APEX TOOL GROUP, LLC

Consolidated Financial Statements for the Years Ended December 31, 2019, 2018 and 2017
With Report of Independent Auditors

Apex Tool Group, LLC

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Building a better
working world

Report of Independent Auditors

The Board of Directors
Apex Tool Group, LLC

We have audited the accompanying consolidated financial statements of Apex Tool Group, LLC, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive income (loss), member's deficit and cash flows for each of the three years in the period ended December 31, 2019, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Apex Tool Group, LLC at December 31, 2019 and 2018, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

Adoption of the Private Company Alternative for Goodwill

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2019 the Company adopted the private company accounting alternative for goodwill. The adoption of this guidance is applied prospectively and resulted in the amortization of goodwill. Our opinion is not modified with respect to this matter.

Ernst + Young LLP

March 17, 2020

Apex Tool Group, LLC

Consolidated Balance Sheets

(Dollars in Thousands)

	December 31, 2019	December 31, 2018
Assets		
Cash and cash equivalents	**$ 69,766**	$ 54,170
Accounts receivable, net of allowances of $13,970 and $16,560, respectively	**163,069**	205,753
Inventories, net	**257,188**	269,981
Assets held for sale	**—**	6,600
Prepaid expenses and other current assets	**35,881**	38,011
Total current assets	**525,904**	574,515
Property, plant, and equipment, net	**137,106**	158,983
Goodwill, net	**551,233**	614,176
Other intangibles, net	**225,349**	273,774
Noncurrent deferred tax assets	**17,629**	7,948
Other assets	**19,701**	22,066
Total assets	**$ 1,476,922**	$ 1,651,462
Liabilities and member's deficit		
Current maturities of long-term debt	**$ 21,862**	$ 22,713
Accounts payable	**153,619**	201,442
Income taxes payable	**22,225**	25,318
Accrued salaries, wages, and employee benefits	**43,567**	58,580
Accrued expenses and other current liabilities	**113,872**	120,997
Total current liabilities	**355,145**	429,050
Revolving credit facility	**25,000**	90,000
Long-term debt, net of current maturities	**1,153,341**	1,175,212
Postretirement benefit obligations	**85,327**	80,195
Noncurrent deferred tax liabilities	**14,867**	20,219
Noncurrent deferred gains	**30,776**	741
Noncurrent derivative liabilities	**2,676**	10,551
Other noncurrent liabilities	**26,167**	31,962
Total liabilities	**1,693,299**	1,837,930
Additional paid-in capital	**456,954**	375,791
Accumulated deficit	**(496,445)**	(389,188)
Accumulated other comprehensive loss	**(176,886)**	(173,071)
Total member's deficit	**(216,377)**	(186,468)
Total liabilities and member's deficit	**$ 1,476,922**	$ 1,651,462

See accompanying notes.

Apex Tool Group, LLC

Consolidated Statements of Operations

(Dollars in Thousands)

	Year Ended December 31,		
	2019	**2018**	**2017**
Revenues	**$ 1,348,765**	$ 1,437,295	$ 1,334,075
Cost of sales	**974,897**	1,044,411	947,707
Gross profit	**373,868**	392,884	386,368
Selling, general, and administrative expenses	**289,229**	314,479	301,298
Restructuring charges	**17,751**	14,614	20,328
Operating income	**66,888**	63,791	64,742
Interest expense, net	**(105,056)**	(94,138)	(80,653)
Amortization of goodwill	**(61,033)**	—	—
Loss on refinancing transaction	**(2,691)**	(19,194)	—
Gain (loss) from foreign currency, net	**6,323**	4,017	(26,422)
Other income (expense), net	**7,540**	(3,586)	5,610
Loss before taxes	**(88,029)**	(49,110)	(36,723)
Income tax expense (benefit)	**19,228**	30,895	(20,971)
Net loss	**$ (107,257)**	$ (80,005)	$ (15,752)

See accompanying notes.

Apex Tool Group, LLC

Consolidated Statements of Comprehensive Income (Loss)

(Dollars in Thousands)

	Year Ended December 31,		
	2019	**2018**	**2017**
Net loss	**$ (107,257)**	$ (80,005)	$ (15,752)
Other comprehensive income (loss):			
Foreign currency translation adjustments, net of tax	**(8,886)**	(39,819)	44,565
Changes in unrecognized pension costs, net of tax	**(3,872)**	(502)	(48)
Gain (loss) on derivative financial instruments, net of tax	**8,943**	11,440	(19,042)
Total other comprehensive income (loss)	**(3,815)**	(28,881)	25,475
Comprehensive income (loss)	**$ (111,072)**	$ (108,886)	$ 9,723

See accompanying notes.

Apex Tool Group, LLC

Consolidated Statements of Member's Deficit

(Dollars in Thousands)

	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Member's Deficit
Balance at January 1, 2017	$ 373,502	$ (293,431)	$ (169,665)	$ (89,594)
Stock-based compensation and option activity	1,112	—	—	1,112
Net loss for the period	—	(15,752)	—	(15,752)
Foreign currency translation adjustments, net of taxes	—	—	44,565	44,565
Unrecognized pension costs, net of taxes of $482	—	—	(48)	(48)
Loss on derivative financial instruments, net of taxes of $0	—	—	(19,042)	(19,042)
Balance at December 31, 2017	374,614	(309,183)	(144,190)	(78,759)
Stock-based compensation and option activity	1,177	—	—	1,177
Net loss for the period	—	(80,005)	—	(80,005)
Foreign currency translation adjustments, net of taxes	—	—	(39,819)	(39,819)
Unrecognized pension costs, net of taxes of $39	—	—	(502)	(502)
Gain on derivative financial instruments, net of taxes of $0	—	—	11,440	11,440
Balance at December 31, 2018	375,791	(389,188)	(173,071)	(186,468)
Bain capital contribution	**80,000**	**—**	**—**	**80,000**
Stock-based compensation and option activity	**1,163**	**—**	**—**	**1,163**
Net loss for the period	**—**	**(107,257)**	**—**	**(107,257)**
Foreign currency translation adjustments, net of taxes	**—**	**—**	**(8,886)**	**(8,886)**
Unrecognized pension costs, net of taxes of $1,904	**—**	**—**	**(3,872)**	**(3,872)**
Gain on derivative financial instruments, net of taxes of $0	**—**	**—**	**8,943**	**8,943**
Balance at December 31, 2019	**$ 456,954**	**$ (496,445)**	**$ (176,886)**	**$ (216,377)**

See accompanying notes.

Apex Tool Group, LLC

Consolidated Statements of Cash Flows

(Dollars in Thousands)

	Year Ended December 31,		
	2019	**2018**	**2017**
Operating activities			
Net loss	**$ (107,257)**	$ (80,005)	$ (15,752)
Adjustments to reconcile net loss to cash flow from operating activities:			
Depreciation	**25,082**	23,173	25,957
Amortization of goodwill and intangible assets	**108,372**	48,295	47,902
Bad debt expense and other accounts receivable allowances	**1,132**	8,915	3,302
Deferred income tax benefit	**(12,642)**	(8,060)	(50,600)
Amortization of debt issue costs and debt discount	**4,099**	4,460	6,812
Loss on refinancing transaction	**2,691**	19,194	—
Gain on disposal of fixed assets	**(1,261)**	(103)	(4,578)
Impairment of fixed assets	**2,727**	4,924	4,071
Stock-based compensation	**1,114**	1,177	1,112
Changes in operating assets and liabilities:			
Accounts receivable	**41,004**	(32,430)	(9,141)
Inventories	**10,506**	(46,927)	16,259
Accounts payable	**(46,992)**	33,554	26,045
Other current assets and liabilities	**(22,686)**	10,360	13,764
Other assets and liabilities	**(6,250)**	(3,064)	14,460
Cash flow provided by (used in) operating activities	**(361)**	(16,537)	79,613
Investing activities			
Investment in intangible assets	**(184)**	(1,500)	—
Capital expenditures	**(21,052)**	(32,281)	(27,673)
Proceeds from disposal of fixed assets	**53,336**	1,389	10,873
Cash flow provided by (used in) investing activities	**32,100**	(32,392)	(16,800)

Apex Tool Group, LLC

Consolidated Statements of Cash Flows

(Dollars in Thousands)

	Year Ended December 31,		
	2019	**2018**	**2017**
Financing activities			
Proceeds from borrowings on revolving note loan - shareholder	**30,000**	—	—
Repayments of revolving note loan - shareholder	**(30,000)**	—	—
Proceeds from borrowings on revolving credit facilities	**135,900**	196,400	123,000
Repayments of revolving credit facilities	**(200,900)**	(114,400)	(149,000)
Proceeds from borrowings on long-term debt term loan	**—**	125,000	—
Repayments of long-term debt term loan	**(22,288)**	(22,713)	(20,150)
Proceeds from borrowing on Notes	—	325,000	—
Repayment of Notes	—	(457,875)	—
Debt issuance costs	**(8,165)**	(14,466)	—
Payment of contingent consideration	—	(4,949)	—
Bain capital contribution	**80,000**	—	—
Other	**(484)**	(288)	(219)
Cash flow provided by (used in) financing activities	**(15,937)**	31,709	(46,369)
Effect of exchange rate changes on cash	**(236)**	(2,832)	3,076
Increase (decrease) in cash, cash equivalents, and restricted cash	**15,566**	(20,052)	19,520
Cash, cash equivalents, and restricted cash at beginning of period	**54,200**	74,252	54,732 (a)
Cash, cash equivalents, and restricted cash at end of period	**$ 69,766**	$ 54,200	$ 74,252
Supplemental Disclosure of Cash Flow Information:			
Income tax payments, net of refunds of $2,119, $1,438, and $2,963, respectively	**$ 38,880**	$ 35,758	$ 32,547
Interest payments	**$ 100,697**	$ 92,834	$ 74,738
Reconciliation of cash, cash equivalents, and restricted cash:			
Cash and cash equivalents	**$ 69,766**	$ 54,170	$ 68,099
Restricted cash included in prepaid expenses and other current assets	**—**	30	6,153
Cash, cash equivalents, and restricted cash	**$ 69,766**	$ 54,200	$ 74,252

See accompanying notes.

(a) There was no restricted cash as of December 31, 2016.

1. Business and Summary of Significant Accounting Policies

Business

On February 1, 2013, BC Mountain Holdings, Inc. ("Holdings"), a Delaware corporation formed in 2012 and controlled by Bain Capital Partners, LLC (the "Sponsor"), acquired Apex Tool Group, LLC (the "Company") for approximately $1.55 billion.

