JPS Industries, Inc.
99.4*	2014 Financial Statements of Steel Partners II Liquidating Series Trust.
99.5	2013 Financial Statements of Steel Partners II Liquidating Series Trust (incorporated by reference to Exhibit 99.4 of Steel Partners Holdings L.P.'s Form 10-K, filed March 12, 2014).
99.6	2012 Financial Statements of Steel Partners II Liquidating Trust (incorporated by reference to Exhibit 99.4 of Steel Partners Holdings L.P.'s Form 10-K, filed March 23, 2013).
99.7*	Financial Statements of ModusLink Global Solutions, Inc.
Exhibit 101.INS*	XBRL Instance Document
Exhibit 101.SCH*	XBRL Taxonomy Extension Schema
Exhibit 101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
Exhibit 101.DEF*	XBRL Taxonomy Extension Definition Linkbase
Exhibit 101.LAB*	XBRL Taxonomy Extension Label Linkbase
Exhibit 101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

* Previously filed with the original Form 10-K, filed March 16, 2015.

** Filed herewith.

*** Management contract or compensatory plan or arrangement.

SIGNATURES

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

Dated:
March 20, 2015

STEEL PARTNERS HOLDINGS L.P.

By: Steel Partners Holdings GP Inc.
Its General Partner

/s/ Warren G. Lichtenstein

By: Warren G. Lichtenstein
Executive Chairman

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities indicated with respect to Steel Partners Holdings GP Inc., the general partner of Steel Partners Holdings L.P., and on behalf of the registrant and on the dates indicated below by the following persons in the capacities and on the dates indicated.

By: /s/ Warren G. Lichtenstein — March 20, 2015
Warren G. Lichtenstein, Executive Chairman — Date
(Principal Executive Officer)

By: /s/ James F. McCabe, Jr. — March 20, 2015
James F. McCabe, Jr., Chief Financial Officer — Date
(Principal Accounting Officer)

By: * — March 20, 2015
Jack L. Howard, Director — Date

By: * — March 20, 2015
Anthony Bergamo, Director — Date

By: * — March 20, 2015
John P. McNiff, Director — Date

By: * — March 20, 2015
Joseph L. Mullen, Director — Date

By: * — March 20, 2015
General Richard I. Neal, Director — Date

By: * — March 20, 2015
Allan R. Tessler, Director — Date

*By /s/ James F. McCabe, Jr.
James F. McCabe, Jr., Attorney-in-fact

EXHIBIT 31.1

PRINCIPAL EXECUTIVE OFFICER CERTIFICATION

I, Warren G. Lichtenstein, certify that:

1. I have reviewed this Annual Report on Form 10-K/A for the year ended December 31, 2014 of Steel Partners Holdings L.P.; and

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.

Date:
March 20, 2015

/s/ Warren G. Lichtenstein

Warren G. Lichtenstein
Executive Chairman
of Steel Partners Holdings GP Inc.

EXHIBIT 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, James F. McCabe, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K/A for the year ended December 31, 2014 of Steel Partners Holdings L.P.; and

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.

Date:	
March 20, 2015	/s/ James F. McCabe, Jr.
	James F. McCabe, Jr. Chief Financial Officer of Steel Partners Holdings GP Inc.

EXHIBIT 32.1

Certification of the Principal Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Steel Partners Holdings L.P.(the “Partnership”) on Form 10-K/A for the year ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Warren G. Lichtenstein, Executive Chairman of Steel Partners Holdings GP Inc., the general partner of the Partnership, certify, pursuant to 18 U.S.C. Section § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date:
March 20, 2015

/s/ Warren G. Lichtenstein
Warren G. Lichtenstein
Executive Chairman
of Steel Partners Holdings GP Inc.

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

EXHIBIT 32.2

Certification of the Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Steel Partners Holdings L.P.(the “Partnership”) on Form 10-K/A for the year ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, James F. McCabe, Jr., Chief Financial Officer of Steel Partners Holdings GP Inc., the general partner of the Partnership, certify, pursuant to 18 U.S.C. Section § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date:
March 20, 2015

/s/ James F. McCabe, Jr.

James F. McCabe, Jr.
Chief Financial Officer
of Steel Partners Holdings GP Inc.

*The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

EXHIBIT 99.2

SL Industries, Inc.
Index to Financial Statements

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
SL Industries, Inc.

We have audited the accompanying consolidated balance sheets of SL Industries, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Schedule II, Valuation and Qualifying Accounts. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SL Industries, Inc. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ GRANT THORNTON LLP

Philadelphia, Pennsylvania

March 17, 2015

SL INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 31,950,000	$ 7,163,000
Receivables, net	33,966,000	30,765,000
Inventories, net	23,597,000	22,963,000
Other current assets	4,751,000	7,168,000
Deferred income taxes, net	6,105,000	2,804,000
Total current assets	100,369,000	70,863,000
Property, plant and equipment, net	8,070,000	10,790,000
Deferred income taxes, net	5,496,000	10,239,000
Goodwill	13,072,000	17,666,000
Other intangible assets, net	3,788,000	2,346,000
Other assets and deferred charges, net	981,000	1,430,000
Total assets	$ 131,776,000	$ 113,334,000
LIABILITIES		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	$ —	$ 1,048,000
Accounts payable	19,285,000	17,112,000
Accrued income taxes	3,618,000	20,000
Accrued liabilities:		
Payroll and related costs	4,880,000	5,373,000
Other	16,466,000	10,259,000
Total current liabilities	44,249,000	33,812,000
Long-term debt, less current maturities	—	187,000
Deferred compensation and supplemental retirement benefits	1,427,000	1,695,000
Other long-term liabilities	8,779,000	18,465,000
Total liabilities	54,455,000	54,159,000
Commitments and contingencies		
SHAREHOLDERS’ EQUITY		
Preferred stock, no par value; authorized, 6,000,000 shares; none issued	—	—
Common stock, $.20 par value; authorized, 25,000,000 shares; issued, 6,656,000 and 6,656,000 shares, respectively	1,331,000	1,331,000
Capital in excess of par value	22,747,000	22,153,000
Retained earnings	79,415,000	60,520,000
Accumulated other comprehensive (loss) gain, net of tax	(638,000)	822,000
Treasury stock at cost, 2,512,000 and 2,530,000 shares, respectively	(25,534,000)	(25,651,000)
Total shareholders’ equity	77,321,000	59,175,000
Total liabilities and shareholders’ equity	$ 131,776,000	$ 113,334,000

See accompanying notes to consolidated financial statements.

SL INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31,

	2014	2013	2012
Net sales	$ 204,417,000	$ 184,658,000	$ 179,375,000
Cost and expenses:			
Cost of products sold	138,794,000	126,432,000	126,063,000
Engineering and product development	11,041,000	11,340,000	10,018,000
Selling, general and administrative	32,337,000	29,586,000	30,070,000
Depreciation and amortization	2,220,000	2,010,000	2,296,000
Restructuring charges	463,000	—	790,000
Goodwill impairment	—	5,055,000	—
Total cost and expenses	184,855,000	174,423,000	169,237,000
Income from operations	19,562,000	10,235,000	10,138,000
Other income (expense):			
Amortization of deferred financing costs	(94,000)	(83,000)	(138,000)
Interest income	13,000	12,000	5,000
Interest expense	(27,000)	(61,000)	(23,000)
Other gain (loss), net	1,769,000	(78,000)	243,000
Income from continuing operations before income taxes	21,223,000	10,025,000	10,225,000
Income tax provision	7,043,000	2,547,000	2,686,000
Income from continuing operations	14,180,000	7,478,000	7,539,000
Income from discontinued operations, net of tax	4,715,000	762,000	238,000
Net income	$ 18,895,000	$ 8,240,000	$ 7,777,000
Basic net income per common share			
Income from continuing operations	$ 3.43	$ 1.81	$ 1.74
Income from discontinued operations, net of tax	1.14	0.18	0.06
Net income	$ 4.57	$ 1.99	$ 1.80
Diluted net income per common share			
Income from continuing operations	$ 3.39	$ 1.79	$ 1.74
Income from discontinued operations, net of tax	1.12	0.18	0.06
Net income	$ 4.51	$ 1.97	$ 1.80
Shares used in computing basic net income per common share	4,139,000	4,138,000	4,313,000
Shares used in computing diluted net income per common share	4,187,000	4,184,000	4,330,000

SL INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,

	2014	2013	2012
Net income	$ 18,895,000	$ 8,240,000	$ 7,777,000
Other comprehensive income, net of tax:			
Foreign currency translation	(366,000)	180,000	(103,000)
Net unrealized gain on available-for-sale securities	—	1,094,000	—
Net unrealized gain reclassified into income on sale of available-for-sale securities	(1,094,000)	—	—
Comprehensive income	$ 17,435,000	$ 9,514,000	$ 7,674,000

See accompanying notes to consolidated financial statements.

SL INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013, AND 2012

	Common Stock							
	Issued		Held In Treasury					
	Shares	Amount	Shares	Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity
Balance December 31, 2011	6,963,000	$ 1,393,000	(2,395,000)	$ (22,014,000)	$ 25,002,000	$ 52,825,000	$ (349,000)	$ 56,857,000
Net income						7,777,000		7,777,000
Foreign currency translation							(103,000)	(103,000)
Other, including exercise of employee stock options, awards released and related income tax benefits			18,000	177,000	(64,000)			113,000
Stock-based compensation					842,000			842,000
Repurchase and retirement of common stock	(307,000)	(62,000)			(4,202,000)			(4,264,000)
Treasury stock purchased			(140,000)	(2,468,000)				(2,468,000)
Dividends declared						(8,322,000)		(8,322,000)
Balance December 31, 2012	6,656,000	$ 1,331,000	(2,517,000)	$ (24,305,000)	$ 21,578,000	$ 52,280,000	$ (452,000)	$ 50,432,000
Net income						8,240,000		8,240,000
Foreign currency translation							180,000	180,000
Net unrealized gain on available-for-sale securities, net of tax							1,094,000	1,094,000
Other, including exercise of employee stock options, awards released and related income tax benefits			74,000	733,000	30,000			763,000
Stock-based compensation					545,000			545,000
Treasury stock purchased			(87,000)	(2,079,000)				(2,079,000)
Balance December 31, 2013	6,656,000	$ 1,331,000	(2,530,000)	$ (25,651,000)	$ 22,153,000	$ 60,520,000	$ 822,000	$ 59,175,000
Net income						18,895,000		18,895,000
Foreign currency translation							(366,000)	(366,000)
Net unrealized gain reclassified into income on sale of available-for-sale securities, net of tax							(1,094,000)	(1,094,000)
Other, including exercise of employee stock options, awards released and related income tax benefits			22,000	223,000	(174,000)			49,000
Stock-based compensation					768,000			768,000
Treasury stock purchased			(4,000)	(106,000)				(106,000)
Balance December 31, 2014	6,656,000	$ 1,331,000	(2,512,000)	$ (25,534,000)	$ 22,747,000	$ 79,415,000	$ (638,000)	$ 77,321,000

See accompanying notes to consolidated financial statements.

