APEX TOOL GROUP, LLC

Consolidated Financial Statements for the Years Ended December 31, 2018, 2017 and 2016
With Report of Independent Auditors

Apex Tool Group, LLC

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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, 2018 and 2017, 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, 2018, 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, 2018 and 2017, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

March 20, 2019

Apex Tool Group, LLC

Consolidated Balance Sheets

(Dollars in Thousands)

	December 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents	**$ 54,170**	$ 68,099
Restricted cash	**30**	6,153
Accounts receivable, net of allowances of $16,560 and $10,159, respectively	**205,753**	186,877
Inventories, net	**269,981**	232,273
Assets held for sale	**6,600**	—
Prepaid expenses and other current assets	**37,981**	34,496
Total current assets	**574,515**	527,898
Property, plant, and equipment, net	**158,983**	167,010
Goodwill	**614,176**	628,670
Other intangibles, net	**273,774**	328,842
Noncurrent deferred tax assets	**7,948**	7,986
Other assets	**22,066**	29,874
Total assets	**$ 1,651,462**	$ 1,690,280
Liabilities and member's deficit		
Current maturities of long-term debt	**$ 22,713**	$ 20,150
Accounts payable	**201,442**	174,056
Income taxes payable	**25,318**	23,169
Accrued salaries, wages, and employee benefits	**58,580**	61,545
Accrued expenses and other current liabilities	**120,997**	115,536
Total current liabilities	**429,050**	394,456
Revolving credit facility	**90,000**	8,000
Long-term debt, net of current maturities	**1,175,212**	1,199,584
Postretirement benefit obligations	**80,195**	79,961
Noncurrent deferred tax liabilities	**20,219**	29,381
Noncurrent derivative liabilities	**10,551**	20,286
Other noncurrent liabilities	**32,703**	37,371
Total liabilities	**1,837,930**	1,769,039
Additional paid-in capital	**375,791**	374,614
Accumulated deficit	**(389,188)**	(309,183)
Accumulated other comprehensive loss	**(173,071)**	(144,190)
Total member's deficit	**(186,468)**	(78,759)
Total liabilities and member's deficit	**$ 1,651,462**	$ 1,690,280

See accompanying notes.

Apex Tool Group, LLC

Consolidated Statements of Operations

(Dollars in Thousands)

	Year Ended December 31,		
	2018	**2017**	**2016**
Revenues	**$ 1,437,295**	$ 1,334,075	$ 1,373,453
Cost of sales	**1,044,882**	947,494	989,827
Gross profit	**392,413**	386,581	383,626
Selling, general, and administrative expenses	**316,277**	302,774	282,918
Restructuring charges	**14,614**	20,328	18,280
Operating income	**61,522**	63,479	82,428
Interest expense, net	**(94,138)**	(80,653)	(82,823)
Loss on refinancing transaction	**(19,194)**	—	—
Gain (loss) from foreign currency, net	**4,017**	(26,422)	11,253
Other income (expense), net	**(1,317)**	6,873	(315)
Income (loss) before taxes	**(49,110)**	(36,723)	10,543
Income tax expense (benefit)	**30,895**	(20,971)	37,495
Net loss	**$ (80,005)**	$ (15,752)	$ (26,952)

See accompanying notes.

Apex Tool Group, LLC

Consolidated Statements of Comprehensive Income (Loss)

(Dollars in Thousands)

	Year Ended December 31,		
	2018	**2017**	**2016**
Net loss	**$ (80,005)**	$ (15,752)	$ (26,952)
Other comprehensive income (loss):			
Foreign currency translation adjustments	**(39,819)**	44,565	(30,010)
Changes in unrecognized pension costs, net of tax	**(502)**	(48)	(3,597)
Gain (loss) on derivative financial instruments, net of tax	**11,440**	(19,042)	5,221
Total other comprehensive income (loss)	**(28,881)**	25,475	(28,386)
Comprehensive income (loss)	**$ (108,886)**	$ 9,723	$ (55,338)