The Company, based in Sparks, Maryland, is one of the largest worldwide producers of industrial hand and power tools, tool storage, drill chucks, chain, and electronic soldering products. The Company serves a multitude of global markets, including automotive, aerospace, electronics, energy, hardware, industrial, and consumer retail. The Company markets its portfolio of diverse products under its own brand names. In addition, the Company is the principal manufacturer for several key private label products for certain retailers.

Basis of Presentation

The consolidated financial statements included herein have been prepared by the Company in accordance with accounting principles generally accepted in the United States (“GAAP”). Certain prior period balances have been reclassified to conform to the current year’s presentation. In the opinion of management, the consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position and the results of operations of the Company.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from those estimates, and such differences may be material to the financial statements.

Foreign Currency

The financial statements of subsidiaries located outside of the United States are generally measured using the local currency as the functional currency. Assets and liabilities of these subsidiaries are translated to the reporting currency using rates of exchange at the balance sheet date. Income and expense items are translated to the reporting currency using average monthly rates of exchange. Translation adjustments are included in accumulated other comprehensive loss within member’s deficit. Exchange gains and losses from foreign currency transactions are reported as a separate line item on the Consolidated Statement of Operations. Foreign exchange gains and losses arising from intra-entity transactions that are of a long-term investment nature, the settlement of which is neither planned or anticipated in the foreseeable future, are included within Accumulated other comprehensive income (loss).

Fair Value Measurements

GAAP defines fair value based on an exit price model, establishes a framework for measuring fair value where the Company's assets and liabilities are required to be carried at fair value, establishes a valuation hierarchy, and provides for certain disclosures related to the valuation methods used within the valuation hierarchy. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. Level 2 inputs are quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, including interest rates, yield curves, and credit risks; or inputs that are derived principally from or corroborated by observable market data through correlation. Level 3 inputs are unobservable inputs based on the Company's assumptions used to measure assets and liabilities at fair value. A financial asset's or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, cross-currency swap agreements, deferred compensation arrangements, and short-term and long-term debt. Due to their short-term nature, the carrying values for cash and cash equivalents, accounts receivable, and accounts payable approximate fair value. The Company's debt arrangements generally bear interest at variable rates, based upon current market rates. The fair value of the Company's variable-rate debt approximates its carrying amount. Refer to Note 9 for the fair values of the Company's cross-currency hedge agreements and Note 11 for the fair values of the Company's postretirement benefit plans.

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at gross invoice amounts less allowances. The allowances consist of doubtful accounts, cash discounts, and other miscellaneous allowances. For accounts receivable balances outstanding for less than one year, the Company provides an allowance for doubtful accounts under a specific identification method. For accounts receivable balances past due for one year or more, the Company provides an allowance for doubtful accounts to reflect estimated uncollectible amounts considering historical payment experience and other relevant factors. Additions to the allowances for doubtful accounts are charged to current period earnings. Amounts determined to be uncollectible are charged directly against the allowance. The Company regularly reviews its outstanding accounts receivable balances and continuously evaluates the creditworthiness of its customers, and generally does not require collateral. As of December 31, 2019 and 2018, the allowances for accounts receivable totaled $14.0 million and $16.6 million, respectively. As of December 31, 2019 and 2018, $7.2 million and $7.3 million, respectively, was reserved as a direct result of Sears Holdings Corporation filing in October, 2018 for reorganization under Chapter 11 of the U.S. Bankruptcy Code.

Concentrations of Credit Risk

The Company sells products to customers in diversified industries and geographic regions and has no significant concentrations of credit risk other than with The Home Depot during 2019.

Balance Sheet

At December 31, 2019 and 2018, approximately 11% and 13%, respectively, of the Company's accounts receivable balance was due from The Home Depot.

Statement of Operations

During the years ended December 31, 2019, 2018, and 2017, approximately 15%, 13%, and 12%, respectively, of revenue was attributable to The Home Depot.

Inventories

Inventories, consisting of purchased materials, direct labor and manufacturing overhead, are stated at the lower of cost or net realizable value. The value of inventory is determined by the first-in, first-out method.

At each balance sheet date, the Company evaluates inventories for excess quantities or obsolescence. This evaluation includes analysis of historical consumption levels by product, and projections of future demand. To the extent that management determines there is excess or obsolete inventory the Company adjusts the carrying value to estimated net realizable value.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Depreciation is recognized primarily using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives range from 10 to 50 years for buildings and from 3 to 12 years for machinery and equipment and other property. The Company capitalizes the cost of leasehold improvements over the shorter of the lease term or the useful life of the asset. Repair and maintenance costs are expensed as incurred. Included in property, plant, and equipment are assets under capital leases. Amortization of assets under capital leases is included in depreciation expense.

Other Assets

Other assets consist of cash surrender value of life insurance policies and other long-term assets.

Goodwill and Intangible Assets

Goodwill

The excess of cost over the fair value of net assets of acquired businesses is recorded as goodwill. Effective January 1, 2019, the Company adopted the private company alternative for goodwill, ASC 350-20-15. The guidance is applied prospectively, and prior periods have not been adjusted. The accounting alternative for goodwill, allows:

- Amortization of goodwill on a straight line basis over a period of ten years (or less),
- Performance of impairment tests (if applicable) at the entity level as opposed to the reporting unit level, and

- A company to forego the minimum annual testing of goodwill, so long as there are not indications that fair value is less than carrying value.

As a result of the adoption of the private company alternative for goodwill, the Company will amortize the $614.2 million gross goodwill balance as of January 1, 2019 over a period of ten years. During the year ended December 31, 2019 the Company recognized goodwill amortization expense of $61.0 million (see Note 6 for the change in carrying amount of goodwill). This expense is included in the Amortization of goodwill line item in the Consolidated Statements of Operations. The Company has made an accounting policy election to assess goodwill for impairment at the entity level. During the year ended December 31, 2019, the Company determined that there were no indicators of impairment.

Goodwill policy prior to 2019

Prior to the adoption of the private company alternative for goodwill, the Company's policy was that goodwill was not subject to amortization, but was reviewed for impairment at the reporting unit level annually, or more frequently if impairment indicators arise. The Company's assessment of the recoverability of goodwill was based upon a comparison of the carrying value of goodwill with its estimated fair value. The Company reviewed goodwill for impairment annually as of the first day of its fiscal fourth quarter and whenever events or changes in circumstances indicated that the carrying value of goodwill may not be recoverable.

Prior to January 1, 2019, the Company had five underlying reporting units: North American Hand Tools, Latin American Hand Tools, Asia Pacific Hand Tools, Power Tools, and Electronics. The Company estimated the fair value of the reporting units using a number of fair value approaches and assigned a weighting to each result. These approaches included the discounted cash flow methodology, the comparable company methodology, and the reference transactions methodology.

The discounted cash flow methodology incorporates significant estimates and assumptions made by management which, by their nature, are characterized by uncertainty. These fair value measurements were based on significant inputs not observed in the market and thus represented a Level 3 measurement. Inputs used to estimate the fair value of the Company's reporting units are considered inputs of the fair value hierarchy. For Level 3 measurements, significant increases or decreases in long-term growth rates or discount rates in isolation or in combination could result in a significantly lower or higher fair value measurements. The key assumptions affecting the valuations included the following:

- The reporting unit's financial projections, which are based on management's assessment of local and macroeconomic variables, industry trends and market opportunities, and the Company's strategic objectives and future growth plans;
- The comparable company and reference transaction methodologies determine the fair value based on market prices realized in arm’s-length transactions by applying valuation ratios derived from selected financial statistics of the comparable companies to the Company’s reporting units. The significant assumptions used in these methodologies include determining comparable companies and market multiples;
- The projected terminal value for the reporting unit, which represents the present value of projected cash flows beyond the last discrete period in the discounted cash flow analysis. The terminal value reflects the Company's assumptions related to long-term growth rates and profitability, which are based on several factors, including local and macroeconomic variables, market opportunities, and future growth plans; and
- The discount rate used to measure the present value of the projected future cash flows is determined using a weighted-average cost of capital method that considers market and industry data as well as the Company's specific risk factors that are likely to be considered by a market participant. The weighted-average cost of

capital is the Company's estimate of the overall after-tax rate of return required by equity and debt holders of a business enterprise.

For the year ended December 31, 2018, the Company performed its annual goodwill impairment test as of the first day of its fiscal fourth quarter, September 29, 2018. To derive the fair value of the reporting units, the Company utilized the discounted cash flow methodology, the comparable company methodology, and the reference transactions methodology. The annual goodwill impairment test as of September 29, 2018 resulted in the Company's determination that the fair value of the reporting units with goodwill were in excess of their carrying value; therefore, no impairment was recorded.

Intangible Assets

The Company performs its assessment of the recoverability of indefinite-lived intangible assets annually as of the first day of the fiscal fourth quarter, or more frequently as impairment indicators arise, and it is based upon a comparison of the carrying value of such assets to their estimated fair values. The Company performed its most recent annual assessments as of September 28, 2019 and September 29, 2018, both of which resulted in no impairment. The Company estimated the fair value of its indefinite-lived intangible assets, other than goodwill, using the relief from royalty method. Significant estimates in this approach include projected revenues attributable to the portfolio of trade names, royalty rates, and discount rates.

While the Company believes it has considered all relevant factors and made reasonable estimates and assumptions to calculate the fair values of its indefinite-lived intangible assets and has considered all appropriate factors as part of its impairment testing, actual results may differ from these estimates and assumptions, and these differences could result in an impairment charge to the Company’s earnings in future periods.

For finite-lived intangible assets, amortization is computed on the straight-line method over their estimated useful lives. Amortization expense related to intangible assets (excluding goodwill) is included in cost of sales. The Company assesses its long-lived assets, which include finite-lived intangible assets for impairment whenever facts and circumstances indicate that the carrying amounts may not be fully recoverable.

Revenue Recognition

The Company's revenues result from the sale of goods or services and reflect the consideration to which the Company expects to be entitled. Beginning January 1, 2019, the Company records revenue based on a five-step model in accordance with Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* ("ASC 606"). The Company:

1. Identifies contracts with customers,
2. Identifies the performance obligations (goods or services),
3. Determines the transaction price,
4. Allocates the contract transaction price to the performance obligations, and
5. Recognizes the revenue when (or as) the performance obligation is transferred to the customer

A majority of the Company's revenues by geographic destination (refers to the geographic area where the final sale to the Company's customer is made) were generated from North America, and the remainder of the revenues are generated mostly from Asia (including Australia) and Europe (including the Middle East and Africa).

The Company's primary performance obligation is the manufacturing and delivery of tangible products to customers, which is generally recognized as revenues upon either shipment or delivery depending on the terms of the arrangement. Payment terms are typically 30 to 90 days after the delivery of the product dependent on terms of the arrangement. Revenue is recognized net of taxes collected from customers, which are subsequently remitted to governmental authorities.