SL INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2014	2013	2012
OPERATING ACTIVITIES:			
Net income	$ 18,895,000	$ 8,240,000	$ 7,777,000
Adjustment for income from discontinued operations	(4,715,000)	(762,000)	(238,000)
Income from continuing operations	14,180,000	7,478,000	7,539,000
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation	1,549,000	1,462,000	1,431,000
Amortization	671,000	548,000	865,000
Amortization of deferred financing costs	94,000	83,000	138,000
Stock-based compensation	768,000	545,000	842,000
Excess tax benefit on stock compensation	—	(132,000)	(33,000)
Loss (gain) on foreign exchange contracts	825,000	90,000	(243,000)
Provisions for losses on accounts receivable	29,000	46,000	20,000
Deferred compensation and supplemental retirement benefits	327,000	313,000	399,000
Deferred compensation and supplemental retirement benefit payments	(440,000)	(503,000)	(480,000)
Deferred income taxes	1,615,000	153,000	191,000
(Gain) on sale of available-for-sale securities	(1,691,000)	—	—
(Gain) loss on sales of property, plant and equipment	(1,127,000)	—	24,000
Goodwill impairment	—	5,055,000	—
Changes in operating assets and liabilities:			
Accounts receivable	(5,129,000)	(1,028,000)	1,091,000
Inventories	(388,000)	(725,000)	847,000
Other assets	963,000	(1,729,000)	112,000
Accounts payable	2,130,000	(1,860,000)	1,882,000
Other accrued liabilities	1,321,000	3,368,000	1,400,000
Accrued income taxes	4,152,000	494,000	165,000
Net cash provided by operating activities from continuing operations	19,849,000	13,658,000	16,190,000
Net cash (used in) operating activities from discontinued operations	(9,920,000)	(3,959,000)	(662,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	9,929,000	9,699,000	15,528,000
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(2,850,000)	(2,434,000)	(1,553,000)
Proceeds from sale of property, plant and equipment	1,657,000	—	—
Acquisition of a business, net of cash acquired	(3,973,000)	—	(756,000)
Purchases of available-for-sale securities	—	(2,362,000)	—
Proceeds from sale of available-for-sale securities	4,054,000	—	—
Purchases of other assets	(379,000)	(320,000)	(215,000)
Net cash (used in) investing activities from continuing operations	(1,491,000)	(5,116,000)	(2,524,000)
Net cash provided by (used in) investing activities from discontinued operations	17,783,000	(416,000)	(170,000)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	16,292,000	(5,532,000)	(2,694,000)
FINANCING ACTIVITIES:			
Proceeds from Senior Revolving Credit Facility	—	25,490,000	2,850,000
Payments of Senior Revolving Credit Facility	(1,000,000)	(24,490,000)	(2,850,000)
Proceeds from Revolving Credit Facility	—	—	4,100,000
Payments of Revolving Credit Facility	—	—	(4,100,000)
Payments of deferred financing costs	(45,000)	(42,000)	(340,000)
Repurchase and retirement of common stock	—	—	(4,264,000)
Treasury stock purchases	(106,000)	(2,079,000)	(2,468,000)
Proceeds from stock options exercised	—	743,000	80,000
Excess tax benefit on stock compensation	—	132,000	33,000
Dividends paid	—	—	(8,322,000)
Net cash (used in) financing activities from continuing operations	(1,151,000)	(246,000)	(15,281,000)
Net cash (used in) financing activities from discontinued operations	(235,000)	—	—
NET CASH (USED IN) FINANCING ACTIVITIES	(1,386,000)	(246,000)	(15,281,000)
Effect of exchange rate changes on cash	(48,000)	46,000	11,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	24,787,000	3,967,000	(2,436,000)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,163,000	3,196,000	5,632,000

CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 31,950,000	$ 7,163,000	$ 3,196,000

See accompanying notes to consolidated financial statements.

Notes To Consolidated Financial Statements

Note 1. Summary Of Significant Accounting Policies

Background: SL Industries, Inc. (the "Company"), through its subsidiaries, designs, manufactures and markets power electronics, motion control, power protection, and power quality electromagnetic equipment that is used in a variety of medical, commercial and military aerospace, computer, datacom, industrial, and telecom applications. Its products are generally incorporated into larger systems to improve operating performance, safety, reliability and efficiency. The Company's products are largely sold to Original Equipment Manufacturers ("OEMs") and, to a lesser extent, to commercial distributors. The Company's customer base is primarily located in the United States. The Company's operating subsidiaries are described and defined in Note 23. The Company's discontinued operations are described and defined in Note 4.

Unless the context requires otherwise, the terms the "Company," "SL Industries," "we," "us" and "our" mean SL Industries, Inc., a Delaware corporation, and its consolidated subsidiaries after Reincorporation (defined and described below) and SL Industries, Inc., a New Jersey corporation prior to Reincorporation. In the context of describing the Reincorporation, "SL-NJ" means SL Industries, Inc., a New Jersey corporation, and "SL-DE" means SL Industries, Inc., a Delaware corporation and wholly owned subsidiary of SL-NJ.

On May 9, 2013, the Company's shareholders voted to approve a proposal to change the state of incorporation of SL Industries from the State of New Jersey to the State of Delaware by merging SL-NJ with and into SL-DE (the "Reincorporation"). On June 20, 2013 (the "Effective Date"), the Reincorporation was effected by merging SL-NJ with and into SL-DE pursuant to an Agreement and Plan of Merger, dated June 3, 2013, between SL-NJ and SL-DE. SL-DE survived the merger and SL-NJ ceased to exist. The principal reason for the Reincorporation was to give the Company a greater measure of flexibility and simplicity in corporate governance and provide greater clarity and predictability with respect to the Company's corporate legal affairs. The Reincorporation did not result in any change in the name, business, management, fiscal year, accounting, location of the principal executive officers, assets or liabilities or net worth (other than the costs of reincorporation which were immaterial) of the Company.

On November 17, 2014, SL Delaware Holdings, Inc. ("SL Delaware Holdings"), a wholly-owned subsidiary of the Company, entered into a definitive Stock Purchase Agreement (the "Purchase Agreement") with Hubbell Power Systems, Inc. ("Hubbell"), a subsidiary of Hubbell Incorporated, pursuant to which SL Delaware Holdings sold all of the issued and outstanding capital stock of RFL Electronics Inc. ("RFL"). The Company concluded that the accounting requirements for reporting the results of operations and cash flows of the divested business as discontinued operations were met at November 17, 2014. As a result, the accompanying consolidated statements of income for 2013 and 2012, the consolidated statements of cash flows for 2013 and 2012, and the amounts in these notes to the consolidated financial statements related to 2013 and 2012 have been recast to reflect the presentation of the results of operations and cash flows of the formerly owned RFL businesses as discontinued operations. Refer to Note 4, "Discontinued Operations", for additional information regarding this transaction.

Basis Of Consolidation: The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

Use Of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant areas that require the use of management estimates relate to product warranty costs, accrued liabilities related to litigation, allowance for doubtful accounts, allowance for inventory obsolescence and environmental costs, the valuation of acquisitions and long-lived assets, and income taxes, including estimates for certain tax liabilities and the determination of recoverability of certain of the deferred tax assets.

Cash Equivalents: The Company considers all highly liquid debt instruments with an original maturity date of three months or less and investments in money market accounts to be cash equivalents. At December 31, 2014 and December 31, 2013, cash and cash equivalents held in the United States are held principally at one financial institution.

Accounts Receivable: The Company's accounts receivable primarily consist of trade receivables and are reported net of allowances for doubtful accounts of approximately $281,000 and $581,000 as of December 31, 2014 and December 31, 2013, respectively. The Company's estimate for the allowance for doubtful accounts related to trade receivables is based on two methods. The amounts calculated from each of these methods are combined to determine the total amount reserved. First, the Company evaluates specific accounts where it has information that the customer may have an inability to meet its financial obligations (e.g., bankruptcy or insolvency). In these cases, the Company uses its judgment, based on the best available facts

and circumstances, and records a specific reserve for that customer against amounts due to reduce the receivable to the amount that is expected to be collected. These specific reserves are reevaluated and adjusted as additional information is received that impacts the amount reserved. Second, a general reserve is established for all customers based on several factors, including historical write-offs as a percentage of sales. If circumstances change (e.g., higher than expected defaults or an unexpected material adverse change in a major customer's ability to meet its financial obligation), the Company's estimates of the recoverability of amounts due could be reduced by a material amount. Receivables are charged off against the reserve when they are deemed uncollectible.

Inventories: Inventories are valued at the lower of cost or market. Cost is primarily determined using the first-in, first-out ("FIFO") method. Cost for certain inventories is determined using the last-in, first-out ("LIFO") method. The Company's carrying cost of inventory is valued at the lower of cost or market as the Company continually reviews the book value of discontinued product lines to determine if these items are properly valued. The Company identifies these items and assesses the ability to dispose of them at a price greater than cost. If it is determined that cost is less than market value, then cost is used for inventory valuation. If market value is less than cost, then related inventory is adjusted to market value. If a write down to the current market value is necessary, the market value cannot be greater than the net realizable value, which is defined as selling price less costs to complete and dispose, and cannot be lower than the net realizable value less a normal profit margin. The Company also continually evaluates the composition of its inventory and identifies obsolete, slow-moving, and excess inventories. Inventory items identified as obsolete, slow-moving, or excess are evaluated to determine if reserves are required. If the Company were not able to achieve its expectations of the net realizable value of the inventory at current market value, it would have to adjust its reserves accordingly. The Company attempts to accurately estimate future product demand to properly adjust inventory levels. However, significant unanticipated changes in demand could have a significant impact on the value of inventory and of operating results.

Investments: The Company determines the appropriate classification of its investments in equity securities at the time of purchase and reevaluates such determinations at each balance sheet date. Marketable securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized in earnings. Marketable equity securities not classified as trading are classified as available for sale, and are carried at fair market value, with the unrealized gains and losses, net of tax, included in the determination of comprehensive income and reported in shareholders' equity. The fair value of all securities held by the Company is determined by quoted market prices.

Property, Plant And Equipment: Property, plant and equipment are carried at cost and include expenditures for new facilities and major renewals and betterments. Maintenance, repairs and minor renewals are charged to expense as incurred. When assets are sold or otherwise disposed of, any gain or loss is recognized currently. Depreciation is provided primarily using the straight-line method over the estimated useful lives of the assets, which range from 25 to 40 years for buildings, 3 to 15 years for equipment and other property, and the lesser of the lease term or life of the asset for leasehold improvements. Assets subject to capital leases are depreciated over the lesser of the estimated useful life of the asset or length of the contract.

Goodwill And Other Intangibles: The Company follows Accounting Standards Codification ("ASC") 350 "Intangibles – Goodwill and Other," which requires that goodwill and other indefinite-lived intangible assets will no longer be amortized to earnings, but instead be subject to periodic testing for impairment. Intangible assets determined to have definitive lives will continue to be amortized over their estimated useful lives.

The Company's impairment testing is undertaken annually, or more frequently upon the occurrence of some indication that an impairment may take place. The Company conducted its annual impairment test as of December 31, 2014.

A two-step process is utilized to determine if goodwill has been impaired. In the first step, the fair value of each reporting unit is compared to the net asset value recorded for such unit. If the fair value exceeds the net asset value, the goodwill of the reporting unit is not adjusted. However, if the recorded net asset value exceeds the fair value, the Company would perform a second step to measure the amount of impairment loss, if any. In the second step, the implied fair value of the reporting unit's goodwill is compared with the goodwill recorded for such unit. If the recorded amount of goodwill exceeds the implied fair value, an impairment loss is recognized in the amount of the excess. The nonrecurring fair value measurement of goodwill is developed using significant unobservable inputs (Level 3) (see Note 18 for additional information).

Long-Lived Assets: The Company evaluates the recoverability of its long-lived assets in accordance with ASC 360 "Property, Plant, and Equipment." The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets are measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset, undiscounted and

without interest or independent appraisals. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the assets.

Revenue Recognition: Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the purchase price is fixed or determinable and collectability is reasonably assured. The major portion of the Company's revenue is derived from equipment sales. The Company recognizes equipment revenue upon shipment or delivery, depending upon the terms of the order, and transfer of title. Generally, the revenue recognition criteria are met at the time the product is shipped. Provisions are made at the time the related revenue is recognized for product returns, product warranties, rebates, certain re-stocking programs with distributors and other sales incentives offered by the Company to its customers. Freight revenues billed to customers are included in net sales and expenses for shipping products are included in cost of sales.

Environmental Expenditures: Environmental expenditures that relate to current operations are charged to expense or capitalized, as appropriate. Expenditures that relate to an existing condition caused by formerly owned operations are expensed and recorded as part of discontinued operations, net of tax. Expenditures include costs of remediation and legal fees to defend against claims for environmental liability. Liabilities are recorded when remedial efforts are probable and the costs can be reasonably estimated. The liability for remediation expenditures includes, as appropriate, elements of costs such as site investigations, consultants' fees, feasibility studies, outside contractor expenses and monitoring expenses. Estimates are not discounted and they are not reduced by potential claims for recovery from insurance carriers. The liability is periodically reviewed and adjusted to reflect current remediation progress, prospective estimates of required activity and other relevant factors, including changes in technology or regulations.

Deferred Financing Costs: Costs incurred in securing long-term debt are deferred and amortized on a straight-line basis over the term of the related debt. In the case of loan modifications, the Company follows the guidance provided by ASC 470-50 "Debt – Modification and Extinguishments." The net unamortized deferred financing costs at December 31, 2014 and December 31, 2013 were $177,000 and $227,000, respectively. The financing cost amortization expense was $94,000, $83,000, and $138,000, for 2014, 2013, and 2012, respectively.

Product Warranty Costs: The Company offers various warranties on its products. These warranties vary in length depending on the product. The Company provides for its estimated future warranty obligations in the period in which the related sale is recognized primarily based on historical experience. For 2014, 2013 and 2012, product warranty costs from continuing operations were $818,000, $757,000 and $524,000, respectively.

Advertising Costs: Advertising costs are expensed as incurred. For 2014, 2013 and 2012, advertising costs from continuing operations were $349,000, $258,000 and $271,000, respectively.

Research And Development Costs: Research and development costs are expensed as incurred. For 2014, 2013 and 2012, research and development costs from continuing operations were $4,054,000, $4,215,000 and $2,992,000, respectively.