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, 2016	$ 372,711	$ (266,479)	$ (141,279)	$ (35,047)
Stock-based compensation	791	—	—	791
Net loss for the period	—	(26,952)	—	(26,952)
Foreign currency translation adjustments	—	—	(30,010)	(30,010)
Unrecognized pension costs, net of taxes of ($29)	—	—	(3,597)	(3,597)
Gain on derivative financial instruments, net of taxes of ($1,172)	—	—	5,221	5,221
Balance at December 31, 2016	373,502	(293,431)	(169,665)	(89,594)
Stock-based compensation	1,112	—	—	1,112
Net loss for the period	—	(15,752)	—	(15,752)
Foreign currency translation adjustments	—	—	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	**1,177**	**—**	**—**	**1,177**
Net loss for the period	**—**	**(80,005)**	**—**	**(80,005)**
Foreign currency translation adjustments	**—**	**—**	**(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)**

See accompanying notes.

Apex Tool Group, LLC

Consolidated Statements of Cash Flows

(Dollars in Thousands)

	Year Ended December 31,		
	2018	**2017**	**2016**
Operating activities			
Net loss	**$ (80,005)**	$ (15,752)	$ (26,952)
Adjustments to reconcile net loss to cash flow from operating activities:			
Depreciation	**23,173**	25,957	27,878
Amortization of intangible assets	**48,295**	47,902	47,890
Bad debt expense and other accounts receivable allowances	**8,915**	3,302	2,099
Deferred income tax expense benefit	**(8,060)**	(50,600)	(4,145)
Amortization of debt issue costs and debt discount	**4,460**	6,812	7,310
Loss on refinancing transaction	**19,194**	—	—
(Gain) loss on disposal of fixed assets	**(103)**	(4,578)	279
Impairment of goodwill	**—**	—	4,515
Impairment of fixed assets	**4,924**	4,071	1,134
Stock-based compensation	**1,177**	1,112	1,033
Changes in operating assets and liabilities:			
Accounts receivable	**(32,430)**	(9,141)	(16,640)
Inventories	**(46,927)**	16,259	(9,374)
Accounts payable	**33,554**	26,045	(1,855)
Other current assets and liabilities	**10,360**	13,764	14,597
Other assets and liabilities	**(3,064)**	14,460	(24,405)
Cash flow provided by (used in) operating activities	**(16,537)**	79,613	23,364
Investing activities			
Investment in licensing agreement	**(1,500)**	—	—
Change in restricted cash	**6,123**	(6,153)	—
Capital expenditures	**(32,281)**	(27,673)	(21,692)
Proceeds from disposal of fixed assets	**1,389**	10,873	1,039
Cash flow used in investing activities	**(26,269)**	(22,953)	(20,653)

Apex Tool Group, LLC

Consolidated Statements of Cash Flows

(Dollars in Thousands)

	Year Ended December 31,		
	2018	**2017**	**2016**
Financing activities			
Proceeds from borrowings on revolving credit facilities	**196,400**	123,000	123,300
Repayments of revolving credit facilities	**(114,400)**	(149,000)	(114,300)
Proceeds from borrowings on long-term debt term loan	**125,000**	—	—
Repayments of long-term debt term loan	**(22,713)**	(20,150)	(8,350)
Proceeds from borrowing on Notes	**325,000**	—	—
Repayment of Notes	**(457,875)**	—	—
Debt issuance costs	**(14,466)**	—	—
Payment of contingent consideration	**(4,949)**	—	—
Repayments of capital lease obligations	**(288)**	(219)	(765)
Settlement of equity awards	—	—	(242)
Cash flow provided by (used in) financing activities	**31,709**	(46,369)	(357)
Effect of exchange rate changes on cash	**(2,832)**	3,076	(1,398)
Increase (decrease) in cash and cash equivalents	**(13,929)**	13,367	956
Cash and cash equivalents at beginning of period	**68,099**	54,732	53,776
Cash and cash equivalents at end of period	**$ 54,170**	$ 68,099	$ 54,732
Supplemental Disclosure of Cash Flow Information:			
Income tax payments, net of refunds of $1,438, $2,963, and $6,235, respectively	**$ 35,758**	$ 32,547	$ 29,984
Interest payments	**$ 92,834**	$ 74,738	$ 76,091

See accompanying notes.