The Company administers sales rebate programs which entitle the customer to rebates based on sales volume or sales growth. Substantially all rebates are measured on calendar year activity and settled shortly thereafter. Additionally, in certain circumstances, the Company may accept returns of products from customers or provide a refund (in-lieu of replacement) for defective products. Provisions for these customer sales rebates and product returns, along with discounts and other allowances are variable consideration and are recorded as a reduction of revenue in the same period the related sales are recorded. Such provisions are calculated using historical trends adjusted for any expected changes due to current business conditions. With respect to product returns, at the time of sale, the Company recognizes a return asset, and corresponding reduction to cost of goods sold, for product expected to be returned in resaleable condition. At December 31, 2019, the Company's estimated return asset was $3.5 million, and is included within Prepaid expenses and other currents assets on the Consolidated Balance Sheets.

Deferred revenues are recorded when cash payments are received in advance of the Company's performance and are included in the Consolidated Balance Sheets within Accrued expenses and Other current liabilities. The balance of total deferred revenues was $1.8 million at December 31, 2019 and $3.6 million at December 31, 2018. During 2019, the Company recognized substantially all of the previously deferred revenue.

Revenue Recognition Prior to 2019

Revenue recognition for the year ended December 31, 2018 and 2017, as presented, is based upon the accounting revenue recognition standard of Topic 605, *Revenue Recognition.* The Company's revenues principally result from the sale of tangible products, where revenue is recognized when the earnings process is complete, collectability is reasonably assured, and the risks and rewards of ownership have transferred to the customer, which generally occurs upon shipment of the finished product, but sometimes is upon delivery to customer facilities. Provisions for customer volume rebates, product returns, discounts and allowances are recorded as a reduction of revenue in the same period the related sales are recorded.

Cost of Sales

Cost of sales includes costs of manufacturing and preparing the product for sale. These costs include expenses to acquire and manufacture products to the point that they are related to products to be sold to customers. Cost of sales is primarily comprised of inbound freight, direct materials, direct labor as well as overhead which includes indirect labor and facility and equipment costs. Cost of sales also includes quality control, procurement and material receiving costs as well as internal transfer costs.

Research and Development Costs

The Company conducts research and development activities to develop new products and to improve or expand the use and functionality of existing products. These costs are expensed as incurred and are included in selling, general, and administrative expenses. Research and development costs for the years ended December 31, 2019, 2018, and 2017 were $25.0 million, $26.0 million, and $23.9 million, respectively.

Product Warranties

Most of the Company's products carry a product warranty, including, in certain cases, a lifetime warranty. The product warranty generally allows customers to return a defective product during the specified warranty period following purchase in exchange for a replacement product or repair at no cost to the customer.

The cost of product warranties resides either with the Company or, in the case of certain of the Company's private label products, with the retailer. The Company accrues an estimate of its exposure to warranty claims based upon both current and historical data related to product sales and warranty costs incurred.

Shipping and Handling

Amounts billed to customers for shipping and handling are included in Revenues. The related shipping and freight charges incurred by the Company are included in cost of sales. Distribution and handling costs are recorded in Selling, general, and administrative expenses.

Advertising and Promotion

Advertising and promotion costs, which are expensed as incurred, for the years ended December 31, 2019, 2018, and 2017 were $33.7 million, $34.0 million, and $28.1 million, respectively. Advertising and promotion costs are recorded in Selling, general, and administrative expenses.

Retirement Plans

The Company uses the corridor approach in the valuation of its defined benefit plans. Under this approach, actuarial gains and losses resulting from variances between actual results and actuarial assumptions are deferred and amortized when the net gains and losses exceed 10% of the greater of the market-related value of plan assets or projected benefit obligation.

Certain employees are covered by defined contribution plans. The Company's contributions to these plans are generally based on a percentage of employee compensation or employee contributions. These plans are funded on a current basis.

Income Taxes

The Company's Income tax expense represents the current tax liability and deferred tax benefit or expense estimated for the period. The Company determines deferred tax assets and liabilities based upon differences between the book basis of assets and liabilities and their respective tax basis, applied to the enacted tax rates in the periods in which the Company expects those differences to reverse. Valuation allowances are recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company accounts for uncertain tax positions by recognizing the financial statement effects of a tax position only when, based upon the technical merits, there is a greater-than-50% probability that the position will be sustained upon examination. Interest and penalties related to uncertain tax positions are included in income tax expense. The Company has elected to treat GILTI as a current period expense.

Derivative Financial Instruments

GAAP requires companies to recognize all of their derivative financial instruments as either assets or liabilities in the Consolidated Balance Sheet at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative financial instrument depends on whether it has been designated and qualifies as part of a hedging relationship, and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation. For derivative financial instruments not designated as hedging instruments, the gain or loss is recognized in the consolidated statements of operations.

The Company's objectives in using interest rate derivatives were to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily used interest rate swaps as part of its interest rate risk management strategy. The interest rate swap agreements entered into by the Company effectively modify the Company's exposure to interest rate risk by converting the Company's floating rate debt to a fixed-rate basis for four years following the date of the interest rate swap agreement, thus reducing the impact of interest rate changes on future interest expense. The interest rate swap agreements expired in 2017.

The Company maintains investments in certain of its consolidated subsidiaries which are held in foreign currencies. These investments are exposed to market risk from changes in currency exchange rates. As part of its risk management program, the Company uses different types of derivative financial instruments to hedge its exposure to currency exchange rates, including cross-currency swaps to protect the value of its net investments in foreign subsidiaries. These cross-currency swaps are designated as net investment hedges.

The effective portion of changes in the fair value of derivatives designated and that qualify as a fair value hedge, a cash flow hedge, or a net investment hedge is recorded in accumulated other comprehensive loss and is subsequently reclassified into net loss in the period that the hedged forecasted transaction affects earnings. Any ineffective portion of the change in fair value of the derivatives is recognized directly in net loss.

Recent Accounting Pronouncements

Accounting Pronouncements Recently Adopted

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). ASU 2014-09 clarifies the principles for recognizing revenue 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. This guidance affects entities that enter into contracts with customers to transfer goods or services, and supersedes prior GAAP guidance, namely Accounting Standards Codification Topic 605, Revenue Recognition. The Company adopted ASC 606 in the first quarter of 2019 using the modified retrospective method applied to those contracts that were not completed as of January 1, 2019. The adoption of ASC 606 did not have a significant impact on the Company's consolidated financial statements and therefore resulted in no cumulative effect adjustment to the opening balance of retained earnings as of January 1, 2019.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The objective of this update is to provide additional guidance and reduce diversity in practice when classifying certain transactions within the statement of cash flows. In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. This new standard requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Company adopted these standards ("new cash flow standards") in the first quarter of 2019 utilizing the retrospective transition method. Prior year presentation of cash, cash equivalents and restricted cash was revised to conform to current year presentation. The impacts of the new cash flow standards relate to the presentation of restricted cash. The impacts were an increase in cash flow used in investing activity of $6.1 million in 2018 and a decrease in cash flow used in investing activity of $6.2 million in 2017.

In March 2017, the FASB issued ASU 2017-07, Compensation-Retirement Benefits (Topic 715) ("new pension standard"). The new pension standard improves the presentation of net periodic pension cost and net periodic postretirement benefit cost. The Company adopted this standard in the first quarter of 2019 utilizing the full retrospective method. As a result of the adoption, all components other than service cost were reclassified from Cost of sales and selling, general, and administrative expenses to other income (expense), net in the Consolidated Statements of Operations. The amounts reclassified to other income for December 31, 2018 and 2017 was $2.3 million and $1.3 million, respectively.

Accounting Pronouncements Not Yet Effective

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize a right-of-use asset and a lease liability on its balance sheet for operating leases that is initially measured at the present value of lease payments. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The standard is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company expects to adopt the new standard as of January 1, 2020 using the modified retrospective basis and apply the transition method which does not require adjustments to comparative periods nor require modified disclosures in those comparative periods. The Company is currently evaluating the effect of the pronouncement on its consolidated financial statements, but believes the adoption of this standard will have a material effect on the Company's Consolidated Balance Sheets through the recognition of additional assets and liabilities associated with the Company's operating leases. The Company's preliminary assessment has also identified that deferred gains associated with certain sale leaseback transactions will be recognized as an adjustment to retained earnings at the adoption date. The Company is currently quantifying the net transition adjustment from these changes, including any associated income tax impacts. The Company's assessment process is not yet complete, as such, there could be additional impacts from the new standard other than those identified to date.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326), which requires the measurement of expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable forecasts. The objective of the standard is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is currently evaluating the effect of the pronouncement on its Consolidated Financial Statements.

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted improvements to accounting for hedging activities. The standard amends and simplifies existing guidance in order to allow companies to more accurately present the economic effects of risk management activities in the financial statements. The standard is effective for entities that are not SEC reporting companies for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the effect of the pronouncement on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, Simplifying the Accounting for Income Taxes (Topic 740). The standard is designed to simplify the accounting for income taxes by removing certain exceptions to the general principles. The standard is effective for entities that are not SEC reporting companies for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Company is currently evaluating the effect of the pronouncement on its consolidated financial statements.

2. Sale/Leaseback Transaction

In the second half of 2019, the Company entered into a sale/leaseback transaction, pursuant to which the Company sold to and simultaneously leased back three real property sites, along with the manufacturing facilities thereon, located in Lexington, South Carolina; Queretaro, Mexico and York, Pennsylvania. The aggregate gross sales price for the facilities was $53.3 million and the net proceeds to the Company were $48.7 million. The proceeds are included in the Proceeds from disposal of fixed assets on the Consolidated Statement of Cash Flows. The combined proceeds were used to reduce debt. In connection with the transaction, the Company recorded a deferred gain of $31.8 million. As of December 31, 2019, the Company had a current deferred gain of $1.3 million recorded in other current liabilities and a noncurrent deferred gain of $30.2 million, which is included in Noncurrent deferred gain liabilities in the Consolidated Balance Sheets. As discussed in Note 1, Business Summary of Significant Accounting Policies, the Company's preliminary assessment of the adoption of ASC 842 - Leases, has identified that deferred gains associated with certain sale leaseback transactions will be recognized as an adjustment to retained earnings at the adoption date. The Company is currently quantifying the impact of adoption, including any tax impact.

The joint lease for the two U.S. facilities has an initial term of twenty-five years, and two successive renewal terms of ten years each, exercisable at the Company's option. The lease for the Mexican facility has an initial term of twenty years, a mandatory five year extension and two successive renewal terms of ten years each, exercisable at the Company's option. The annual aggregate base rent for the leases is approximately $4 million for the first year, increasing 2.25% annually.