Other Gain (Loss), net: Other gain (loss), net in 2014 was a net gain of $1,769,000 compared to net loss of $78,000 in 2013 and a net gain of $243,000 in 2012. Other gain (loss), net in 2014 included a $1,691,000 gain recognized from the sale of available-for-sale securities, a $892,000 gain on the sale of the Company's former manufacturing facility located in Xianghe, China, and $11,000 of dividend income received from investments in available-for-sale securities, which were partially offset by a $825,000 unrealized loss on foreign currency forward contracts. Other gain (loss), net in 2013 included a $90,000 unrealized loss on foreign currency forward contracts, which was partially offset by $12,000 of dividend income received from investments in available-for-sale securities. Other gain (loss), net in 2012 included a $243,000 unrealized gain on foreign currency forward contracts.

Since 2012, the Company has entered into a series of foreign currency forward contracts to hedge its exposure to foreign exchange rate movements in its forecasted expenses in China and Mexico. The loss recognized in 2014 and 2013 and the gain recognized in 2012 represents the change in fair value of foreign currency forward contracts that are marked to market (see Note 19 for additional information).

Income Taxes: The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based upon the differences between the financial statement carrying amounts and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The Company establishes valuation allowances if the Company believes that it is more likely than not that some of the deferred tax assets will not be realized. The Company does not recognize a tax benefit

unless it is more likely than not that the benefit will be sustained on audit by the taxing authority based on the merits of the associated tax position. If the recognition threshold is met, the Company recognizes a tax benefit measured at the largest amount of the tax benefit that, based on the Company's judgment, is greater than fifty percent likely to be realized. The Company records interest and penalties related to unrecognized tax benefits as income tax expense.

Foreign Currency Conversion: Assets and liabilities of foreign operations are translated from local currency to U.S. dollars at the exchange rates in effect at the end of the fiscal period. Gains and losses from the translation of foreign operations are included in accumulated other comprehensive gain (loss) on the Company's Consolidated Balance Sheets. Revenue and expenses are translated at the year-to-date average rate of exchange. Transaction gains and losses arising from currency exchange rate fluctuations on transactions denominated in a currency other than the local currency are included in the Company's Consolidated Statements of Income.

Derivative Instruments And Hedging Activities: FASB ASC 815, "Derivatives and Hedging" ("ASC 815"), provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Further, qualitative disclosures are required that explain the Company's objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. Certain of the Company's foreign operations expose the Company to fluctuations of foreign interest rates and exchange rates. These fluctuations may impact the value of the Company's revenues, expenses, cash receipts and payments in terms of the Company's functional currency. The Company enters into derivative financial instruments to protect the value or fix the amount of certain cash flows in terms of the functional currency of the business unit with that exposure.

As required by ASC 815, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. The Company enters into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting. Currently, the Company does not apply hedge accounting to any of its foreign currency derivatives.

Note 2. Income Per Share

The Company has presented net income per common share pursuant to ASC 260 "Earnings Per Share." Basic net income per common share is computed by dividing reported net income available to common shareholders by the weighted-average number of shares outstanding for the period.

Diluted net income per common share is computed by dividing reported net income available to common shareholders by the weighted-average shares outstanding for the period, adjusted for the dilutive effect of common stock equivalents, which consist of stock options, using the treasury stock method.

There were no anti-dilutive options for the years ended December 31, 2014 and December 31, 2013. For the year ended December 31, 2012, 6,000 stock options were excluded from the dilutive computation as the assumed shares repurchased under the treasury method would have been anti-dilutive.

The table below sets forth the computation of basic and diluted net income per share:

	December 31, 2014	December 31, 2013	December 31, 2012
	(in thousands, except per share amounts)		
Net income available to common shareholders:			
Basic net income available to common shareholders from continuing operations	$ 14,180	$ 7,478	$ 7,539
Basic net income available to common shareholders from discontinued operations	$ 4,715	$ 762	$ 238
Diluted net income available to common shareholders from continuing operations	$ 14,180	$ 7,478	$ 7,539
Diluted net income available to common shareholders from discontinued operations	$ 4,715	$ 762	$ 238
Shares:			
Basic weighted average number of common shares outstanding	4,139	4,138	4,313
Common shares assumed upon exercise of stock options	48	46	17
Diluted weighted average number of common shares outstanding	4,187	4,184	4,330
Basic net income per common share:			
Income from continuing operations	$ 3.43	$ 1.81	$ 1.74
Income from discontinued operations (net of tax)	1.14	0.18	0.06
Net income	$ 4.57	$ 1.99	$ 1.80
Diluted net income per common share:			
Income from continuing operations	$ 3.39	$ 1.79	$ 1.74
Income from discontinued operations (net of tax)	1.12	0.18	0.06
Net income	$ 4.51	$ 1.97	$ 1.80

Note 3. Recently Adopted and Issued Accounting Standards

Recently Adopted Accounting Standards And Other Standards

In July 2013, the FASB issued ASU No. 2013-11, “Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force),” which provides guidance on financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. ASU 2013-11 is effective for fiscal periods beginning after December 15, 2013. The implementation of this guidance did not have a material impact on the Company’s consolidated financial statements.

Recently Issued Accounting Pronouncements And Other Standards

In April 2014, the FASB issued ASU No. 2014-08, “Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of an Entity,” which amends the guidance for reporting discontinued operations and disposals of components of an entity. The amended guidance requires that a disposal representing a strategic shift that has (or will have) a major effect on an entity’s financial results or a business activity classified as sale should be reported as discontinued operations. The amendments also expand the disclosure requirements for discontinued operations and add new disclosures for individually significant dispositions that do not qualify as discontinued operations. ASU 2014-08 is effective prospectively for fiscal periods beginning after December 15, 2014 (early adoption is permitted only for disposals that have not been previously reported). The implementation of this guidance is not expected to have a material impact on the Company’s consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606),” which provides guidance that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for fiscal periods beginning after December 15, 2016 and may be applied either (i) retrospectively to each prior reporting period presented with an election for certain specified practical expedients, or (ii) retrospectively with the cumulative effect of initially applying the ASU recognized at the date of initial application, with additional disclosure requirements. Early

application is not permitted. The Company is currently evaluating the impact of the implementation of this guidance on the Company’s consolidated financial statements. The Company’s management has not yet determined the method by which it will adopt the standard in 2017.

In June 2014, the FASB issued ASU No. 2014-12, “Compensation—Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force),” which requires a reporting entity to treat a performance target that affects vesting and that could be achieved after the requisite service period as a performance condition. ASU 2014-12 is effective for fiscal periods beginning after December 15, 2015. Earlier application is permitted. The implementation of this guidance is not expected to have a material impact on the Company’s consolidated financial statements.

In November 2014, the FASB issued ASU No. 2014-16, “Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity (a consensus of the FASB Emerging Issues Task Force),” which clarifies how current guidance should be interpreted in evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share. The amendments require that an entity should consider all relevant terms and features, including the embedded derivative feature being evaluated for bifurcation, in evaluating the nature of a host contract. ASU 2014-16 is effective for fiscal periods beginning after December 15, 2015. Earlier adoption is permitted. The implementation of this guidance is not expected to have a material impact on the Company’s consolidated financial statements.

In November 2014, the FASB issued ASU No. 2014-17, “Business Combinations (Topic 805): Pushdown Accounting (a consensus of the FASB Emerging Issues Task Force),” which gives acquired companies the option to apply pushdown accounting to its separate financial statements upon a change-in-control event. ASU 2014-15 is effective on November 18, 2014. The implementation of this guidance did not have a material impact on the Company’s consolidated financial statements.

Note 4. Discontinued Operations

The results of total income from discontinued operations for the years ended December 31, 2014, December 31, 2013, and December 31, 2012 were as follows:

	December 31,		
	2014	2013	2012
	(in thousands)		
Income (loss) from discontinued operations before income taxes:			
Divested operations - RFL	$ 8,215	$ 2,852	$ 2,797
Environmental costs	(896)	(1,620)	(2,151)
Total income from discontinued operations before income taxes	$ 7,319	$ 1,232	$ 646
Income (loss) from discontinued operations, net of tax:			
Divested operations - RFL	$ 5,338	$ 1,854	$ 1,818
Environmental costs	(623)	(1,092)	(1,580)
Total income from discontinued operations, net of tax	$ 4,715	$ 762	$ 238

The loss from discontinued operations due to environmental costs in 2014, 2013, and 2012 is related to remediation costs, consulting fees, and legal expenses associated with the past operations of the Company’s five environmental sites (See Note 16 – Commitments and Contingencies for further information concerning the environmental sites).

On November 17, 2014, SL Delaware Holdings, a wholly-owned subsidiary of the Company, entered into the Purchase Agreement with Hubbell pursuant to which SL Delaware Holdings sold all of the issued and outstanding capital stock of RFL to Hubbell for aggregate cash consideration of $20,000,000, subject to a post-closing working capital adjustment which amounted to $299,000 and was received in February 2015. A portion of the cash consideration ($2,000,000, subject to adjustment after nine months), is being held in escrow to secure the indemnification obligations of SL Delaware Holdings. As a result, the Company recognized a pre-tax gain of $6,650,000 ($4,322,000 net of tax).

The Company concluded that the accounting requirements for reporting the results of operations and cash flows of the divested business as discontinued operations were met at November 17, 2014. As a result, the consolidated statements of income for

2013 and 2012 and the consolidated statements of cash flows for 2013 and 2012 have been recast to reflect the formerly owned RFL businesses as discontinued operations.

The results of the discontinued operations for RFL for the years ended December 31, 2014, December 31, 2013, and December 31, 2012 were as follows:

	December 31,		
	2014	2013	2012
	(in thousands)		
Net sales	$ 17,093	$ 20,030	$ 21,202
Costs and expenses			
Cost of products sold	8,287	9,405	10,479
Engineering and product development	1,829	1,714	1,728
Selling, general and administrative	5,027	5,839	5,750
Depreciation and amortization	352	396	415
Restructuring charges		—	67
Total cost and expenses	15,495	17,354	18,439
Income from operations	1,598	2,676	2,763
Other income (expense):			
Interest expense	(33)	(26)	(25)
Other gain (loss), net	—	202	59
Gain on disposal	6,650	—	—
Income from discontinued operations before income taxes	8,215	2,852	2,797
Income tax provision	2,877	998	979
Income from discontinued operations, net of tax	$ 5,338	$ 1,854	$ 1,818

In the Consolidated Statements of Cash Flows, environmental costs and the financial results of the RFL segment were included in net cash (used in) operating activities from discontinued operations, net cash provided by (used in) investing activities from discontinued operations, and net cash (used in) financing activities from discontinued operations.

Note 5. Receivables

Receivables consist of the following:

	December 31,	
	2014	2013
	(in thousands)	
Trade receivables	$ 34,025	$ 30,766
Less: allowance for doubtful accounts	(281)	(581)
Trade receivables, net	33,744	30,185
Recoverable income taxes	81	344
Other	141	236
Receivables, net	$ 33,966	$ 30,765

Note 6. Concentrations Of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and trade receivables. The Company places its temporary cash investments with high credit quality financial institutions. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Company’s customer base, and their dispersion across many industries and geographic regions. The Company seeks to limit its exposure to credit risks in any single country or region. The Company performs periodic credit evaluations of

its customers' financial condition and generally requires no collateral from its customers. The Company provides an allowance for potential credit losses based upon collectability of such receivables. Losses have not been significant for any of the periods presented. All financial investments inherently expose holders to market risks, including changes in currency and interest rates. The Company manages its exposure to these market risks through its regular operating and financing activities.

Note 7. Inventories

Inventories consist of the following:

	December 31,	
	2014	2013
	(in thousands)	
Raw materials	$ 16,865	$ 16,198
Work in process	4,584	4,842
Finished goods	4,232	4,124
Gross inventory	25,681	25,164
Less: allowances	(2,084)	(2,201)
Inventories, net	$ 23,597	$ 22,963

The above includes certain inventories that are valued using the LIFO method, which aggregated $8,722,000 and $5,789,000 as of December 31, 2014 and December 31, 2013, respectively. The excess of FIFO cost over LIFO cost as of December 31, 2014 and December 31, 2013 was approximately $160,000 and $495,000, respectively.

Note 8. Property, Plant And Equipment

Property, plant and equipment consist of the following:

	December 31,	
	2014	2013
	(in thousands)	
Land	$ 216	$ 1,146
Buildings and leasehold improvements	6,604	9,448
Equipment and other property	25,148	28,022
	31,968	38,616
Less: accumulated depreciation	(23,898)	(27,826)
Property, plant and equipment, net	$ 8,070	$ 10,790

Depreciation expense on property, plant and equipment was $1,549,000, $1,462,000, and $1,431,000 for 2014, 2013 and 2012, respectively.

Property, plant, and equipment under capital leases had a gross value of $239,000 as of December 31, 2013. The capital lease was acquired in December 2013 by RFL and is included in equipment and other property. During 2014, the leased equipment was purchased prior to the divestiture of RFL.