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.

Restricted Cash

Restricted cash primarily represents cash that was not available for use in the Company's operations as a result of a dispute on contingent payments related to the Yecen acquisition. During the year ended December 31, 2018 the dispute was resolved (see Note 2).

Accounts Receivable

Accounts receivable are stated at gross invoice amounts less allowances. The allowances consist of doubtful accounts, returns, 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, 2018 and 2017, the allowances for accounts receivable totaled $16.6 million and $10.2 million, respectively. During the year ended December 31, 2018, $7.3 million 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 2018.

Balance Sheet

At December 31, 2018 and 2017, approximately 13% and 12%, respectively, of the Company's accounts receivable balance was due from The Home Depot.

Statement of Operations

During the year ended December 31, 2018 and 2017, approximately 13% and 12%, respectively, of revenue was attributable to The Home Depot. During the year ended December 31, 2016, approximately 24% of revenue was attributable to Sears and The Home Depot.

Inventories

Inventories, consisting of purchased materials, direct labor and manufacturing overhead, are stated at the lower of cost and 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

The excess of the cost over the fair value of net assets of acquired businesses is recorded as goodwill. Goodwill is not subject to amortization, but is 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 is based upon a comparison of the carrying value of goodwill with its estimated fair value. The Company reviews goodwill for impairment annually as of the first day of its fiscal fourth quarter and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable.

At the end of the second quarter of 2016, the Company revised its reporting units to align with how management began to internally review and evaluate the business. The change in reporting units resulted in the Company's requirement to reassign existing goodwill to the new reporting units based on the relative fair value of the Company's 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.

As a result of the goodwill impairment test required to be performed as of July 1, 2016 due to the change in the Company's reporting units, the Company recorded a non-cash goodwill impairment charge of $4.5 million in the Latin American Hand Tools reporting unit, fully impairing goodwill assigned to this reporting unit. Given the excess of the estimated fair values over their carrying values of the other reporting units after the reassignment of goodwill, no other impairment charge was recognized. The goodwill impairment is recorded in the Company's selling, general, and administrative expenses for the year ended December 31, 2016.

The Company performed its annual goodwill impairment test as of the first day of its fiscal fourth quarter, September 29, 2018 and September 30, 2017. 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 and September 30, 2017, both resulted in the Company's determination that the fair value of the remaining four reporting units with goodwill were in excess of their carrying value; therefore, no impairment was recorded.

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 29, 2018 and September 30, 2017, 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 reporting units and its indefinite-lived intangible assets and the carrying amounts of its reporting units, 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 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 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, 2018, 2017, and 2016 were $26.0 million, $23.9 million, and $20.7 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, 2018, 2017, and 2016 were $34.0 million, $28.1 million, and $24.6 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.

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 March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-09, Compensation-Stock Compensation (Topic 718) ("ASU 2016-09"). ASU 2016-09 changed several aspects of the accounting for share-based payment award transactions, including accounting for income taxes, forfeitures and minimum statutory tax withholding requirements. The Company adopted ASU 2016-09 in the first quarter of 2018 on a prospective basis. ASU 2016-09 did not have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. ASU 2018-15 aligned the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with those to develop or obtain internal-use software. The Company adopted ASU 2018-15 in the third quarter of 2018, on a retrospective basis. ASU 2018-15 did not have a material impact on the Company's consolidated financial statements.

Accounting Pronouncements Not Yet Effective

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update ("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. On July 9, 2015, the FASB voted and approved to defer the effective date of ASU 2014-09 by one year. As a result, ASU 2014-09 will be effective for entities that are not Public Business Entities for fiscal years beginning after December 15, 2018 and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted but not prior to the original effective date for public companies, which is annual periods beginning after December 15, 2016. ASU 2014-09 is to be applied retrospectively, or on a modified retrospective basis. The Company began its assessment of Topic 606 during the fiscal year ended December 31, 2017 and developed a comprehensive project plan that included representatives from across the Company. The Company is in the final stages of validating its preliminary conclusion that the adoption of the ASU will not have a material impact on the Consolidated Financial Statements. The primary impact of adoption will be expanded disclosures that will enable users to better understand the nature, amount, timing, and uncertainty of revenues and cash flows arising from contracts with customers.