3. Assets Held for Sale

In 2015, the Company ceased operations at its Springdale, Arkansas facility in conjunction with its restructuring activities. Additionally, in 2017, the Company ceased several manufacturing processes at its Sumter, South Carolina facility in conjunction with its restructuring activities. The land and buildings at these facilities were classified as assets held for sale in the Consolidated Balance Sheet at December 31, 2018.

In 2019, the Springdale facility was sold. Also, in 2019, the Sumter facility was impaired by another $0.6 million to reflect the then current estimated fair value of $4.0 million (a non-recurring fair value estimate using level 3 inputs). The impairment was charged to Restructuring charges in the Consolidated Statements of Operations. In the fourth quarter of 2019, it was determined that the classification of the Sumter facility should be changed from held for sale to held for use, primarily because the Company no longer believed the sale of the asset was probable within one year. While the sale of this property is still being pursued, the duration of time that it has been marketed so far creates uncertainty about the ability to achieve a probable sale within a year of the balance sheet date. The remaining net book value of the Sumter assets are classified within Property, plant, and equipment in the Consolidated Balance Sheets.

(Amounts in thousands except where otherwise indicated)

Assets held for sale balance at January 1, 2018	$	—
Reclass of assets held for sale		8,900
Impairment of Sumter assets held for sale		(1,586)
Impairment of Springdale assets held for sale		(714)
Assets held for sale balance at December 31, 2018	$	6,600
Sale of Springdale assets held for sale		**(1,977)**
Impairment of Sumter assets held for sale		**(623)**
Reclass of Sumter assets held for sale to held for use		**(4,000)**
Assets held for sale balance at December 31, 2019	**$**	**—**

4. Inventories

The classification of inventories was as follows:

	December 31,			
	2019		**2018**	
Finished goods	**$**	**164,275**	$	167,800
Work in process		**95,933**		102,721
Raw materials		**22,049**		23,379
		282,257		293,900
Less: allowances		**(25,069)**		(23,919)
Inventories, net	**$**	**257,188**	$	269,981

(Amounts in thousands except where otherwise indicated)

5. Property, Plant, and Equipment

Property, plant, and equipment consisted of the following:

	December 31, 2019	December 31, 2018
Owned assets		
Land and improvements	**$ 12,414**	$ 14,165
Buildings and improvements	**48,323**	60,067
Machinery and equipment	**234,347**	223,705
	295,084	297,937
Accumulated depreciation	**(162,400)**	(143,594)
Total owned assets	**132,684**	154,343
Assets under capital lease		
Land and improvements	**2,128**	2,128
Buildings and improvements	**4,027**	4,027
	6,155	6,155
Accumulated depreciation	**(1,733)**	(1,515)
Total assets under capital lease	**4,422**	4,640
Total property, plant, and equipment, net	**$ 137,106**	$ 158,983

The decrease in total property, plant, and equipment includes the impact of the sale/leaseback transaction. See Note 2, Sale/Leaseback Transaction, for further information.

The Company records depreciation on the assets under capital lease to depreciation expense. Depreciation on property, plant and equipment during the years ended December 31, 2019, 2018 and 2017 was $25.1 million, $23.2 million and $26.0 million, respectively.

6. Goodwill and Other Intangible Assets

The change in the carrying amount of goodwill was as follows:

	Gross BookValue	Accumulated Impairment	Accumulated Amortization (a)	Net Book Value
Balance at December 31, 2017	$ 633,185	$ (4,515)	$ —	$ 628,670
Currency translation	(14,494)	—	—	(14,494)
Balance at December 31, 2018	618,691	(4,515)	—	614,176
Currency translation	**(1,910)**	**—**	**—**	**(1,910)**
Amortization	**—**	**—**	**(61,033)**	**(61,033)**
Balance at December 31, 2019	**$ 616,781**	**$ (4,515)**	**$ (61,033)**	**$ 551,233**

(a) Effective January 1, 2019, the Company adopted the private company alternative for goodwill, ASC 350-20-15, which permits the amortization of goodwill on a straight-line basis over ten years. See Note 1, Business and Summary of Significant Accounting Policies, for further information.

As of December 31, 2019, goodwill is being amortized over a weighted-average remaining life of 9 years. As of December 31, 2019 the estimated aggregate amortization expense is expected to be as follows:

For the Year Ending December 31,		**(in thousands)**
2020	$	61,248
2021		61,248
2022		61,248
2023		61,248
2024		61,248
Thereafter		244,993
Total	$	551,233

The carrying amounts and accumulated amortization of intangible assets other than goodwill were as follows:

	December 31,			
		2019		**2018**
Gross carrying value:				
Customer relationships	**$**	**408,690**	$	410,672
Technology and other		**16,190**		16,035
Indefinite-lived trade names		**124,602**		125,311
		549,482		552,018
Accumulated amortization:				
Customer relationships		**(309,086)**		(265,463)
Technology and other		**(15,047)**		(12,781)
		(324,133)		(278,244)
Total other intangible assets, net	**$**	**225,349**	$	273,774

Amortization on the intangible assets other than goodwill for the years ended December 31, 2019, 2018, and 2017 was $47.3 million, $48.3 million, and $47.9 million, respectively.

As of December 31, 2019, amortizable intangible assets (customer relationships and technology and other) are being amortized over a weighted-average remaining life of 2.0 years. As of December 31, 2019, the estimated aggregate amortization expense is expected to be as follows:

For the Year Ending December 31,		(in thousands)
2020	$	45,461
2021		45,310
2022		5,121
2023		463
2024		402
Thereafter		3,990
Total	$	100,747

7. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities included the following:

	December 31,			
		2019		2018
Sales allowances and returns	**$**	**50,409**	$	46,681
Advertising		**4,802**		5,878
Warranty		**6,820**		10,469
Claims, including self-insurance and litigation		**4,106**		4,218
Freight and duty		**6,330**		10,374
Non-income tax-related liabilities		**4,808**		7,967
Restructuring reserves		**8,147**		6,770
Interest		**10,680**		10,853
Other		**17,770**		17,787
	$	**113,872**	$	120,997

Other current liabilities include accruals for environmental reserves, professional services, deferred revenues, deferred gains, and other general operating accruals.

Changes in the Company's warranty reserve were as follows:

Warranty reserve at January 1, 2018	$	9,251
Accruals for new warranties and adjustments to existing warranties		13,604
Settlements made		(12,167)
Currency translation adjustments		(219)
Warranty reserve at December 31, 2018		10,469
Accruals for new warranties and adjustments to existing warranties		**2,243**
Settlements made		**(5,834)**
Currency translation adjustments		**(58)**
Warranty reserve at December 31, 2019	**$**	**6,820**

In connection with the adoption of ASC 606, beginning in 2019, warranty claims to be settled by refund (as opposed to repair or replacement of product) are treated as variable consideration and recorded as reductions of revenues as opposed to a warranty. For periods prior to the adoption ASC 606, such amounts were classified as warranty expense as a component of cost of sales. See Note 1, Business and Summary of Significant Accounting Policies, for further information.

8. Debt

The Company's long-term debt includes a credit agreement (the "Senior Secured Credit Facilities") and issuance of principal Senior notes ("Notes"). During the year ended December 31, 2018, the Company entered into an amendment ("Second Amendment") of the Senior Secured Credit Facilities with a syndicate of lending banks. The Second Amendment of the credit agreement consisted of an $835.0 million Senior Secured Term Loan Facility, a $175.0 million borrowing capacity Senior Secured Revolving Credit Facility, and a new $125.0 million Senior Secured Term Loan Facility. Additionally, during the year ended December 31, 2018, the Company issued $325.0 million aggregate principal amount of 9.0% Notes due 2023. As a result of the Second Amendment and new debt issuance, the Company redeemed the $450 million of 7.0% notes ("Prior Notes").

On August 21, 2019, the Company entered into an amendment ("Third Amendment") of the Senior Secured Credit Facilities with a syndicate of lending banks. The Third Amendment of the credit agreement extended the maturity of the existing term loan from February 1, 2022 to August 1, 2024 and the Third Amendment also extended the maturity date on the Company's Revolving Credit Facility from October 1, 2021 to April 1, 2024. Additionally, the Third Amendment reduced the annual payment on the Senior Secured Term Loan Facilities from $22.7 million to $21.9 million. The Third Amendment also increased the Term Loan Facilities interest rate as discussed below.

The $835.0 million and $125.0 million Senior Secured Term Loan Facilities have identical terms. The Senior Secured Term Loan Facilities bear interest at a rate per annum equal to, at the Company’s option, either (a) a base rate determined by reference to the highest of (i) the administrative agent’s prime rate, (ii) the federal funds rate plus 1/2 of 1.0%, and (iii) one-month adjusted LIBOR plus 1.0% per annum (which shall in no event be less than 2.25% per annum), plus a margin of 2.25% or (b) a London Interbank Offered rate determined by reference to the London Interbank Offered Rate (LIBOR), plus a margin of 5.50% (this was previously plus a margin of 3.75% under the Second Amendment). In addition, the Term Loan Facilities require mandatory prepayments, subject to exceptions, in amounts equal to (i) commencing with the year ended December 31, 2013, 50%, as may be reduced based on the Company’s senior secured net leverage ratio, of the Company’s annual excess cash flow, each as defined in the credit agreement governing the Senior Secured Credit Facilities; (ii) 100% of the net cash proceeds from certain asset sales and insurance recovery and condemnation events, subject to reinvestment rights and certain other exceptions; and (iii) 100% of the net cash proceeds from the incurrence of debt not otherwise permitted to be incurred under the Senior Secured Credit Facilities. The annual payments, which commenced with the first quarter of 2018 under the Second Amendment, of $22.7 million, or a quarterly installment of $5.7 million, were reduced to an annual payment of $21.9 million, or a quarterly installment of $5.5 million, under the Third Amendment. Additionally, the Third Amendment increased the maximum senior secured net leverage ratio, as defined in the Senior Secured Credit Facilities, to 5.25 beginning in the third quarter of 2019. This was an increase from the Second Amendment which required a leverage ratio of 4.75 in 2019.

The Senior Secured Revolving Credit Facility bears interest at a rate per annum equal to, at the Company’s option, either (a) a base rate determined by reference to the highest of (i) the administrative agent’s prime rate, (ii) the federal funds rate plus 1/2 of 1.0%, and (iii) the one-month adjusted LIBOR plus 1.0% per annum (which shall in no event be less than 2.25% per annum), plus a margin of 2.25% or (b) a London Interbank Offered rate determined by reference to LIBOR, plus a margin of 5.50% (this was previously plus a margin of 3.75% under the Second Amendment) for consenting lenders. The Senior Secured Revolving Credit Facility includes a commitment fee for any unutilized commitments under the Senior Secured Credit Facilities. The fee ranges from 0.375% to 0.50% per annum based upon the borrowing under the Senior Secured Credit Facilities. The Third Amendment extended the maturity date on the Company's Revolving Credit Facility from October 1, 2021 to April 1, 2024. The Senior Secured Revolving Credit Facility decreased from $175.0 million to $158.1 million on October 1, 2019.