Note 9. Goodwill And Intangible Assets

Acquisitions in Fiscal 2014

On July 25, 2014, the Company acquired certain assets and assumed certain liabilities of Dynetic Systems, Inc. ("Dynetic"), pursuant to an Asset Purchase Agreement for an initial purchase price of $4,000,000 less a working capital adjustment of $27,000 (the "Dynetic Acquisition"). The Asset Purchase Agreement also includes a possible earn-out, initially estimated at $310,000, which is comprised of annual payments based on sales of Dynetic products and sales to Dynetic customers over the period immediately following the date of the Dynetic Acquisition through December 31, 2017. Dynetic designed, developed and manufactured precision quality, instrument grade motion control products, and provided custom motor and motion control solutions to the aerospace, defense, medical, commercial and industrial markets. In connection with the Dynetic Acquisition,

SL Montevideo Technology, Inc. (“SL-MTI”) recorded $266,000 of non-cash inventory step-up amortization due to purchase accounting and direct acquisition costs of approximately $146,000 during 2014. The non-cash inventory step-up amortization was recorded within cost of products sold and direct acquisition costs were recorded within selling, general and administrative expenses in the Consolidated Statements of Income. SLMTI DS LLC (“SLMTI DS”), a new formed subsidiary of SL-MTI, holds the assets acquired in the Dynetic Acquisition.

At December 31, 2014, the financial statements reflect the final purchase price based on estimated fair values at the date of acquisition. The acquisition resulted in intangible assets of $1,861,000 and goodwill of $653,000, which are deductible for tax purposes. Included in intangibles is a customer list valued at $1,510,000 with an estimated useful life of 10 years, developed technology valued at $280,000 with an estimated useful life of 6 years, a trademark valued at $60,000 with an estimated useful life of 2 years, and a non-competition agreement valued at $11,000 with an estimated useful life of 5 years. The total weighted-average amortization period of Dynetic intangible assets, excluding goodwill, is approximately 9 years.

As of December 31, 2014, the total liability for the estimated earn-out was $288,000. During 2014, there were no payments related to the earn-out. The Dynetic results from the date of acquisition through December 31, 2014 are included in the SL-MTI segment.

Acquisitions in Fiscal 2012

On February 27, 2012, the Company purchased certain assets of Pro-Dex Astromec, Inc. (“Astromec”), a subsidiary of Pro-Dex Inc. (“Pro-Dex”), for approximately $1,050,000, which includes the assumption of liabilities for an estimated earn-out of $294,000. The total liability for the earn-out as of December 31, 2014 and December 31, 2013 was $32,000 and $116,000, respectively. During 2014 and 2013, $112,000 and $148,000 were paid related to the earn-out, respectively. The results from the date of acquisition through December 31, 2014 are included in the SL-MTI segment.

Goodwill And Intangible Assets

Intangible assets consist of the following:

		December 31, 2014			December 31, 2013		
	Amortizable Life (years)	Gross Value	Accumulated Amortization	Net Value	Gross Value	Accumulated Amortization	Net Value
				(in thousands)			
Finite-lived intangible assets:							
Customer relationships (1)	5 to 10	$ 5,378	$ 3,858	$ 1,520	$ 3,868	$ 3,436	$ 432
Patents (2)	5 to 20	1,501	1,223	278	1,302	1,212	90
Developed technology (1)	5 to 6	1,980	1,719	261	1,700	1,700	—
Licensing fees (3)	5 to 10	—	—	—	550	398	152
Trademarks (1)	2	60	13	47	—	—	—
Non-compete agreements (1)	5	11	1	10	—	—	—
Total amortized finite-lived intangible assets		8,930	6,814	2,116	7,420	6,746	674
Indefinite-lived intangible assets:							
Trademarks		1,672	—	1,672	1,672	—	1,672
Other intangible assets, net		$ 10,602	$ 6,814	$ 3,788	$ 9,092	$ 6,746	$ 2,346

(1) On July 25, 2014, the Company purchased certain assets of Dynetic. Included in the purchase price allocation is a customer list valued at $1,510,000 with an estimated useful life of 10 years, developed technology valued at $280,000 with an estimated useful life of 6 years, a trademark valued at $60,000 with an estimated useful life of 2 years, and a non-competition agreement valued at $11,000 with an estimated useful life of 5 years.

(2) During 2014, MTE Corporation (“MTE”), which is part of the High Power Group segment, purchased a patent from a third party. The value of the asset is $160,000 and the estimated useful life of the asset is 14 years. During 2014, MTE also capitalized $39,000 of legal fees related to a new patent application. The estimated useful life of the asset is 20 years.

(3) On November 17, 2014, the Company sold all of the issued and outstanding capital stock of RFL, which included a licensing fee.

Goodwill is tested at the reporting unit levels annually, and if necessary, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The fair values of the reporting units were estimated using a combination of the expected present values of future cash flows, an assessment of comparable market multiples and a review of market capitalization with estimated control premiums.

There were no impairment charges related to goodwill recorded during 2014 and 2012. There were no impairment charges related to indefinite-lived intangible assets recorded during 2014, 2013, and 2012. In 2013, the Company's annual impairment test resulted in our assessment that the carrying value of the TEAL Electronics Corp ("TEAL") reporting unit exceeded its fair value. As a result of the Company's annual impairment test, a $5,055,000 non-cash goodwill impairment charge was assessed and recorded in goodwill impairment expense on the Consolidated Statements of Income in the fourth quarter of 2013 in our High Power Group segment. The goodwill impairment was primarily due to a decline in medical imaging equipment market sales during the year coupled with the cancellation of a large solar contract during the fourth quarter of 2013. This resulted in the TEAL reporting unit having lower sales and cash flows for the year than previously projected and lower forecasts of future sales and cash flows for the reporting unit.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units and determining the fair value of each reporting unit. Significant judgments required to estimate the fair value of reporting units include estimating future cash flows, determining appropriate discount and growth rates, operating margins and working capital requirements, selecting comparable companies within each reporting unit and market and determining control premiums. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit.

As of December 31, 2013, the total fair values for each of the remaining reporting units in all of the Company's segments exceeded their total carrying values by 168% or greater. Although our analysis regarding the fair values of the goodwill and indefinite lived intangible assets indicates that they exceed their respective carrying values, materially different assumptions regarding the future performance of the Company's businesses or significant declines in the Company's stock price could result in additional goodwill impairment losses.

Estimated future amortization expense for intangible assets subject to amortization in each of the next five fiscal years is as follows:

	Amortization Expense (in thousands)
2015	$ 282
2016	$ 266
2017	$ 223
2018	$ 218
2019	$ 217

Total amortization expense, excluding the amortization of deferred financing costs, for 2014, 2013 and 2012 was $671,000, $548,000 and $865,000, respectively. Amortization expense related to intangible assets for 2014, 2013 and 2012 was $466,000, $384,000 and $706,000, respectively. Amortization expense related to software for 2014, 2013 and 2012 was $205,000, $164,000 and $159,000, respectively.

Changes in goodwill balances by segment (which are defined below) are as follows:

	Balance December 31, 2013	Acquisitions	Discontinued Operations	Foreign Exchange	Balance December 31, 2014
			(in thousands)		
SL Power Electronics Corp.	$ 4,228	$ —	$ —	$ 2	$ 4,230
High Power Group:					
MTE Corporation	8,189	—	—	—	8,189
TEAL Electronics Corp.	—	—	—	—	—
SL-MTI	—	653	—	—	653
RFL Electronics Inc. (1)	5,249	—	(5,249)	—	—
Goodwill	$ 17,666	$ 653	$ (5,249)	$ 2	$ 13,072

The following table reflects the components of goodwill as of December 31, 2014, and December 31, 2013:

	December 31, 2014			December 31, 2013		
	Gross Amount	Accumulated Impairment Losses	Goodwill, Net	Gross Amount	Accumulated Impairment Losses	Goodwill, Net
	(in thousands)					
SL Power Electronics Corp.	$ 4,230	$ —	$ 4,230	$ 4,228	$ —	$ 4,228
High Power Group:						
MTE Corporation	8,189	—	8,189	8,189	—	8,189
TEAL Electronics Corp.	5,055	5,055	—	5,055	5,055	—
SL-MTI	653	—	653	—	—	—
RFL Electronics Inc. (1)	—	—	—	5,249	—	5,249
Goodwill	$ 18,127	$ 5,055	$ 13,072	$ 22,721	$ 5,055	$ 17,666

(1) On November 17, 2014, SL Delaware Holdings., a wholly-owned subsidiary of the Company, entered into the Purchase Agreement with Hubbell pursuant to which SL Delaware Holdings sold all of the issued and outstanding capital stock of RFL to Hubbell for aggregate cash consideration of $20,000,000, subject to a post-closing working capital adjustment which amounted to $299,000 and was received in February 2015. The Company concluded that the accounting requirements for reporting the results of operations of the divested business as discontinued operations were met at November 17, 2014. As a result, the results of operations for the periods presented have been recast to reflect the formerly owned RFL businesses as discontinued operations.

Note 10. Investments

Investments in publicly traded equity securities (which include equity interests of less than 20%) are classified as available-for-sale securities. These investments are carried at fair value using quoted market prices and are included in other current assets in the Company’s Consolidated Balance Sheets. Unrealized gains and losses, net of tax, are included in the determination of comprehensive income and reported in shareholders’ equity.

As of December 31, 2014, the Company had no available-for-sale securities. Available-for-sale securities consist of the following as of December 31, 2013:

	December 31, 2013 (in thousands)		
	Cost	Gains in Accumulated Other Comprehensive Income	Estimated Fair Value
Common stock	$ 2,362	$ 1,739	$ 4,101

During the first six months of 2014, the Company sold all of its available-for-sale securities for total proceeds of $4,054,000. The gross realized gains on these sales totaled $1,691,000 ($1,063,000 net of tax), for the year ended December 31, 2014. For the purpose of determining gross realized gains, the cost of securities sold was based on the first in, first out (FIFO) method.

No available-for-sale securities were sold during the year ended December 31, 2013. Gross unrealized holding gains on available-for-sale securities for the year ended December 31, 2013 of $1,739,000 ($1,094,000 net of tax), have been included in accumulated other comprehensive income.

Note 11. Income Taxes

Income tax provision (benefit) for the fiscal years 2014, 2013 and 2012 is as follows:

	Years Ended December 31,		
	2014	2013	2012
		(in thousands)	
Income tax provision from continuing operations	$ 7,043	$ 2,547	$ 2,686
Income tax provision from discontinued operations	2,604	470	408
Total income tax provision	$ 9,647	$ 3,017	$ 3,094

Income from continuing operations before provision for income taxes consists of the following:

	Years Ended December 31,		
	2014	2013	2012
		(in thousands)	
Domestic	$ 17,788	$ 8,980	$ 8,023
Foreign	3,435	1,045	2,202
Income from continuing operations before income taxes	$ 21,223	$ 10,025	$ 10,225

The provision for income taxes from continuing operations consists of the following:

	Years Ended December 31,		
	2014	2013	2012
		(in thousands)	
Current:			
Federal	$ 5,613	$ 3,543	$ 1,685
Foreign	1,105	313	719
State	418	271	(191)
Deferred:			
Federal	(104)	(1,510)	554
Foreign	(113)	(20)	89
State	124	(50)	(170)
Income tax provision from continuing operations	$ 7,043	$ 2,547	$ 2,686

Significant components of the Company’s deferred tax assets and liabilities as of December 31, 2014 and December 31, 2013 are as follows:

	December 31,	
	2014	2013
	(in thousands)	
Deferred tax assets related to continuing operations:		
Deferred compensation	$ 695	$ 746
Inventory valuation	693	384
Tax loss carryforward	1,072	1,293
R&D tax credit carryforward	817	1,146
Accrued expenses	538	520
Warranty	437	349
Vacation and bonus expense	985	1,347
Other	1,065	336
Less valuation allowances	(602)	(588)
Deferred tax assets related to continuing operations	5,700	5,533
Deferred tax liabilities related to continuing operations:		
Accelerated depreciation and amortization	479	794
Net deferred tax assets related to continuing operations	5,221	4,739
Net deferred tax assets related to discontinued operations	6,380	8,304
Net deferred tax assets	$ 11,601	$ 13,043

The Company has not made a provision for U.S. income taxes and foreign withholding taxes for the anticipated repatriation of certain earnings of foreign subsidiaries of the Company. The Company considers the undistributed earnings of its foreign subsidiaries above the amount already provided to be permanently reinvested. As of December 31, 2014 and December 31, 2013, $10,942,000 and $8,772,000 of the undistributed earnings are expected to be permanently reinvested.

As of December 31, 2014 and December 31, 2013 the Company has no foreign tax credit carryforwards.

As of December 31, 2014 and December 31, 2013, the Company’s gross research and development tax credit carryforwards totaled approximately $1,655,000 and $1,762,000, respectively. The decrease in research and development tax credits during 2014 was due to the utilization of the credits and a change in estimate. Of the December 31, 2014 credits, approximately $417,000 can be carried forward for 15 years and expire between 2015 and 2029, while $658,000 will carry over indefinitely.

As of December 31, 2014, the Company has gross federal and state net operating loss carryforward tax benefits of $2,383,000 and $1,320,000, respectively, which expire at various dates from 2015 to 2019. In addition, the Company has a gross foreign net operating loss carryforward tax benefit of $615,000, which does not expire.

The Company has assessed its past earnings history and trends, sales backlog, budgeted sales, and expiration dates of tax carryforwards and has determined that it is more likely than not that $11,601,000 of the net deferred tax assets as of December 31, 2014 will be realized. The Company has an allowance of $1,720,000 (mostly related to discontinued operations) provided against the gross deferred tax assets, which relates to the inability of the Company to realize the state tax benefit of the environmental expenses and the state net operating loss carryforwards.

The following is a reconciliation of income tax expense related to continuing operations at the applicable federal statutory rate and the effective rates from continuing operations:

	Years Ended December 31,		
	2014	2013	2012
Statutory rate	35%	35%	35%
Tax rate differential on domestic manufacturing deduction benefit	(1)	(3)	(3)
State income taxes, net of federal income tax	2	4	3
Foreign operations	(2)	(1)	(2)
Research and development credits	(1)	(10)	(5)
Other	—	—	(2)
Effective tax rate from continuing operations	33%	25%	26%

For the years ended December 31, 2014 and December 31, 2013, the estimated income tax rate from continuing operations was 33% and 25%, respectively. The increase in the effective tax rate was primarily due to the amount of federal research and development tax credits available in 2014 as compared to 2013 as well as a change in estimate related to the federal and state research and development tax credits which was recognized during the third quarter of 2014. In the first quarter of 2013, the Company recorded a research and development tax benefit for the quarter, plus the retroactive reinstatement of the federal research and development tax credits from the enactment of the American Tax Relief Act of 2012.

For the fiscal years ended December 31, 2014 and December 31, 2013, included in the research and development credits is the recognition of previously unrecognized tax benefits (including interest) in accordance with the guidance provided in ASC 740-10-25 “Income Taxes, Overall, Recognition.”

The final regulations regarding the deduction and capitalization of expenditures related to tangible property were issued during the third quarter of 2013 by the IRS. The Company has reviewed these regulations and does not intend to early adopt or amend any previously filed returns. The implementation of these regulations did not have a material impact on the Company’s consolidated financial statements for the year ending December 31, 2014.

Unrecognized Tax Positions

The Company and its subsidiaries file income tax returns in the United States and in various state, local and foreign jurisdictions. The Company and its subsidiaries are occasionally examined by tax authorities in these jurisdictions. The Company has been audited by the Internal Revenue Service (the “IRS”) through 2010. State income tax statutes are generally open for periods back to and including the calendar year 2010.

A reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits, excluding interest and penalties, is as follows:

	December 31,		
	2014	2013	2012
		(in thousands)	
Gross unrecognized tax benefits, beginning of year	$ 834	$ 595	$ 722
Increases in tax positions taken in the current year	310	144	65
Increases in tax positions taken in prior years	—	172	60
Decreases in tax positions taken in prior years	(8)	—	—
Decreases in tax positions related to settlement with tax authorities	—	(34)	(96)
Statute of limitations expired	(271)	(43)	(156)
Gross unrecognized tax benefits, end of year	$ 865	$ 834	$ 595

If recognized, all of the net unrecognized tax benefits at December 31, 2014 would impact the effective tax rate. The Company accrues interest and penalties related to unrecognized tax benefits as income tax expense. At December 31, 2014 and December 31, 2013, the Company had accrued interest and penalties related to unrecognized tax benefits of $81,000 and $100,000, respectively.

It is reasonably possible that the Company’s gross unrecognized tax benefits balance may change within the next twelve months due to the expiration of the statutes of limitation of the federal government and various state governments by a range of zero to $244,000. The Company records such unrecognized tax benefits upon the expiration of the applicable statute of

limitations or the settlement with tax authorities. As of December 31, 2014, the Company has a liability for unrecognized benefits of $265,000 for federal taxes and $397,000 for state taxes and $203,000 for international taxes.

Note 12. Debt

The Company had no debt as of December 31, 2014. Debt as of December 31, 2013 consisted of the following:

	December 31, 2013 (in thousands)
2012 Credit Facility:	
$40 million variable interest rate senior revolving credit facility maturing in 2016	$ 1,000
Other capital leases with maturities through 2018	235
Total debt	1,235
Less current portion	(1,048)
Total long-term portion	$ 187

On August 9, 2012, the Company entered into a Credit Agreement with PNC Bank, National Association, as administrative agent and lender ("PNC Bank"), and the lenders from time to time party thereto, as amended (the "2012 Credit Facility). The 2012 Credit Facility was amended on March 11, 2013, June 20, 2013, and September 15, 2014.

The 2012 Credit Facility provides for borrowings up to $40,000,000 and under certain conditions maximum borrowings up to $70,000,000. The 2012 Credit Facility includes a sublimit for letters of credit and provides for a separate $10,700,000 letter of credit which expires one year from the date of closing, with annual extensions. The sublimit for letters of credit equals the lesser of (i) an amount equal to $5,000,000 plus the aggregate amount of Designated Usage LC issued and outstanding under the Designated Usage LC sublimit or (ii) $25,000,000. The 2012 Credit Facility expires on August 9, 2016.

Borrowings under the 2012 Credit Facility bear interest, at the Company's option, at the London interbank offering rate ("LIBOR") plus a margin rate ranging from 1.25% to 2.0%, or the higher of a Base Rate plus a margin rate ranging from 0.25% to 1.0%. The Base Rate is equal to the highest of (i) the Federal Funds Open Rate plus 0.5% and (ii) the Prime Rate and (iii) the Daily Libor Rate plus 1%. The margin rates are based on certain leverage ratios, as defined. The Company is subject to compliance with certain financial covenants set forth in the 2012 Credit Facility, including, but not limited to, indebtedness to EBITDA, as defined, minimum levels of fixed charges and limitations on capital expenditures, as defined. Availability under the 2012 Credit Facility is based upon the Company's trailing twelve month EBITDA, as defined.

The Company's obligations under the 2012 Credit Facility are secured by the grant of security interests in substantially all of its assets.

On March 11, 2013, the Company entered into a First Amendment (the "First Amendment") to the 2012 Credit Facility. The First Amendment, among other things, (a) amends the Letter of Credit ("LC") sublimit amount to the lesser of (i) an amount equal to $5,000,000 plus the aggregate amount of Designated Usage LC issued and outstanding under the Designated Usage LC sublimit or (ii) $25,000,000 and (b) allows the Company to enter into foreign currency exchange services with Loan Parties on an unsecured basis and that such obligations shall not exceed at any time an aggregate amount equal to $3,500,000.

On May 28, 2013 a letter of credit in the amount of $8,564,000 was issued in favor of the Environmental Protection Agency ("EPA") to provide financial assurance related to the Company's environmental payments in accordance with the terms of the Consent Decree reached with the United States Department of Justice ("DOJ") and EPA related to its liability for both OU-1 and OU-2 (see Note 16 for additional information). The letter of credit requires an annual commitment fee of 0.125% and standby commission of 1%, and does not reduce amounts available under the 2012 Credit Facility.

On June 20, 2013, the Company entered into a Second Amendment and Joinder to Credit Agreement and to Security Agreement (the "Second Amendment"), which amends the 2012 Credit Facility in order to reflect the Reincorporation of the Company. The Second Amendment, among other things, joins the Company as a "Borrower" under the Credit Agreement and a "Debtor" under the Security Agreement entered into by SL-NJ in connection with the 2012 Credit Facility.

On May 20, 2014, the Company made the second payment related to its obligation under the Consent Decree in the amount of $2,141,000, excluding interest. As a result, the total liability under the letter of credit equaled $6,423,000 as of December 31, 2014. The letter of credit expires on May 28, 2015, and is renewed annually.

On September 15, 2014, the Company entered into a Third Amendment and Joinder to Credit Agreement and to Security Agreement (the "Third Amendment") that amended the terms of the 2012 Credit Facility. The Third Amendment, among other things, joined SLMTI DS as a borrower and debtor under the 2012 Credit Facility following consummation of the Dynetic Acquisition, and increases the permitted amount of foreign currency exchange services to the borrowers and guarantors under the 2012 Credit Facility, which are to be provided on an unsecured basis, to a notional contract amount of such obligations not to exceed at any time an aggregate amount equal to $15,500,000. Also, the Third Amendment allows the Company, in certain circumstances, to make investments not to exceed $1,000,000 at any one time during the term of the 2012 Credit Facility.

As of December 31, 2014, the Company had no outstanding balance under the 2012 Credit Facility. As of December 31, 2013, the Company had an outstanding balance of $1,000,000 under the 2012 Credit Facility. At December 31, 2014, and December 31, 2013, the Company had total availability under the 2012 Credit Facility of $39,527,000 and $38,526,000, respectively.

Note 13. Accrued Liabilities – Other

Accrued liabilities – other consist of the following:

	December 31,	
	2014	2013
	(in thousands)	
Taxes (other than income) and insurance	$ 879	$ 769
Commissions	551	645
Litigation and legal fees	91	121
Other professional fees	496	624
Environmental	9,475	4,589
Warranty	1,176	1,145
Deferred revenue	44	54
Acquisition earn-out, current	32	107
Other	3,722	2,205
Accrued liabilities - other	$ 16,466	$ 10,259

Included in the environmental accrual are estimates for all known costs believed to be probable and reasonably estimable for sites that the Company currently operates or operated at one time (see Note 16 for additional information).

A liability is established for estimated future warranty and service claims that relate to current and prior period sales. The Company estimates warranty costs based on historical claim experience and other factors including evaluating specific product warranty issues.

The following is a summary of activity in accrued warranty and service liabilities:

	December 31,	
	2014	2013
	(in thousands)	
Liability, beginning of year	$ 1,145	$ 1,102
Expense for new warranties issued	818	757
Adjustments for discontinued operations (1)	(205)	(5)
Warranty claims paid	(582)	(709)
Liability, end of period	$ 1,176	$ 1,145

(1) On November 17, 2014, SL Delaware Holdings., a wholly-owned subsidiary of the Company, entered into the Purchase Agreement with Hubbell pursuant to which SL Delaware Holdings sold all of the issued and outstanding capital stock of RFL to Hubbell for aggregate cash consideration of

$20,000,000, subject to a post-closing working capital adjustment which amounted to $299,000 and was received in February 2015. The Company concluded that the accounting requirements for reporting the results of operations of the divested business as discontinued operations were met at November 17, 2014. As a result, the results of operations for the periods presented have been recast to reflect the formerly owned RFL businesses as discontinued operations.

Note 14. Other Long-Term Liabilities

Other long-term liabilities consist of the following:

	December 31,	
	2014	2013
	(in thousands)	
Environmental	$ 7,384	$ 17,200
Unrecognized tax benefits, interest and penalties	549	934
Long-term incentive plan	558	322
Acquisition earn-out, long-term	288	9
Other long-term liabilities	$ 8,779	$ 18,465

Note 15. Retirement Plans And Deferred Compensation

During the years ended December 31, 2014, December 31, 2013 and December 31, 2012, the Company maintained a defined contribution pension plan covering all full-time, U.S. employees of SL Power Electronics Corp. ("SLPE"), the High Power Group, including TEAL and MTE Corporation ("MTE"), SL-MTI, and the corporate office. The Company's contributions to this plan are based on a percentage of employee contributions and/or plan year gross wages, as defined. Costs incurred under these plans during 2014, 2013 and 2012 amounted to approximately $551,000, $406,000, and $510,000, respectively. The reduction in costs incurred in 2013 compared to 2012 was primarily due to the Company utilizing funds from forfeitures to reduce the Company's contribution.

The Company has agreements with certain retired directors, officers and key employees providing for supplemental retirement benefits. The liability for supplemental retirement benefits is based on the most recent mortality tables available and discount rates ranging from 6% to 12%. The amount charged to expense in connection with these agreements amounted to $327,000, $313,000 and $399,000 for 2014, 2013 and 2012, respectively.

Note 16. Commitments And Contingencies

Leases: The Company is a party to certain operating leases for facilities, equipment and vehicles from third parties, which expire through 2020. During 2013, the Company's RFL segment was party to a capital lease with a third party for production equipment which was scheduled to expire in 2018. During 2014, the leased equipment was purchased prior to the divestiture of RFL.

The minimum rental commitments for capital leases and operating leases as of December 31, 2014 are as follows:

	Operating Leases
	(in thousands)
2015	$ 1,831
2016	1,266
2017	1,198
2018	422
2019	418
Thereafter	428
Total minimum lease payments	$ 5,563

For 2014, 2013 and 2012, rental expense from continuing operations equaled $1,934,000, $1,955,000 and $2,061,000, respectively.

Letters Of Credit: As of December 31, 2014 and December 31, 2013, the Company was contingently liable for $473,000 and $474,000, respectively, under an outstanding letter of credit issued for casualty insurance requirements.