(Amounts in thousands except where otherwise indicated)

The Company pays interest on the Notes semi-annually in cash on February 15 and August 15 of each year, which commenced August 15, 2018. The Senior Notes are redeemable at the Company's option in whole or in part, at any time on or after February 15, 2019.

As part of the Third Amendment refinancing, the Company incurred a loss on refinancing transaction of $2.7 million; comprised of $2.3 million of expenses not eligible for capitalization and $0.4 million of previously capitalized debt discount and issuance costs that were extinguished as part of the refinancing.

Also related to the Third Amendment that occurred August 21, 2019, the Company incurred cash costs of $8.2 million; comprised of $2.3 million of expenses not eligible for capitalization and $5.9 million capitalized as unamortized discount and unamortized debt issuance costs. Of the $5.9 million capitalized as unamortized discount and unamortized debt issuance costs, $1.3 million relates to the Senior Secured Revolving Credit Facility and $4.6 million relates to the Term Loan Facility.

The $4.6 million of cash costs capitalized related to the Term Loan Facility are included in the table to follow as unamortized discount and unamortized debt issuance costs, along with $5.0 million of previously capitalized debt discount and issuance costs that were not extinguished as part of the refinancing. The amounts included in the table to follow are net of any amortization that has occurred during 2019.

Amounts outstanding under the Company’s Term Loan Facility and Notes, net of unamortized discounts and debt issuance costs, were as follows:

	December 31, 2019					**December 31, 2018**
	Long Term Debt Less Current Maturities	Current Maturities of Long-Term Debt	Unamortized Discount (a)	Unamortized Debt Issuance Costs (a)	Maturity Amount	Long Term Debt Less Current Maturities
Term Loan Facility	**$ 832,764**	**$ 21,862**	**$ 5,407**	**$ 3,504**	**$ 863,537**	$ 856,070
Notes	**320,577**	**—**	**—**	**4,423**	**325,000**	319,142
Total	**$ 1,153,341**	**$ 21,862**	**$ 5,407**	**$ 7,927**	**$ 1,188,537**	$ 1,175,212

(a) Unamortized discount and unamortized debt issuance costs are contra-liability accounts within long-term debt, net of current maturities, on the consolidated balance sheet.

As of December 31, 2019, aggregate maturities of debt obligations are as follows:

For the Year Ending December 31,		(in thousands)
2020	$	21,861
2021		21,861
2022		21,861
2023		346,862
2024		801,092
Total	$	1,213,537

The table of aggregate maturities is inclusive of the $25.0 million outstanding on the Revolving Credit Facility.

The Senior Secured Credit Facilities include a springing maturity clause where they would potentially become due in November 2022 if the Notes are not refinanced as of that date (90 days from scheduled maturity date of Notes).

Under the terms of the Senior Secured Credit Facilities, the Company is subject to certain financial covenants, including a net leverage ratio and other customary covenants, such as restrictions on liens, restrictions on investments, and limits on indebtedness. As of December 31, 2019, the Company was in compliance with all of its debt covenants. Deterioration or instability of the economies and financial markets (such as a recession) in the geographies in which he Company does business could adversely affect the Company's business and its compliance with debt covenants. Breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness, in addition to any other indebtedness cross-defaulted against such instruments. Any such breach could materially adversely affect the Company's results of operations and financial condition.

At December 31, 2019, the weighted-average interest rate on the Revolving Credit Facility was 6.62%, exclusive of commitment fees. At December 31, 2019, $128.0 million was available for borrowing under the Revolving Credit Facility, reflecting a $5.1 million reduction for outstanding letters of credit.

The Company made interest payments of $98.9 million, $91.7 million, and $74.0 million during the years ended December 31, 2019, 2018, and 2017, respectively.

On March 12, 2019, the Company entered into a $30.0 million secured revolving promissory note agreement ("Revolving Note Loan - Shareholder") with a subsidiary of Bain Capital. The $30.0 million Revolving Note Loan - Shareholder bears interest in-kind at a rate per annum equal to the one-month adjusted LIBOR plus 3.75%, compounded monthly. The Revolving Note Loan - Shareholder matures on April 30, 2020, at which point any outstanding principal, as well as any accrued and unpaid interest, shall be paid. The Revolving Note Loan - Shareholder bears interest at a rate consistent with the LIBOR option in the Senior Secured Revolving Credit Facility for consenting lenders. The Company repaid the entire Revolving Note Loan - Shareholder, as well as any interest accrual, as of December 31, 2019.

9. Derivative Financial Instruments

Net Investment Hedges

The Company is exposed to fluctuations in foreign exchange rates on investments it holds in foreign entities whose functional currencies are euro (EUR) denominated, which differs from that of the Company, which is the U.S. dollar (USD). As a result, the Company is exposed to the risk of adverse changes between the EUR-USD exchange rate in its consolidated financial statements.

(Amounts in thousands except where otherwise indicated)

As of December 31, 2019, the Company had three outstanding foreign currency derivatives that were used to hedge its net investments in foreign operations, with an aggregate notional value of EUR 136.5 million, each of which mature on February 15, 2022 (collectively the "Hedging Instruments"). As of December 31, 2018 the Hedging Instruments were scheduled to mature on February 1, 2020. In January 2019, the Company extended the maturity dates of the Hedging Instruments to February 15, 2022. The fair values of the Company's Hedging Instruments are based on values for similar instruments using models with market based inputs and are categorized as Level 2 under the GAAP fair value hierarchy. These instruments are considered effective hedging arrangements.

The Company's Hedging Instruments were classified in the consolidated balance sheets as follows:

	December 31,	
	2019	**2018**
Prepaid expenses and other current assets	**$ 959**	$ 934
Noncurrent derivative liabilities	**2,676**	10,551

Amounts in the table above are included, net of tax, in Accumulated other comprehensive income (loss). These amounts are reclassified out of Accumulated other comprehensive income (loss) into earnings when the hedged net investment is either sold or substantially liquidated. As a result of the extension of the maturity dates of the Hedging Instruments, the Noncurrent derivative liabilities decreased due to a reclassification to Accumulated other comprehensive loss. See the Consolidated Statements of Comprehensive Income (Loss) for unrealized gains and losses on these derivative financial instruments incurred during the periods.

(Amounts in thousands except where otherwise indicated)

10. Income Taxes

Loss before taxes consisted of the following:

	Year Ended December 31,		
	2019	2018	2017
United States	**$ (142,948)**	$ (133,831)	$ (131,175)
International	**54,919**	84,721	94,452
Loss before taxes	**$ (88,029)**	$ (49,110)	$ (36,723)

Significant components of income tax expense consisted of the following:

	Year Ended December 31,		
	2019	2018	2017
Current:			
United States	**$ 237**	$ (119)	$ 163
International	**31,633**	39,074	29,466
Total current income taxes	**31,870**	38,955	29,629
Deferred:			
United States	**(10,071)**	(268)	(42,832)
International	**(2,571)**	(7,792)	(7,768)
Total deferred income taxes	**(12,642)**	(8,060)	(50,600)
Total income tax (benefit) expense	**$ 19,228**	$ 30,895	$ (20,971)

(Amounts in thousands except where otherwise indicated)

The following provides a reconciliation of the U.S. federal statutory income tax expense to income tax expense :

	Year Ended December 31,		
	2019	**2018**	**2017**
Income tax benefit at U.S. statutory rate of 21% for 2019/2018 and 35% for 2017	**$ (18,486)**	$ (10,313)	$ (12,853)
Taxes on foreign earnings	**7,404**	5,878	(2,020)
State income taxes	**(1,873)**	(2,859)	163
Foreign tax credits	**—**	—	(27,801)
Foreign tax credit conversion to deduction	**—**	111,239	—
Permanent items	**5,877**	109	6,540
U.S. tax cost on foreign earnings	**12,426**	20,488	10,870
Valuation allowances	**13,285**	(93,555)	30,076
Change in statutory tax rate	**197**	(57)	(25,827)
Other, net	**398**	(35)	(119)
Income tax expense (benefit)	**$ 19,228**	$ 30,895	$ (20,971)

The deviation from the U.S. federal statutory income tax benefit for the years ended December 31, 2019, 2018, and 2017, was primarily related to (i) earnings of profitable subsidiaries outside of the U.S. in foreign tax jurisdictions with tax rates that differ from the U.S. federal income tax rate; (ii) in 2019 and 2018, the state deferred tax effect of indefinite-lived intangibles and the current state tax expense and, in 2017, the current state tax expense; (iii) the federal tax benefit of foreign tax credits in the year 2017 and the conversion to foreign tax deductions in 2018; (iv) non-taxable income and nondeductible expenses of a permanent nature; (v) the U.S. tax cost associated with the current taxation of foreign subsidiary earnings inclusive of the tax cost on unremitted earnings attributable to certain foreign subsidiaries as the Company does not assert the permanent reinvestment of unremitted earnings in 2019, 2018 and 2017; (vi) the effect of a net release of valuation allowances on the Company’s U.S. deferred tax assets, including the release associated with the conversion of foreign tax credits to foreign tax deductions in 2018 as described to follow; (vii) the Company's 2019 US GAAP election to amortize goodwill resulting in the goodwill deferred tax liability converting from an indefinite lived deferred tax liability to definite lived deferred tax liability; and (viii) the effect of recording the change in statutory tax rates, which is primarily attributable to the Tax Cuts and Jobs Act of 2017 (the "Tax Act") in 2017.

(Amounts in thousands except where otherwise indicated)

The tax effects of the temporary differences giving rise to the Company's deferred tax assets and liabilities were as follows:

	December 31, 2019	December 31, 2018
Deferred tax liabilities:		
Goodwill and other intangibles	**$ (37,486)**	$ (53,238)
Property, plant, and equipment	**(2,353)**	—
Gross deferred tax liabilities	**(39,839)**	(53,238)
Deferred tax assets:		
Allowance for doubtful accounts	**3,069**	3,347
Inventories	**9,695**	9,014
Accrued liabilities	**52,655**	49,487
Postretirement benefits	**10,254**	9,053
Property, plant, and equipment	**—**	3,060
Interest expense limitation	**34,102**	17,396
Tax losses	**60,262**	60,231
Other	**10,368**	9,200
Gross deferred tax assets	**180,405**	160,788
Valuation allowance on deferred tax assets	**(137,804)**	(119,821)
Net deferred tax assets (liabilities)	**$ 2,762**	$ (12,271)

At both December 31, 2019 and 2018, the tax-effected amount of net operating loss carryforwards were $60.2 million. Of the $60.2 million of tax-effected losses, $45.7 million is attributable to U.S. federal income taxes, $8.4 million is attributable to state income taxes, and $6.1 million is attributable to foreign tax jurisdictions. The net operating losses were generated in the years 2013 through 2019 and some losses begin to expire in 2020, while others have indefinite lives and will never expire.

At December 31, 2019, the Company has recorded a gross deferred tax asset of $4.9 million related to Research and Development ("R&D") credits generated in years 2013 through 2019. The R&D credit carryforwards can be carried forward to various dates from 2020 through 2038.

On December 22, 2017, the Tax Act was signed into law making significant changes to the Internal Revenue Code ("IRC") including limits on the deductibility of interest expense under IRC Section 163(j), among other changes. The Company recorded a gross deferred tax asset in the amount of $34.1 million and $17.4 million in 2019 and 2018, respectively, in recognition of the indefinite carryforward of interest expense deductions.

At December 31, 2018, the Company no longer had a U.S. federal deferred tax asset related to foreign tax credit carryforwards. The Company deducted foreign taxes in lieu of a foreign tax credit on its 2017 U.S. federal income tax return filed in 2018. In addition, the Company amended its U.S. federal income tax returns for the years 2014 through 2016 to deduct foreign taxes in lieu of foreign tax credits. The adjustments to the deferred tax assets for foreign tax credits and U.S. net operating losses was offset by an adjustment to the valuation allowance resulting in no net impact to tax expense for the Company.

In establishing and maintaining a valuation allowance against U.S. deferred tax assets, the Company has adhered to the guidance in ASC 740, which requires placing greater reliance on the recent losses for the respective three-year period than on its future income projections which may allow for the utilization of its deferred tax assets. The GAAP guidance with respect to financial statement presentation of income taxes as defined in ASC 740 states that it is difficult to avoid a valuation allowance when there is negative evidence such as cumulative losses in recent years. At December 31, 2019 the Company had a cumulative loss before income taxes for the three-year period then ended. During 2019, the Company's valuation allowance increased by $18.0 million primarily due to current year net operating losses, changes in judgment regarding the realizability of certain deferred tax assets with the adoption of the private company alternative for goodwill, and currency translation adjustments.

Unrecognized tax benefits relating to periods prior to February 1, 2013, recorded by the Company are indemnified by its former respective owners. Accordingly, the Company’s liability for uncertain tax positions was offset by a $2.7 million and a $4.8 million receivable from its former owners as of December 31, 2019 and 2018, respectively. To the extent unrecognized tax benefits (including interest and penalties) are not assessed with respect to uncertain tax positions relating to periods prior to February 1, 2013, amounts accrued will be reduced and reflected as both a reduction of the overall income tax provision and a reduction of the receivable from former owners. For the year ended December 31, 2019, the Company recorded a $2.1 million reduction of income tax expense and a $2.1 million expense included within other expenses for the release of the uncertain tax position and a corresponding reduction in indemnification assets.

To the extent unrecognized tax benefits (including interest and penalties) are not assessed with respect to uncertain tax positions, amounts accrued for the period February 2, 2013 through December 31, 2019, will be reduced and reflected as a reduction of the overall income tax provision. Unrecognized tax benefits associated with interest and penalties are included in income tax expense. To the extent unrecognized tax benefits (including interest and penalties) are recognized in future periods with respect to uncertain tax positions, the entire amount of the $3.8 million would be reduced and reflected as a reduction of the overall income tax provision in future periods. The Company expects a reversal of $1.6 million in uncertain tax positions during 2020 due to statute of limitation expirations.

The change in the balance of uncertain tax positions was as follows:

(Amounts in thousands except where otherwise indicated)

	Unrecognized Tax Benefits	Interest	Penalties	Total
Balance at January 1, 2018	$ 7,921	$ 2,540	$ 552	$ 11,013
Additions for tax positions related to current year	67	305	3	375
Additions for tax positions related to prior years	—	484	—	484
Releases due to statute expirations	(3,627)	(378)	(108)	(4,113)
Currency translation	(182)	(146)	(24)	(352)
Balance at December 31, 2018	4,179	2,805	423	7,407
Additions for tax positions related to current year	**29**	**267**	**1**	**297**
Additions for tax positions related to prior years	**3**	**1**	**1**	**5**
Releases due to statute expirations	**(2,488)**	**(1,225)**	**(143)**	**(3,856)**
Currency translation	**(15)**	**(13)**	**(4)**	**(32)**
Balance at December 31, 2019	**$ 1,708**	**$ 1,835**	**$ 278**	**$ 3,821**

The Company files its income tax returns as prescribed by the tax jurisdictions in which it operates. With few exceptions, the Company is no longer subject to foreign examinations by tax authorities for tax years prior to 2014. The Company is subject to tax examinations for years 2015 and forward for U.S. federal and state income tax purposes. Certain carryover tax attributes can be adjusted anytime until the tax attributes are utilized in subsequent tax years and will generally be subject to examination for three years after utilization.

11. Postretirement Benefits

The Company has one noncontributory defined benefit pension plan, which covers certain of its U.S. employees ("U.S. Pension Plan"). In addition, the Company has defined benefit pension plans in Mexico, Germany, Taiwan, and Brazil ("Non-U.S. Pension Plans", collectively, the "Pension Plans").

(Amounts in thousands except where otherwise indicated)

The following table sets forth the funded status of the defined benefit pension plans and amounts recognized in the Consolidated Balance Sheet at December 31, 2019:

	U.S. Pension Plan	Non-U.S. Pension Plans
Change in benefit obligation		
Benefit obligation at January 1, 2019	$ 15,439	$ 81,579
Service cost	448	990
Interest cost	605	1,443
Actuarial loss	1,604	8,189
Foreign currency exchange rate changes	—	(1,758)
Curtailment gain	—	(662)
Benefits paid and expenses	(1,084)	(2,037)
Settlement payments	—	(304)
Benefit obligation at December 31, 2019	17,012	87,440
Change in plan assets		
Fair value of plan assets at January 1, 2019	12,569	663
Actual return on plan assets	2,756	38
Benefits paid and expenses	(1,084)	(29)
Employer contributions	244	32
Foreign currency exchange rate changes	—	(2)
Fair value of plan assets at December 31, 2019	14,485	702
Accrued benefit cost at December 31, 2019 (funded status)	$ (2,527)	$ (86,738)
Amounts recognized in the consolidated balance sheet		
Accrued expenses and other current liabilities	$ —	$ (3,938)
Postretirement benefit obligations	(2,527)	(82,800)
Net amount recognized at December 31, 2019 (funded status)	$ (2,527)	$ (86,738)

	U.S. Pension Plan	Non-U.S. Pension Plans
Weighted-average assumptions used to determine benefit obligations as of December 31, 2019		
Discount rate	2.99%	1.09%
Rate of compensation increase	n/a	2.80%

The benefits paid amount for the Non-U.S. Pension Plans in the table above excludes amounts paid by the Company directly to plan participants of approximately $2.3 million.

The amounts recognized in Accumulated other comprehensive loss at December 31, 2019 consisted of $4.1 million, net of income taxes, for the Company's Pension Plans. Of this amount, the Company expects to recognize $6.0 million (before income taxes) as a component of net periodic benefit cost during 2020.

(Amounts in thousands except where otherwise indicated)

The Company's overall investment strategy is to achieve an asset allocation of 64% equity securities, 33% fixed income securities, and 3% other investments. The fair values of plan assets for the U.S. Pension Plan at December 31, 2019, were as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Total
Cash and cash equivalents	$ 447	$ —	$ 447
Equity securities:			
U.S. large-cap	—	5,406	5,406
U.S. mid-cap	—	1,575	1,575
U.S. small-cap	—	859	859
International	—	1,437	1,437
Fixed income securities:			
U.S. corporate	—	4,096	4,096
U.S. government	—	665	665
Total	$ 447	$ 14,038	$ 14,485

U.S. equity securities consist of equity index funds that track various S&P indexes based on the targeted market capitalization. Although the funds are not actively traded, the values of the underlying stocks are actively traded. Accordingly, the fair value of the funds at December 31, 2019, was determined as the composite of the fair values of the actively traded stocks as valued at the closing price reported on the active markets on which the individual securities are traded. The international equity security class tracks the MSCI, EAFE, and FTSE All-Share Index. U.S. corporate fixed income securities represent index funds composed of high-quality corporate bonds of intermediate and long-term durations. U.S. government investments are composed of investments in intermediate government bond index funds.

The fair values of plan assets for the Non-U.S. Pension Plans consisted of cash and cash equivalents valued based on quoted prices in active markets for identical assets (Level 1).

The Company establishes its estimated long-term return on plan assets considering various factors, which include the targeted asset allocation percentages, historical returns, and expected future returns. The Company's weighted-average expected long-term return on plan assets assumption used to determine the net periodic (benefit) cost for the U.S. Pension Plan and Non-U.S. Pension Plans will be 6.00% and 2.18%, respectively, in 2020.

(Amounts in thousands except where otherwise indicated)

The accumulated benefit obligation related to all defined benefit pension plans and information related to unfunded and underfunded defined pension plans at December 31, 2019, was as follows:

	U.S. Pension Plan	Non-U.S. Pension Plans
All defined benefit plans:		
Accumulated benefit obligation	$ 17,012	$ 74,021
Unfunded defined benefit plans:		
Projected benefit obligation	—	86,037
Accumulated benefit obligation	—	73,166
Defined benefit plans with an accumulated benefit obligation in excess of the fair value of plan assets:		
Projected benefit obligation	17,012	1,403
Accumulated benefit obligation	17,012	855
Fair value of plan assets	14,485	702

(Amounts in thousands except where otherwise indicated)

The following table sets forth the funded status of the defined benefit pension plans and amounts recognized in the Consolidated Balance Sheet at December 31, 2018:

	U.S. Pension Plan	Non-U.S. Pension Plans
Change in benefit obligation		
Benefit obligation at January 1, 2018	$ 16,296	$ 81,694
Service cost	429	890
Interest cost	539	1,399
Actuarial (gain) loss	—	1,936
Foreign currency exchange rate changes	—	(3,397)
Curtailment gain	—	(43)
Benefits paid and expenses	(890)	(2,114)
Settlement payments	—	(52)
Settlement gain	(935)	(6)
Benefit obligation at December 31, 2018	15,439	80,307
Change in plan assets		
Fair value of plan assets at January 1, 2018	14,199	614
Actual return on plan assets	(741)	66
Benefits paid and expenses	(890)	(22)
Employer contributions	—	56
Foreign currency exchange rate changes	—	(51)
Fair value of plan assets at December 31, 2018	12,568	663
Accrued benefit cost at December 31, 2018 (funded status)	$ (2,871)	$ (79,644)
Amounts recognized in the consolidated balance sheet		
Accrued expenses and other current liabilities	$ —	$ (2,320)
Postretirement benefits	(2,871)	(77,324)
Net amount recognized at December 31, 2018 (funded status)	$ (2,871)	$ (79,644)

	U.S. Pension Plan	Non-U.S. Pension Plans
Weighted-average assumptions used to determine benefit obligations as of December 31, 2018		
Discount rate	4.05%	1.71%
Rate of compensation increase	n/a	2.83%

The benefits paid amount for the Non-U.S. Pension Plans in the table above excludes amounts paid by the Company directly to plan participants of approximately $2.1 million.