As of December 31, 2014 and December 31, 2013, the Company was contingently liable for $6,423,000 and $8,564,000, respectively, under an outstanding letter of credit issued to provide financial assurance related to the Company's environmental payments in accordance with the terms of the Consent Decree reached with the DOJ and EPA related to its liability for both OU-1 and OU-2.

Litigation: The Company has been and is the subject of administrative actions that arise from its ownership of SL Surface Technologies, Inc. ("SurfTech"), a wholly-owned subsidiary, the assets of which were sold in November 2003. SurfTech formerly operated chrome-plating facilities in Pennsauken Township, New Jersey (the "Pennsauken Site") and Camden, New Jersey (the "Camden Site").

In 2006 the United States Environmental Protection Agency (the "EPA") named the Company as a potential responsible party (a "PRP") in connection with the remediation of the Puchack Well Field, which has been designated as a Superfund Site. The EPA is remediating the Puchack Well Field Superfund Site in

two separate operable units. The first operable unit (“OU-1”) consists of an area of chromium groundwater contamination in three aquifers that exceeds the selected cleanup standard. The second operable unit (“OU-2”) pertains to sites that are allegedly the sources of contamination for the first operable unit.

The Company has reached an agreement with both the United States Department of Justice (“DOJ”) and EPA effective April 30, 2013 related to its liability for both OU-1 and OU-2 pursuant to the terms of a Consent Decree which governs the agreement. Specifically, the Company has agreed to perform the remediation for OU-2 and pay a fixed sum for the EPA’s past cost for OU-2 and a portion of the EPA’s past cost for OU-1. The payments are to be made in five equal payments of $2,141,000, for a total $10,705,000, plus interest. The Company has also agreed to pay the EPA’s costs for oversight of the OU-2 remediation. The United States District Court judge signed the Consent Decree effective April 30, 2013, thereby triggering the Company’s obligation under the Consent Decree. On May 10, 2013, the Company made the first payment related to its obligation under the Consent Decree in the amount of $2,185,000, which included interest. On May 20, 2014, the Company made the second payment related to its obligation under the Consent Decree in the amount of $2,211,000, which included interest. The next three payments will be made on the anniversary of the prior year’s payment plus ten days in the same amount of $2,141,000, plus interest. In 2013, the Company had obtained financial assurances for the OU-2 remediation and the fixed payments as required by the terms of the Consent Decree. The financial assurance is reduced annually as the fixed

payments are made. Also, the financial instruments did not affect the Company's availability under its Credit facility (see Note 12 Debt).

The Company has completed the final stages of the design phase of the remediation activities for OU-2. The "100% Remediation Design" (the "Final Design") was finalized in November 2014. The Final Design, was approved by the EPA in January 2015. The Final Design essentially sets the scope of work for the Company's remediation responsibility related to OU-2 under the terms of the Consent Decree. The Company's consultants performed a significant amount of work during 2014, which included demolition of the Company's former facility and a building on an adjacent property, shoring, equipment mobilization and set in-place the main components of the on-site soil processing batch plant. The Company's consultants have been providing the EPA with progress reports during the year, prior to submission of the Final Design. The Company expects to incur significant remediation costs in 2015, which have been accrued.

Other

In the ordinary course of its business the Company is and may be subject to other loss contingencies pursuant to foreign and domestic federal, state and local governmental laws and regulations and may be party to certain legal actions, frequently involving complaints by terminated employees and disputes with customers, suppliers and others. In the opinion of management, any such other loss contingencies are not expected to have a material adverse effect on the financial condition or results of operations of the Company.

Environmental Matters: Loss contingencies include potential obligations to investigate and eliminate or mitigate the effects on the environment of the disposal or release of certain chemical substances at various sites, such as Superfund sites and other facilities, whether or not they are currently in operation. The Company is currently participating in environmental assessments and cleanups at a number of sites and in the future may be involved in additional environmental assessments and cleanups. Based upon investigations completed to date by the Company and its independent engineering-consulting firms, management has provided an estimated accrual for all known costs believed to be probable and costs that can be reasonably estimated in the amount of $16,859,000, of which $7,384,000 is included as other long-term liabilities, with the remainder recorded as other short-term accrued liabilities, as of December 31, 2014. However, it is the nature of environmental contingencies that other circumstances might arise, the costs of which are indeterminable at this time due to such factors as changing government regulations and stricter standards, the unknown magnitude of cleanup costs, and the unknown timing and extent of the remedial actions that may be required. These other circumstances could result in additional expenses or judgments, or offsets thereto. The adverse resolution of any one or more of these other circumstances could have a material adverse effect on the business, operating results, financial condition or cash flows of the Company. The Company's environmental costs primarily relate to discontinued operations and such costs have been recorded in discontinued operations, net of tax.

There are three sites on which the Company may incur material environmental costs in the future as a result of past activities of its former subsidiary, SurfTech. There are two Company owned sites related to its former subsidiary, SurfTech. These sites are located in Pennsauken, New Jersey (the "Pennsauken Site") and in Camden, New Jersey (the "Camden Site"). There is also a third site, which is not owned by the Company, referred to as the "Puchack Well Field Site." The Puchack Well Field Site and the Pennsauken Site are part of the Puchack Well Field Superfund Site.

With respect to the Camden Site, the Company has reported soil contamination and a groundwater contamination plume emanating from the site. The New Jersey Department of Environmental Protection ("NJDEP") approved, and the Company implemented in 2010, an interim remedial action pilot study to inject neutralizing chemicals into the unsaturated soil. Based on an assessment of post-injection data, our consultants believe the pilot study can be implemented as a full scale soil remedy to treat unsaturated contaminated soil. A Remedial Action Workplan ("RAWP") for soils is being developed. The RAWP will select the injection remedy as the site wide remedy for unsaturated soils, along with demolition and proper disposal of the former concrete building slab and targeted excavation and disposal of impacted soil immediately underlying the slab. Additionally, the RAWP will address a small area of impacted soil off the property. The RAWP for soils is expected to be submitted to the NJDEP in the first quarter of 2015, by the Licensed Site Remediation Professional ("LSRP") for the site. The RAWP for treatment of unsaturated soils is scheduled to be implemented in the third quarter of 2015. The Company's environmental consultants also implemented an interim remedial action pilot study to treat on-site contaminated groundwater, which consisted of injecting food-grade product, into the groundwater at the down gradient property boundary, to create a "bio-barrier." Post-injection groundwater monitoring to assess the bio-barrier's effectiveness was completed. Consistent decreases in target contaminants concentrations in groundwater were observed. In December 2014, a report was submitted to the NJDEP stating sufficient information was obtained from the pilot study to complete the full scale groundwater remedy design. A Remedial Action Report/Remedial Action Workplan for full scale implementation will be provided to the NJDEP in 2015.

As previously reported, the Company is currently participating in environmental assessments and cleanups at a number of sites. One of these sites is a commercial facility, located in Wayne, New Jersey. Contaminated soil and groundwater has undergone remediation with NJDEP and LSRP oversight, but contaminants of concern ("COCs") in groundwater and surface water, which extend off-site, still remain above applicable NJDEP remediation standards. A soil remedial action plan has been developed to remove the new soil source contamination that continues to impact groundwater. Our LSRP completed a supplemental groundwater remedial action, pursuant to a RAWP filed with, and permit approved by, the NJDEP. The remedial action consisted of additional in-situ injections of food grade product into on-site groundwater and post-performance groundwater monitoring. The in-situ injections are completed, and remedial action performance monitoring for groundwater is scheduled to occur through 2015. Enhancements to the existing vapor intrusion system were completed in the fourth quarter 2014. The Company's consultants have developed cost estimates for supplemental remedial injections, soil excavation and additional tests and remedial activities. Costs related to this site are recorded as part of discontinued operations, net of tax. The "Remedial Investigation" deadline for this site has been extended to May 7, 2016.

The Company's sale of RFL triggered certain requirements of the Industrial Site Recovery Act or ("ISRA"), which applies to New Jersey statutorily defined transactions involving industrial establishments. Under the stock purchase agreement pursuant to which RFL was sold (the "RFL-SPA"), the Company agreed to undertake, or cause to undertake, all actions necessary to comply with ISRA arising from the RFL-SPA. The Company hired an LSRP to complete a Preliminary Assessment. Based on the Preliminary Assessment, the LSRP recommended the completion of a site investigation (the "Site Investigation") for certain areas of concern. The LSRP completed most of the Site Investigation in January 2015, and the remainder of the investigation is scheduled to be completed by April 2015. A Preliminary Assessment Report and Site Investigation Report are scheduled to be filed with the NJDEP by no later than November 17, 2015. The Company may then be obligated to perform additional investigation or remediation, depending on the outcome of the Site Investigation.

The Company has reported soil and groundwater contamination at the facility of SL-MTI located on its property in Montevideo, Minnesota. An analysis of the contamination has been completed and a remediation plan has been implemented at the site pursuant to the remedial action plan approved by the Minnesota Pollution Control Agency ("MCPA"). A soil vapor extraction system has been operating at the site since October 2008. In 2013 the regulatory and screening levels for soil vapor and groundwater were lowered for some of the contaminants at the site. In response to this regulatory change, SL-MTI's consultants are conducting additional testing to delineate site impacts and update the site conceptual model. A work plan was submitted to MPCA and approved on September 22, 2014. Pending the results of work performed during 2015, additional investigations or remedial actions may be required in the future. Costs related to this site are recorded as a component of continuing operations.

As of December 31, 2014 and December 31, 2013, environmental accruals of $16,859,000 and $21,789,000, respectively, have been recorded by the Company in accrued liabilities – other and in other long-term liabilities, as appropriate (see Notes 13 and 14 for additional information).

Employment Agreements: During 2010, the Company entered into severance agreements with certain key employees that provide for one-time payments in the event the employee is terminated within twelve months of a change-of-control, as defined. These payments equal twelve months of the employee's base salary as of the termination date, as defined. If a triggering event had taken place in 2014 and if these employees had been terminated during the year, the payments would have aggregated approximately $717,000 under such change-of-control agreements.

Note 17. Foreign Operations

In addition to manufacturing operations in California, Minnesota, and Wisconsin, the Company manufactures substantial quantities of products in premises leased in Mexicali, Mexico, Matamoros, Mexico, Tecate, Mexico, and Xianghe, China. SLPE manufactures most of its products in Mexico and China. TEAL, which is part of the High Power Group, has transferred the majority of its manufacturing to a wholly-owned subsidiary located in Mexico. SL-MTI manufactures a significant portion of its products in Mexico. These external and foreign sources of supply present risks of interruption for reasons beyond the Company's control, including political or economic instability and other uncertainties.

Generally, the Company's sales are priced and invoiced in U.S. dollars and its costs and expenses are priced in U.S. dollars, Mexican pesos and Chinese yuan. The Mexican subsidiaries of SLPE, the High Power Group and SL-MTI maintain their books and records in Mexican pesos. SLPE's subsidiaries in China maintain their books and records in Chinese yuan; however, most of their sales are invoiced in U.S. dollars. Business operations conducted in Mexico or China incur their respective labor costs and supply expenses in Mexican pesos and Chinese yuan, as the case may be.

The competitiveness of the Company's products relative to locally produced products may be affected by the performance of the U.S. dollar compared with that of its foreign customers' and competitors' currencies. Foreign net sales comprised 30%, 22% and 20% of net sales from continuing operations for 2014, 2013 and 2012, respectively. Additionally, the Company is exposed to foreign currency exchange rate fluctuations, which may result from fluctuations in the value of the Mexican peso and Chinese yuan versus the U.S. dollar (see Note 19 for additional information).

As a result of a work stoppage at the Company's Xianghe manufacturing facilities from March 7, 2013 through March 20, 2013, revenues for the quarter ended March 31, 2013 were adversely impacted by approximately $900,000. The Company realized those sales during the second quarter of 2013. Additionally, certain incremental costs were incurred during 2013 related to the work stoppage, including employee, travel, consulting and legal costs of $675,000. No incremental costs were incurred during 2014.

Note 18. Fair Value Measurement And Financial Instruments

ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which is typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Currently, the Company uses foreign currency forward contracts to hedge its foreign currency risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including spot rates and market forward points. The fair value of the foreign currency forward contracts is based on interest differentials between the currencies being traded, spot rates and market forward points.

To comply with the provisions of ASC 820, the Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees, where applicable.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2014, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

In conjunction with its implementation of updates to the fair value measurements guidance, the Company made an accounting policy election to measure derivative financial instruments subject to master netting agreements on a net basis.

During the third quarter of 2013, the Company purchased publicly traded equity securities which had been classified as available-for-sale securities. Fair values for these investments were based on closing stock prices from active markets for identical assets and therefore were classified within Level 1 of the fair value hierarchy. The fair value of available-for-sale securities was included in other current assets in the Company's Consolidated Balance Sheets at December 31, 2013 (see Note 10 for additional information). During 2014, the Company sold all of its available-for-sale securities.