The amounts recognized in Accumulated other comprehensive loss at December 31, 2018 consisted of $1.0 million, net of income taxes, on the Company's Pension Plans.

(Amounts in thousands except where otherwise indicated)

The fair values of the plan assets for the U.S. Pension Plan at December 31, 2018, are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Total
Cash and cash equivalents	$ 203	$ —	$ 203
Equity securities:			
U.S. large-cap	—	4,741	4,741
U.S. mid-cap	—	1,372	1,372
U.S. small-cap	—	752	752
International	—	1,179	1,179
Fixed income securities:			
U.S. corporate	—	3,682	3,682
U.S. government	—	639	639
Total	$ 203	$ 12,365	$ 12,568

The fair values of plan assets for the Non-U.S. Pension Plans consisted of cash and cash equivalents valued based on quoted prices in active markets for identical assets (Level 1).

(Amounts in thousands except where otherwise indicated)

The accumulated benefit obligation related to all defined benefit pension plans and information related to unfunded and underfunded defined pension plans at December 31, 2018, was as follows:

	U.S. Pension Plan	Non-U.S. Pension Plans
All defined benefit plans:		
Accumulated benefit obligation	$ 15,439	$ 67,468
Unfunded defined benefit plans:		
Projected benefit obligation	—	79,979
Accumulated benefit obligation	—	67,167
Defined benefit plans with an accumulated benefit obligation in excess of the fair value of plan assets:		
Projected benefit obligation	15,439	328
Accumulated benefit obligation	15,439	301
Fair value of plan assets	12,568	663

As of December 31, 2019, the following table sets forth the benefit payments expected to be paid in the periods indicated:

	U.S. Pension Plan	Non-U.S. Pension Plans
2020	$ 1,003	$ 4,404
2021	1,029	2,433
2022	1,056	2,536
2023	1,051	3,547
2024	1,073	2,609
2025-2029	5,306	15,348

The net periodic cost related to the defined benefit pension plans included the following components for the year ended December 31, 2019:

	U.S. Pension Plan	Non-U.S. Pension Plans
Service cost	$ 448	$ 990
Interest cost	605	1,443
Expected return on plan assets	(738)	(27)
Amortization of net loss	—	1,238
Curtailment loss	—	(504)
Settlement gain	—	48
Net periodic cost	$ 315	$ 3,188

(Amounts in thousands except where otherwise indicated)

Weighted-average assumptions used in determining net periodic cost for the period	U.S. Pension Plan	Non-U.S. Pension Plans
Discount rate	4.05%	1.82%
Expected return on plan assets	6.00%	2.18%
Rate of compensation increase	n/a	2.84%

In accordance with the adoption of ASU 2017-17, the components of net periodic pension (benefit) expense, other than the service costs component, are included in Other expense, net in the Consolidated Statements of Operations.

The net periodic (benefit) cost related to the defined benefit pension plans included the following components for the year ended December 31, 2018:

	U.S. Pension Plan	Non-U.S. Pension Plans
Service cost	$ 429	$ 890
Interest cost	539	1,399
Expected return on plan assets	(824)	(37)
Amortization of net loss	—	1,184
Settlement loss	—	8
Net periodic cost	$ 144	$ 3,444

Weighted-average assumptions used in determining net periodic cost for the period	U.S. Pension Plan	Non-U.S. Pension Plans
Discount rate	3.40%	1.78%
Expected return on plan assets	6.00%	2.12%
Rate of compensation increase	n/a	2.83%

The net periodic cost related to the defined benefit pension plans included the following components for the year ended December 31, 2017:

	U.S. Pension Plan	Non-U.S. Pension Plans
Service cost	$ 451	$ 926
Interest cost	597	1,413
Expected return on plan assets	(767)	(49)
Amortization of net gain	—	1,107
Curtailment gain	—	(366)
Settlement loss	—	(672)
Net periodic cost	$ 281	$ 2,359

(Amounts in thousands except where otherwise indicated)

Weighted-average assumptions used in determining net periodic cost for the period	U.S. Pension Plan	Non-U.S. Pension Plans
Discount rate	3.80%	1.79%
Expected return on plan assets	6.00%	2.31%
Rate of compensation increase	n/a	2.85%

In 2020, the Company expects to make cash contributions of approximately $2.4 million to its defined benefit pension plans. The amounts principally represent contributions required to fund current benefits on unfunded plans.

The Company, through its subsidiaries, maintains various defined contribution plans. All full-time domestic U.S. employees, except for certain bargaining unit employees, are eligible to participate in the Company's retirement savings plans. Generally, the Company matches 100% of an employee's contributions up to 3% plus 50% of the next 2% of an employee's compensation. The Company contributes an additional 2% of employee compensation subject to certain eligibility requirements based on years of service. Total expense for the defined contribution plans for the years ended December 31, 2019, 2018, and 2017, was approximately $5.9 million, $5.8 million and $5.5 million, respectively.

The Company maintains a deferred compensation plan available to certain executives. Under this plan, participants may elect to defer elements of their compensation, subject to limitations. Additionally, the Company contributes a percentage to the participants' accounts, determined by years of participation in the plan subject to vesting requirements. Deferred compensation balances are indexed to investment funds available in the plan, as selected by the participants, and adjusted to fair value based on these indexes. The plan is unfunded and as such, represents a general liability of the Company. Changes in the value of the deferred compensation liability under this plan are recognized based on the fair value of the participants' accounts based on their investment election. The fair value is determined using quoted prices for similar assets in active markets (Level 2). At December 31, 2019 and 2018, this liability totaled $8.4 million and $8.1 million, respectively, and was included in Accrued expenses and other current liabilities and in Other noncurrent liabilities.

(Amounts in thousands except where otherwise indicated)

12. Comprehensive Income (Loss)

The changes in Accumulated other comprehensive income (loss) by component for the years ended December 31, 2019, 2018, and 2017 are summarized as follows:

	Foreign Currency Translation Adjustments	Unrecognized Pension Costs	Unrealized Gain on Derivative Financial Instruments	Total
Balance at January 1, 2019	$ (156,980)	$ (11,744)	$ (4,347)	$ (173,071)
Other comprehensive income (loss) before reclassifications:				
Pre-tax other comprehensive income (loss)	(8,886)	262	8,943	319
Related income tax expense	—	(77)	—	(77)
Other comprehensive income (loss) before reclassifications, net of income taxes	(8,886)	185	8,943	242
Amounts reclassified from accumulated other comprehensive income (loss):				
Pre-tax other comprehensive income	—	6,038	—	6,038
Related income tax expense	—	(1,981)	—	(1,981)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	4,057	—	4,057
Net current period other comprehensive income (loss), net of income taxes	(8,886)	(3,872)	8,943	(3,815)
Balance at December 31, 2019	$ (165,866)	$ (15,616)	$ 4,596	$ (176,886)

The Pre-tax other comprehensive income reclassification of pension costs of $6.0 million were due to actuarial losses that were partially offset by benefits paid directly by the Company and exchange rate fluctuations.

	Foreign Currency Translation Adjustments	Unrecognized Pension Costs	Unrealized Loss on Derivative Financial Instruments	Total
Balance at January 1, 2018	$ (117,161)	$ (11,242)	$ (15,787)	$ (144,190)
Other comprehensive income (loss) before reclassifications:				
Pre-tax other comprehensive income (loss)	(39,819)	720	11,440	(27,659)
Related income tax expense	—	(202)	—	(202)
Other comprehensive income (loss) before reclassifications, net of income taxes	(39,819)	518	11,440	(27,861)
Amounts reclassified from accumulated other comprehensive loss:				
Pre-tax other comprehensive income	—	1,261	—	1,261
Related income tax expense	—	(241)	—	(241)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	1,020	—	1,020
Net current period other comprehensive income (loss), net of income taxes	(39,819)	(502)	11,440	(28,881)
Balance at December 31, 2018	$ (156,980)	$ (11,744)	$ (4,347)	$ (173,071)

(Amounts in thousands except where otherwise indicated)

	Foreign Currency Translation Adjustments	Unrecognized Pension Costs	Unrealized Gain on Derivative Financial Instruments	Total
Balance at January 1, 2017	$ (161,726)	$ (11,194)	$ 3,255	$ (169,665)
Other comprehensive loss before reclassifications:				
Pre-tax other comprehensive income (loss)	44,565	(2,025)	(20,480)	22,060
Related income tax benefit	—	576	—	576
Other comprehensive income (loss) before reclassifications, net of income taxes	44,565	(1,449)	(20,480)	22,636
Amounts reclassified from accumulated other comprehensive loss:				
Pre-tax other comprehensive loss	—	(1,495)	(1,438)	(2,933)
Related income tax benefit	—	94	—	94
Amounts reclassified from accumulated other comprehensive loss, net of income taxes	—	(1,401)	(1,438)	(2,839)
Net current period other comprehensive income (loss), net of income taxes	44,565	(48)	(19,042)	25,475
Balance at December 31, 2017	$ (117,161)	$ (11,242)	$ (15,787)	$ (144,190)

Foreign currency translation adjustments included on intra-entity transactions that are of a long-term investment nature of $2.5 million gain, $6.4 million loss, and $8.4 million gain were recorded for the years ended December 31, 2019, 2018, and 2017, respectively.

13. Commitments and Contingencies

In 2012, Loggerhead Tools, LLC ("LoggerHead") filed suit accusing Sears Holding Corporation and the Company of patent infringement. In May 2017, a jury awarded damages against the defendants of approximately $6.0 million. In December 2017, the court reversed the $6.0 million jury verdict from May 2017 and ordered a new trial. In July 2018, the court ruled on summary judgment that the defendants did not infringe LoggerHead's patents and are not liable for any damages. In 2019, LoggerHead appealed the decision to US Court of Appeals which affirmed the district court's ruling that the defendants did not infringe Loggerhead's patents. Loggerhead requested a rehearing and, on February 3, 2020, the Court of Appeals denied the request, thereby making the ruling of non-infringement final. The Company has not accrued and will not accrue any loss liability for this case. The case is now closed.