The following table presents the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2014 and December 31, 2013, aggregated by the level in the fair value hierarchy within which those measurements fall:

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2014
	(in thousands)			
Liabilities				
Derivative financial instruments	$ —	$ 673	$ —	$ 673

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2013
	(in thousands)			
Assets				
Available-for-sale securities	$ 4,101	$ —	$ —	$ 4,101
Derivative financial instruments	—	152	—	152
Total Assets	$ 4,101	$ 152	$ —	$ 4,253

The Company believes that the fair values of its current assets and current liabilities (cash and cash equivalents, receivables, net, short-term borrowings and current portion of long-term debt, accounts payable, and accrued liabilities) and the fair value of its long-term debt, less current maturities, approximate their reported carrying amounts.

During 2014, the Company did not have any fair value measurements that used significant unobservable inputs (Level 3). During 2013, in connection with the Company's annual impairment test, goodwill with a carrying amount of $5,055,000 was written down to its implied fair value of zero. This resulted in a $5,055,000 goodwill impairment charge that was recorded in goodwill impairment expense in the High Power Group segment on the Consolidated Statements of Income. The nonrecurring fair value measurement was developed using significant unobservable inputs (Level 3). The fair value was computed using a combination of a discounted cash flow valuation methodology and comparative market multiples methodology (see Note 9 of the Consolidated Financial Statements).

Credit Risk Contingent Features

The Company has agreements with its derivative counterparties that contain a provision where if the Company defaults or is capable of being declared in default on any of its indebtedness, then the Company could also be declared in default on its derivative obligations.

Note 19. Derivative Instruments And Hedging Activities

ASC Topic 815, as amended and interpreted, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As required by ASC Topic 815, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to variability in expected future cash flows related to forecasted foreign exchange-based risk are considered economic hedges of the Company's forecasted cash flows.

Risk Management Objective of Using Derivatives

The Company is a USD functional currency entity that manufactures products in the USA, Mexico and China. The Company's sales are priced in U.S. dollars and its costs and expenses are priced in U.S. dollars, Mexican peso (MXN) and Chinese yuan (CNH). As a result, the Company has exposure to changes in exchange rates between the time when expenses in the non-functional currencies are initially incurred and the time when the expenses are ultimately paid. The Company's objective in using derivatives is to add stability and to manage its exposure to foreign exchange risks. To accomplish this objective, the Company uses foreign currency forward contracts to manage its exposure to fluctuations in the exchange rates. Foreign currency forward contracts involve fixing the USD-MXN and USD-CNH exchange rates for delivery of a specified amount of foreign currency on a specified date.

Since 2012, the Company has entered into a series of foreign currency forward contracts to hedge its exposure to foreign exchange rate movements in its forecasted expenses in China and Mexico. The foreign currency forwards are not speculative and are being used to manage the Company's exposure to foreign exchange rate movements. Foreign currency forward contracts involve fixing the USD-MXN and USD-CNH exchange rates for delivery of a specified amount of foreign currency on a specified date. The Company has elected not to apply hedge accounting to these derivatives and they are marked to market through earnings. Therefore, gains and losses resulting from changes in the fair value of these contracts are recognized at the end of each reporting period directly in earnings. The gains and losses associated with the foreign currency forward contracts are included in other gain (loss), net on the Consolidated Statements of Income. As of December 31, 2014, the fair value of the foreign currency forward contracts was recorded as a $673,000 liability in other current liabilities on the Consolidated Balance Sheets. As of December 31, 2013, the fair value of the foreign currency forward contracts was recorded as a $152,000 asset in other current assets on the Consolidated Balance Sheets.

Non-designated Hedges of Foreign Exchange Risk

The notional amounts are used to measure the volume of foreign currency forward contracts and do not represent exposure to foreign currency losses. The following table summarizes the notional values of the Company's derivative financial instruments as of December 31, 2014:

Product	Number of Instruments	Notional	
		(in thousands)	
Mexican Peso (MXN) Forward Contracts	18	MXN	124,703
Chinese Yuan (CNH) Forward Contracts	18	CNH	80,950

The following table details the location in the financial statements of the gain or loss recognized on foreign currency forward contracts that are marked to market for the twelve months ended December 31, 2014 , December 31, 2013, and December 31, 2012:

		Amount of Gain (Loss) Recognized in Income on Derivative		
Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
			(in thousands)	
Foreign Exchange Contracts	Other gain (loss), net	$ (825)	$ (90)	$ 243

Note 20. Shareholders' Equity

On November 16, 2010, the Board of Directors authorized a plan that allows for the repurchase up to an aggregate of 470,000 shares of the Company's outstanding common stock (the "2010 Repurchase Plan"). Any repurchases pursuant to the 2010 Repurchase Plan would be made in the open market or in negotiated transactions. During 2014, the Company purchased approximately 4,000 shares of Company stock at an average price of $24.68 a share under the 2010 Repurchase Plan. During 2013, the Company purchased approximately 87,000 shares of Company stock at an average price of $23.99 a share under the 2010 Repurchase Plan.

On December 24, 2014, the Board of Directors authorized a plan that allows for the repurchase up to an aggregate of 420,000 shares of the Company's outstanding common stock (the "2014 Repurchase Plan"). The 2014 Repurchase Plan supersedes the 2010 Repurchase Plan. Any repurchases pursuant to the 2014 Repurchase Plan would be made in the open market or in negotiated transactions. No purchases were made under the 2014 Repurchase Plan during 2014. As of December 31, 2014, 420,000 shares remained available for purchase under the 2014 Repurchase Plan. Currently, the 2014 Repurchase Plan has no expiration date (see Note 27 for additional information).

Note 21. Stock-Based Compensation

At December 31, 2014, the Company had stock-based employee compensation plans as described below. For the years ended December 31, 2014, December 31, 2013, and December 31, 2012, the total compensation expense (included in selling, general and administrative expense) related to these plans was $768,000, $545,000, and $842,000 ($513,000, $395,000, and $605,000, net of tax), respectively.

During 2011, the shareholders of the Company approved amendments to the previously approved 2008 Incentive Stock Plan (the "2008 Plan") to: (a) increase the number of shares of the Company's common stock subject to the 2008 Plan from 315,000 shares to 450,000 shares, and (b) require shareholder approval prior to the reduction of the exercise price of any outstanding options or stock appreciation rights, any repricing through cancellations and re-grants of new options or stock appreciation rights, or any cancellation of outstanding options or stock appreciation rights with an exercise price above the current stock price in exchange for cash or other securities. On May 12, 2014, the shareholders of the Company approved an amendment to the 2008 Plan to increase number of shares of Common Stock subject to the 2008 Plan from 450,000 shares to 500,000 shares. As of December 31, 2014, there were 184,000 options outstanding under the 2008 Plan. As of December 31, 2014, there were 116,000 shares available for grant under the 2008 Plan.

During the first quarter of 2012, the Company implemented a Long-Term Incentive Plan (the "2012 LTIP") pursuant to the 2008 Plan which awarded restricted stock units ("RSUs") to eligible executives. Under the terms of the 2012 LTIP, the number of RSUs that may vest, if any, will be based on, among other things, the Company achieving certain sales and return on invested capital ("ROIC"), as defined, targets during the January 2012 to December 2014 performance period. Earned RSUs, if any, cliff vest at the end of fiscal 2014 (100% of earned RSUs vest at December 31, 2014). The final value of these RSUs will be determined by the number of shares earned. The value of these RSUs is charged to compensation expense on a straight-line basis over the three year vesting period with periodic adjustments to account for changes in anticipated award amounts. The weighted-average price for these RSUs was $18.00 per share based on the grant date of February 17, 2012. During 2014, $10,000 was charged to compensation expense. At December 31, 2014, 6,000 RSUs were earned under the 2012 LTIP.

During the first quarter of 2013, the Company implemented a Long-Term Incentive Plan (the "2013 LTIP") pursuant to the 2008 Plan which had similar conditions and vesting terms as the 2012 LTIP. The weighted-average price for these RSUs was $19.17 per share based on the grant date of March 5, 2013. During the year ended December 31, 2014, $62,000 was charged to compensation expense. As of December 31, 2014, total unamortized compensation expense for this grant was $77,000. As of December 31, 2014, the maximum number of achievable RSUs under the 2013 LTIP was 18,000 RSUs.

During the first quarter of 2014, the Company implemented a Long-Term Incentive Plan (the "2014 LTIP") pursuant to the 2008 Plan which had similar conditions and vesting terms as the 2012 LTIP. The weighted-average price for these RSUs was $26.24 per share based on the grant date of March 3, 2014. During the year ended December 31, 2014, $112,000 was charged to compensation expense. As of December 31, 2014, total unamortized compensation expense for this grant was $295,000. As of December 31, 2014, the maximum number of achievable RSUs under the 2014 LTIP was 20,000 RSUs.

On May 9, 2013, the Company granted each Director 3,000 restricted shares pursuant to the 2008 Plan. The weighted-average price of these restricted stock grants was $20.60 per share based on the grant date of May 9, 2013. All shares vested and were granted under this award on May 9, 2014.

During the first quarter of 2014, the Company granted 91,000 stock options to two officers of the Company under the 2008 Incentive Stock Plan (the "2008 Plan"). The options issued vest in two equal installments each on the second and third anniversary of the grant date. The options granted are exercisable no later than 5 years after the grant date. Compensation expense is recognized straight-line over the vesting period of the options.

During the first quarter of 2014, the Company granted 10,000 stock options to a key executive under the 2008 Plan. The options issued vest in three equal installments each on the first, second and third anniversary of the grant date. The options granted are exercisable no later than 10 years after the grant date. Compensation expense is recognized straight-line over the vesting period of the options.

On May 12, 2014, the Company granted each Director 3,000 restricted shares pursuant to the 2008 Plan. The shares vest upon the first anniversary of the grant date. Based on the terms of the awards the value of these restricted shares is charged to compensation expense on a straight-line basis over the one year vesting period. As a result, the Company recognized $257,000 of stock compensation expense during the year ended December 31, 2014. As of December 31, 2014, total unamortized compensation expense for this grant was $145,000. The weighted-average price of these restricted stock grants was $26.79 per share based on the grant date of May 12, 2014. As of December 31, 2014, no shares were granted under this award.

The Company uses the Black-Scholes option pricing model to value all stock options. Volatility is determined using changes in historical stock prices. The weighted average expected life computation is based on historical exercise patterns and post-vesting termination behavior. The interest rate for periods within the expected life of the award is based on the U.S. Treasury yield curve in effect at the time of grant.

The fair value of all option grants was estimated using the Black-Scholes option pricing model with the following assumptions and weighted average fair values as follows:

		Year Ended December 31, 2014
Weighted average fair value of grants	$	9.00
Valuation assumptions:		
Expected dividend yield		—%
Expected volatility		47.62%
Expected life (in years)		3.35
Risk-free interest rate		0.83%

No stock options were granted during fiscal 2013 and 2012.

Stock Options

Option activity under the principal option plans as of December 31, 2014 and changes during the year then ended were as follows:

	Shares (in thousands)		Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)		Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2012	135	$	12.79	4.33	$	670
Granted	—		—			
Exercised	(52)		14.03			
Forfeited	—		—			
Expired	—		—			
Outstanding as of December 31, 2013	83	$	11.99	3.28	$	1,247
Granted	101		26.02			
Exercised	—		—			
Forfeited	—		—			
Expired	—		—			
Outstanding as of December 31, 2014	184	$	19.71	3.59	$	3,540
Exercisable as of December 31, 2014	83	$	11.99	2.28	$	2,228

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the Company’s closing stock price on the last trading day of fiscal 2014 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2014. This amount changes based on the fair market value of the Company’s stock. No options were exercised

during the year ended December 31, 2014. The total intrinsic value of options exercised for the years ended December 31, 2013 and December 31, 2012, were $642,000 and $161,000, respectively.

As of December 31, 2014, $656,000 of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 2.2 years.

Tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options are classified as financing cash flows. No options were exercised during the year ended December 31, 2014. Cash received from option exercises for the year ended December 31, 2013 and December 31, 2012 was $743,000 and $80,000, respectively. The actual tax benefit realized for the tax deduction from option exercises of the share-based payment units totaled $230,000 and $33,000 for the fiscal years ended December 31, 2013 and December 31, 2012. The Company has applied the “Short-cut” method in calculating the historical windfall tax benefits. All tax shortfalls will be applied against this windfall before being charged to earnings.

Note 22. Cash Flow Information

Supplemental disclosures of cash flow information:

	Years Ended December 31,		
	2014	2013	2012
	(in thousands)		
Interest paid	$ 61	$ 87	$ 46
Income taxes paid	$ 4,734	$ 3,579	$ 2,997

For the years ended December 31, 2014 and December 31, 2013, net cash used in operating activities from discontinued operations was $9,920,000, $3,959,000, and $662,000, respectively. In 2014, net cash used in operating activities from discontinued operations was primarily related to a pre-tax gain of $6,650,000 ($4,322,000 net of tax) related to the sale of the Company’s formerly owned RFL segment (see Note 4 for additional information) and $5,902,000 of environmental payments (see Note 16 for additional information). In 2013 and 2012, net cash used in operating activities from discontinued operations was primarily related environmental payments.

For the year ended December 31, 2014, net cash provided by investing activities from discontinued operations was $17,783,000. For the years ended December 31, 2013, and December 31, 2012, net cash used in investing activities from discontinued operations was $416,000 and $170,000, respectively. In 2014, net cash provided by investing activities from discontinued operations was primarily related to $18,000,000 of cash proceeds from the sale of the Company’s formerly owned RFL subsidiary. In 2013 and 2012, net cash used in investing activities from discontinued operations was primarily related to purchases of property, plant and equipment by the Company’s formerly owned RFL segment.

Note 23. Industry Segments

The Company has historically operated under four business segments: SLPE, the High Power Group, SL-MTI and RFL. On November 17, 2014, the Company completed the sale of all the issued and outstanding capital stock of RFL and classified the results of operations of its RFL segment as discontinued operations. As a result, the Company currently operates under three business segments from continuing operations: SLPE, the High Power Group, and SL-MTI. TEAL and MTE are combined into one business segment, which is reported as the High Power Group.

The Company aggregates operating business subsidiaries into a single segment for financial reporting purposes if aggregation is consistent with the objectives of ASC 280 “Segment Reporting.” Business units are also combined if they have similar characteristics in each of the following areas:

- nature of products and services
- nature of production process
- type or class of customer
- methods of distribution

SLPE designs, manufactures and markets high-reliability power conversion products in internal and external footprints. The Company’s power supplies provide a reliable and safe power source for the customer’s specific equipment needs. SLPE, which sells products under three brand names (SL Power Electronics, Condor and Ault), is a major supplier to the original equipment

manufacturers ("OEMs") of medical, industrial/instrumentation, military and information technology equipment. The High Power Group sells products under two brand names (TEAL and MTE). TEAL designs and manufactures custom power conditioning and distribution units for OEMs of medical imaging, medical treatment, military aerospace, semiconductor, solar and advanced simulation systems. MTE designs and manufactures power quality products used to protect equipment from power surges, bring harmonics into compliance and improve the efficiency of variable speed motor drive systems. SL-MTI designs and manufactures high power density precision motors that are used in numerous applications, including military and commercial aerospace, oil and gas, and medical and industrial products. The Unallocated Corporate Expenses segment includes corporate related items, financing activities and other costs not allocated to reportable segments, which includes but is not limited to certain treasury, risk management, legal, litigation, public reporting costs, certain strategic costs, legacy costs and costs not specifically allocated to the reportable business segments. The accounting policies for the business units are the same as those described in the summary of significant accounting policies (see Note 1 for additional information).

Business segment operations are conducted through domestic subsidiaries. For all periods presented, sales between business segments were not material. No single customer accounted for more than 10% of consolidated net sales during 2014, 2013 or 2012. Each of the segments has certain major customers, the loss of any of which would have a material adverse effect on such segment.

	Years Ended December 31,		
	2014	2013	2012
	(in thousands)		
Net sales			
SLPE	$ 74,593	$ 78,177	$ 77,869
High Power Group	85,332	68,752	65,283
SL-MTI	44,492	37,729	36,223
Net sales	$ 204,417	$ 184,658	$ 179,375

	Years Ended December 31,		
	2014	2013	2012
	(in thousands)		
Income from operations			
SLPE	$ 7,217	$ 6,558	$ 2,487
High Power Group (1)	12,175	2,206	6,822
SL-MTI	7,170	7,202	6,292
Unallocated Corporate Expenses (2)	(7,000)	(5,731)	(5,463)
Income from operations	19,562	10,235	10,138
Amortization of deferred financing costs	(94)	(83)	(138)
Interest income	13	12	5
Interest expense	(27)	(61)	(23)
Other gain (loss), net	1,769	(78)	243
Income from continuing operations before income taxes	$ 21,223	$ 10,025	$ 10,225

(1) Fiscal 2013 includes a $5,055,000 goodwill impairment charge related to the TEAL reporting unit.
(2) Unallocated Corporate Expenses includes corporate related items, financing activities and other costs not allocated to reportable segments, which includes but is not limited to certain treasury, risk management, legal, litigation, public reporting costs, certain strategic costs, legacy costs and costs not specifically allocated to the reportable business segments.

	December 31,	
	2014	2013
	(in thousands)	
Total assets		
SLPE	$ 34,989	$ 36,835
High Power Group	33,306	29,506
SL-MTI	22,752	14,601
RFL	—	13,503
Unallocated Corporate Assets	40,729	18,889
Total assets	$ 131,776	$ 113,334

	December 31,	
	2014	2013
	(in thousands)	
Goodwill and other intangible assets, net		
SLPE	$ 4,530	$ 4,528
High Power Group	9,839	9,976
SL-MTI	2,491	106
RFL	—	5,402
Goodwill and other intangible assets, net	$ 16,860	$ 20,012

	Years Ended December 31,		
	2014	2013	2012
	(in thousands)		
Capital expenditures (1)			
SLPE	$ 1,287	$ 1,076	$ 386
High Power Group	700	841	613
SL-MTI	855	513	549
Unallocated Corporate Expenses	8	4	5
Capital expenditures	$ 2,850	$ 2,434	$ 1,553

(1) Excludes capital expenditures of the formerly owned RFL business.

	Years Ended December 31,		
	2014	2013	2012
	(in thousands)		
Depreciation and amortization (1)			
SLPE	$ 702	$ 743	$ 926
High Power Group	835	761	926
SL-MTI	675	494	431
Unallocated Corporate Expenses	8	12	13
Depreciation and amortization	$ 2,220	$ 2,010	$ 2,296

(1) Excludes amortization of deferred financing costs. Also excludes depreciation and amortization of the formerly owned RFL business.

Financial information relating to the Company's segments by geographic area is as follows:

	Years Ended December 31,		
	2014	2013	2012
	(in thousands)		
Net sales (1)			
United States	$ 143,784	$ 144,739	$ 143,733
Foreign	60,633	39,919	35,642
Consolidated net sales	$ 204,417	$ 184,658	$ 179,375
Long-lived assets (2)			
United States	$ 4,214	$ 7,530	$ 6,318
Foreign	3,856	3,260	3,275
Consolidated long-lived assets	$ 8,070	$ 10,790	$ 9,593

(1) Net sales are attributed to countries based on location of customer.
(2) Includes net tangible assets excluding goodwill and intangibles.

Note 24. Restructuring Costs

Restructuring activity for the period ended December 31, 2014 was as follows:

	Accrual at Beginning of the Year	Charged to Earnings	Cash Payments	Accrual at December 31, 2014
	(in thousands)			
2014 Plan				
Severance and other employee-related charges	$ —	$ 463	$ 463	$ —

No restructuring activity was recognized during the period ended December 31, 2013.

2014 Restructuring Plan

During the first quarter of 2014, the Company announced to its employees a restructuring plan ("2014 Plan") to align its costs with current and projected sales activity. The costs reductions were primarily production, engineering, selling and administration employees at TEAL, which is part of the High Power Group. As of December 31, 2014, there was a consolidated charge to earnings of $463,000, which was composed of severance and other employee related charges. The total number of employees affected by the restructuring plan was 11, all of which had been terminated during the first quarter of 2014.

2012 Restructuring Plan

During the third quarter of 2012, the Company announced to its employees a restructuring plan ("2012 Plan") to align its costs with current and projected sales activity. The costs reductions were primarily direct labor employees and engineering, selling and administration employees at SLPE and TEAL, which is part of the High Power Group. During the year ended December 31, 2012, there was a consolidated charge to earnings of $790,000, which was comprised of a $732,000 charge at SLPE and a $58,000 charge at TEAL. The charges are composed of severance and other employee related charges. The total number of employees affected by the restructuring plan was 55, all of which had been terminated as of December 31, 2012.

Note 25. Related Party Transactions

On May 1, 2014, the Company renewed the Management Services Agreement ("Management Services Agreement") with SP Corporate Services LLC ("SP Corporate"). SP Corporate is an affiliate of SPH Group Holdings LLC ("SPHG"). A member of the Company's Board of Directors, Warren G. Lichtenstein, is affiliated with SPHG. Also, the Company's Chairman of the Board, Glen M. Kassan is affiliated with SPHG. Pursuant to the Management Services Agreement, SP Corporate agreed to provide, at the direction of the Company's Chief Executive Officer, non-exclusive services to support the Company's growth strategy, business development, planning, execution assistance and related support services. The monthly fee for these services

is $10,400 paid in advance. The Management Services Agreement has a term of one year and has been approved by the Audit Committee of the Board of Directors and a majority of the disinterested directors of the Company.

Note 26. Selected Quarterly Financial Data (Unaudited)

	Three Months Ended March 31, 2014 (1)	Three Months Ended June 30, 2014 (1)	Three Months Ended September 30, 2014 (1)	Three Months Ended December 31, 2014	Twelve Months Ended December 31, 2014
	(in thousands, except per share data)				
Net sales	$ 48,746	$ 51,669	$ 50,725	$ 53,277	$ 204,417
Cost of products sold	$ 33,214	$ 34,156	$ 34,326	$ 37,098	$ 138,794
Income from continuing operations before income taxes	$ 4,171	$ 7,998	$ 4,211	$ 4,843	$ 21,223
(Loss) income from discontinued operations, net of tax	$ (181)	$ 183	$ 400	$ 4,313	$ 4,715
Net income	$ 2,527	$ 5,528	$ 2,895	$ 7,945	$ 18,895
Basic net income per common share	$ 0.61	$ 1.34	$ 0.70	$ 1.92	$ 4.57
Diluted net income per common share	$ 0.61	$ 1.33	$ 0.69	$ 1.89	$ 4.51

	Three Months Ended March 31, 2013 (1)	Three Months Ended June 30, 2013 (1)	Three Months Ended September 30, 2013 (1)	Three Months Ended December 31, 2013 (1)	Twelve Months Ended December 31, 2013 (1)
	(in thousands, except per share data)				
Net sales	$ 43,781	$ 45,053	$ 48,180	$ 47,644	$ 184,658
Cost of products sold	$ 29,783	$ 30,505	$ 33,540	$ 32,604	$ 126,432
Income from continuing operations before income taxes (2)	$ 2,996	$ 2,904	$ 3,880	$ 245	$ 10,025
Income from discontinued operations, net of tax	$ 374	$ 18	$ 218	$ 152	$ 762
Net income	$ 2,766	$ 2,015	$ 3,152	$ 307	$ 8,240
Basic net income per common share	$ 0.67	$ 0.48	$ 0.76	$ 0.07	$ 1.99
Diluted net income per common share	$ 0.66	$ 0.48	$ 0.75	$ 0.07	$ 1.97

(1) On November 17, 2014, SL Delaware Holdings., a wholly-owned subsidiary of the Company, entered into the Purchase Agreement with Hubbell pursuant to which SL Delaware Holdings sold all of the issued and outstanding capital stock of RFL to Hubbell for aggregate cash consideration of $20,000,000, subject to a post-closing working capital adjustment which amounted to $299,000 and was received in February 2015. The Company concluded that the accounting requirements for reporting the results of operations of the divested business as discontinued operations were met at November 17, 2014. As a result, the results of operations for the periods presented have been recast to reflect the formerly owned RFL businesses as discontinued operations.

(2) Includes a $5,055,000 goodwill impairment charge related to the TEAL reporting unit, which is part of the High Power Group segment.

Note 27. Subsequent Events

On December 24, 2014, the Board of Directors authorized the 2014 Repurchase Plan, which allows for the repurchase up to an aggregate of 420,000 shares of the Company's outstanding common stock. The 2014 Repurchase Plan supersedes the 2010 Repurchase Plan. Any repurchases pursuant to the 2014 Repurchase Plan would be made in the open market or in negotiated transactions. No purchases were made under the 2014 Repurchase Plan during 2014. As of February 27, 2015, the Company purchased approximately 62,000 shares of Company stock at an average price of $38.98 a share under the 2014 Repurchase Plan. As of February 27, 2015, approximately 358,000 shares remained available for purchase under the 2014 Repurchase Plan. Currently, the 2014 Repurchase Plan has no expiration date.

On March 10, 2015, Compass Directional Guidance, Inc. ("Compass") filed a complaint (the "Complaint") against SL-MTI in the District Court in Harris County, Texas. The Complaint seeks damages in excess of $18 million arising from the SL-MTI's

sale of certain brushless motors to Compass. Compass asserts that SL-MTI breached express and implied warranties, violated the Texas Deceptive Trade Practices Act, and negligently misrepresented the quality, specification and uses of its motors to Compass. SL-MTI intends to vigorously defend the claims asserted in the Complaint which it believes are limited by the contractual terms between the parties as well as the applicable statute of limitations, and are substantially without merit. The Company has notified its insurance carriers regarding this claim.