In addition to the foregoing, the Company and its subsidiaries are defendants or otherwise involved in a number of lawsuits in the ordinary course of business. The Company accrues for the estimated cost of defense of lawsuits and also estimates the range of its loss liability related to pending litigation when it believes the amount and range of loss, either from an adverse judgment or settlement of litigation, can be estimated. The Company records its best estimate of a loss when the loss is considered probable. When a liability is probable and there is a range of estimated loss with no best estimate in the range, the minimum estimated liability for loss related to the lawsuits is recorded. As of December 31, 2019, the Company had no accruals of legal loss liabilities related to adverse judgment or settlement of litigation. As additional information becomes available, management assesses the potential liability related to the pending litigation and claims and revises its estimates. Due to uncertainties related to the resolution of lawsuits, the ultimate outcome may differ from management's estimates. In the opinion of management, after considering accruals provided, the Company believes these pending lawsuits will not have a material adverse effect on its consolidated financial position. The Company believes it has sufficient product liability insurance for any material known product liability claims. The Company has not utilized any form of discounting in establishing its product liability accruals.

(Amounts in thousands except where otherwise indicated)

Environmental remediation activities, generally involving soil and/or groundwater contamination, include pre-cleanup activities such as fact finding and investigation, risk assessment, feasibility study, design and action planning, performance (where actions may range from monitoring, to removal of contaminants, to installation of longer-term remediation systems), and operation and maintenance of a remediation system. The extent of expected remediation activities and costs varies by site. A number of factors affect the cost of environmental remediation, including the number of parties involved at a particular site, the determination of the extent of contamination, the length of time the remediation may require, the complexity of environmental regulations, and the continuing advancement of remediation technology. Taking these factors into account, the Company has estimated the costs of remediation, which will be paid over a period of years. The Company accrues an amount on an undiscounted basis, consistent with its best estimate of these costs, when it is probable that a liability has been incurred. Actual results may differ from these estimates. At December 31, 2019 and 2018, the Company had environmental reserves of $7.4 million and $6.8 million, respectively, which are included in accrued expenses and other current liabilities and in other noncurrent liabilities.

Both product liability and environmental liability accruals involve estimates that can change over time. However, the Company does not believe that the nature of its products, its production processes, or the materials or other factors involved in the manufacturing process subject it to unusual risks or exposures for product or environmental liability.

The Company has entered into various lease agreements, primarily for manufacturing, warehouse, and sales office facilities, and equipment. Generally, the leases include renewal provisions and rental payments may be adjusted for increases in taxes, insurance, and maintenance related to the property. Rent expense under operating leases for the years ended December 31, 2019, 2018, and 2017 was $11.5 million, $10.7 million, and $10.4 million, respectively.

At December 31, 2019, minimum annual rental commitments under non-cancelable leases that have an initial or remaining lease term in excess of one year as of December 31, 2019, were as follows:

Year	**Operating Leases**	**Capital Leases**
2020	$ 12,301	$ 831
2021	9,819	831
2022	7,912	839
2023	6,504	865
2024	5,734	865
Thereafter	118,094	6,874
Total minimum lease payments	$ 160,364	11,105
Less: estimated executory costs		—
Net minimum lease payments		11,105
Less: imputed interest		(3,824)
Present value of minimum lease payments		$ 7,281

On October 3, 2019, the Company entered into a sale/leaseback transaction, pursuant to which the Company sold to an simultaneously leased back three real property sites. The operating leases are for an initial term of twenty-five years and have an annual aggregate base rent of approximately $4 million for the first year, increasing 2.25% annually. See Note 2, Sale/Leaseback Transaction, for further information.

(Amounts in thousands except where otherwise indicated)

14. Related-Party Transactions

On February 1, 2013, the Company entered into an advisory agreement with Bain Capital pursuant to which Bain Capital and/or its affiliates will provide consulting services and financial and other advisory services. Pursuant to the agreement, the Company will pay Bain Capital an aggregate fee of $0.8 million per fiscal quarter plus reimbursement for reasonable out-of-pocket expenses. The fee plus any reimbursement of out-of-pocket expenses is included in Selling, general, and administrative expenses. During each of the years ended December 31, 2019, 2018, and 2017, the fee totaled $3.0 million. Reimbursement for out-of-pocket expenses totaled less than $0.1 million for the years ended December 31, 2019, 2018, and 2017.

The advisory agreement has a ten-year initial term and thereafter is subject to automatic one-year extensions unless the Company provides written notice of termination at least 90 days prior to the expiration of the initial term or any extension thereof or Bain Capital terminates the agreement at any time during its term. If the agreement is terminated early, Bain Capital will be entitled to receive all unpaid fees and unreimbursed out-of-pocket expenses prior to the date of termination and, if such termination is in connection with a change of control or an initial public offering, the net present value (discounted at a rate equal to the then-applicable yield on U.S. Treasury securities of like maturity) of the quarterly fees that would have been payable from the termination date through February 1, 2023, or, in the case of any extension of the agreement, through the end of the extension period.

On March 12, 2019, the Company entered into a Revolving Note Loan with a subsidiary of Bain Capital. This Revolving Note Loan was repaid in full during the year ended December 31, 2019. See Note 8, Debt, for further information.

On August 21, 2019, the Company received a capital contribution from Bain Capital of $80 million, which was used to reduce debt.

15. Restructuring Charges

The Company has been implementing restructuring initiatives for several years in various locations to reduce its manufacturing footprint and overall operating costs. The charges consist primarily of cash costs such as termination benefits, facility closure costs, equipment movement costs, and non-cash asset impairment costs. The Company expects the programs currently underway to be substantially completed in the first half of 2020. Additional programs may be implemented during 2020 with related restructuring charges.

Restructuring charges included the following:

	December 31,		
	2019	**2018**	**2017**
Termination benefits and other related costs	**$ 13,125**	$ 10,249	$ 11,848
Equipment movement, facility clean up, and idle facility cost	**1,900**	1,898	4,409
Non-cash impairment charges of fixed assets associated with product line discontinuations	**2,726 (a)**	2,467 (a)	4,071
Total Restructuring Charges	**$ 17,751**	$ 14,614	$ 20,328

(a) Includes $623 and $1,586 of impairment for Sumter assets in 2019 and 2018, respectively (see Note 3).

(Amounts in thousands except where otherwise indicated)

The following table summarizes the activity in the reserves related to the Company's restructuring actions for the years ended December 31, 2019 and 2018:

Balance at January 1, 2018	$	5,962
Additions and adjustments to existing reserves		12,147
Cash utilization of reserves		(11,063)
Currency translation adjustments		(276)
Balance at December 31, 2018		6,770
Additions and adjustments to existing reserves		**15,025**
Cash utilization of reserves		**(13,622)**
Currency translation adjustments		**(26)**
Balance at December 31, 2019	**$**	**8,147**

Non-cash charges		
Year ended December 31, 2018	$	2,467
Year ended December 31, 2019	**$**	**2,726**

16. Stock-Based Compensation

During 2019, 2018, and 2017, certain of the Company's employees were granted stock options to purchase shares of Holdings according to the terms outlined in the BCMH, Inc. 2013 Stock Option Plan (the Holdings' Stock Option Plan). Information is set forth as follows with respect to those stock options granted under the Holdings' Stock Option Plan:

	Time-Vested Options			Performance Vested Options		
	Underlying Shares		Weighted Average Exercise Price	Underlying Shares		Weighted Average Exercise Price
Outstanding at January 1, 2019	13,478	$	1,167	25,857	$	1,187
Granted	8,000		1,400	16,000		1,400
Forfeited	(200)		1,400	(1,739)		1,000
Exercised	—		1,000	—		—
Outstanding at December 31, 2019	21,278	$	1,252	40,118	$	1,280
Exercisable at December 31, 2019	21,278	$	1,113		$	—

	Time-Vested Options			Performance-Vested Options		
	Year Ended December 31,			Year Ended December 31,		
	2019	2018	2017	**2019**	2018	2017
Compensation expense	**$ 1,114**	$ 1,177	$ 1,112	**$ —**	$ —	$ —
Weighted-average grant date fair value of options granted during the year	**568**	568	568	**378**	378	378
Fair value of shares vested during the year	**9,482**	6,968	5,810	**—**	—	—

The grant-date fair value of the stock options was determined using a Black-Scholes valuation model for the time-vested options and a Monte Carlo simulation valuation model for the performance-vested options. Significant assumptions used to determine the grant-date fair value of the stock options were as follows: (i) time-vested options- volatility of 61%, risk-free interest rate of 0.97%, and expected life of 6.3 years, and (ii) performance-vested options- volatility of 61%, risk-free interest rate of 1.21%, and expected life of 7.5 years. The collective significant assumptions were reviewed and determined to yield similar fair values for stock options granted in 2019, 2018, and 2017.

The time-vested stock options vest over a five-year service period. These options become 100% vested upon a Change in Control as defined in the Holdings' Stock Option Plan. The contractual term of these options is ten years. Compensation expense is recognized ratably over the vesting period and is included in Selling, general, and administrative expenses. Forfeitures are recognized as they occur. Unrecognized compensation expense related to the non-vested, time-based stock options outstanding was approximately $5.2 million as of December 31, 2019, and is expected to be recognized over a weighted-average period of 4.2 years.

The performance-vested options vest at varying levels dependent on the return on investment of the Sponsor. The contractual term of these options is ten years. No compensation expense has been recorded by the Company for the performance-based options as the Company was not able to conclude at December 31, 2019 it probable that the performance conditions will be satisfied. Expense will be recognized when it is determined probable that the performance conditions will be met and the number of stock options that vest as a result can be determined, which may occur upon a change in control. Forfeitures are recognized as they occur. Unrecognized compensation expense related to the non-vested, performance-vested options outstanding was approximately $15.2 million as of December 31, 2019.

From 2016 to 2018, one employee was granted 600 shares of performance-based restricted stock units ("RSU's") each year. The RSU's vest depending on the return on investment of the Sponsor and certain other performance-based criteria. The contractual term of these RSU's is ten years. No compensation expense has been recorded by the Company for the performance-based RSU's as the Company was not able to conclude at December 31, 2019 it probable that the performance conditions will be satisfied. Unrecognized compensation expense associated with these unvested awards was approximately $0.7 million as of December 31, 2019.

17. Subsequent Events

The Company has evaluated subsequent events through March 17, 2020, the date of issuance of these consolidated financial statements, and determined that (i) no other subsequent events have occurred that would require recognition in its consolidated financial statements for the year ended December 31, 2019, and (ii) no other events have occurred that would require disclosure in the notes thereto.