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, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company is in the process of gathering the initial data required to evaluate the impact of adopting the ASU on its Consolidated Financial Statements, the related systems required to capture the increased reporting and disclosures associated with the ASU, and its use of practical expedients.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments providing guidance on eight specific cash flow statement classification matters. The amendments in this standard are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The amendments in this standard are to be applied using a retrospective transition method to each period presented. Early adoption is permitted. The Company is currently evaluating the new guidance to determine the impact it may have on its consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash providing guidance on the classification and presentation of changes in restricted cash on the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The amendments in this standard are to be applied using a retrospective transition method to each period presented. Early adoption is permitted. The Company is currently evaluating the new guidance to determine the impact it may have on its consolidated financial statements. Cash outflows from investing activities are expected to increase $6.1 million and decrease $6.2 million for the years ended December 31, 2018 and 2017, respectively.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and other (Topic 350): Simplifying the test for goodwill impairment, which is intended to simplify the subsequent measurement of goodwill. The standard eliminates the requirement for an entity to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, an entity will perform its annual, or interim, goodwill impairment testing by comparing the fair value of a reporting unit with its carrying amount and recording an impairment charge for the amount by which the carrying amount exceeds the fair value. The standard is effective prospectively for annual and interim goodwill impairment testing performed in fiscal years beginning after December 15, 2020.

In March 2017, the FASB issued ASU No. 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of the Periodic Pension Cost and Net Periodic Postretirement Benefit Cost ("ASU 2017-07"). The standard improves the presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost by requiring additional transparency. ASU 2017-07 is effective for entities that are not Public Business Entities for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The company is currently evaluating new guidance to determine the impact it may have 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 fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020.

(Amounts in thousands except where otherwise indicated)

2. Acquisitions

Acquisition of Shanghai Yecen Auto-Inspection Device Science & Technology Co., LTD. and SCT Optoelectronics Technology Shanghai Co. Ltd.

On March 30, 2015, the Company completed the acquisition of Shanghai Yecen Auto-Inspection Device Science & Technology Co., LTD. ("Yecen") and on October 15, 2015, the Company completed the acquisition of SCT Optoelectronics Technology Shanghai Co. Ltd. ("SCT"). Yecen designs and manufactures a variety of wheel aligner and car lift products and SCT manufactures car lifts, serving the automotive repair markets.

A portion of the purchase price was contingent consideration based upon the future performance of Yecen. The Company accounted for the contingent consideration by recording its fair value as a liability on the date of the acquisition based on a discounted cash flow model. These fair value measurements were based on significant inputs not observed in the market and thus represented a Level 3 measurement. The contingent consideration was re-measured to fair value at each reporting date and the changes in fair value were recognized in earnings until the contingency was resolved in 2018.

A reconciliation of the opening balances to the closing balances of these Level 3 measurements is as follows:

Balance at January 1, 2017	$	5,297
Currency translation		335
Change in fair value of contingent consideration arrangements		(327)
Balance at December 31, 2017		5,305
Currency translation		**(356)**
Change in fair value of contingent consideration arrangements		**—**
Settlement of contingent consideration		**(4,949)**
Balance at December 31, 2018	**$**	**—**

In March 2017, the former owners of Yecen filed in Shanghai, China, an arbitration action against certain subsidiaries of the Company seeking contingent consideration of approximately RMB 40 million under the M&A Framework Agreement dated October 1, 2014. During the year ended December 31, 2018, the Company paid the formers owners of Yecen RMB 35 million (approximately $4.9 million as of December 31, 2018) in settlement of the contingent consideration. Additionally, the Company was required to pay the former owners of Yecen for interest and other miscellaneous expenses which were not material. The Company satisfied all payments related to this matter during the year ended December 31, 2018.

3. Assets Held for Sale

In 2015, the Company ceased operations at its Springdale, Arkansas facility and, in 2017, the Company ceased operations of certain existing lines of branded products, generating excess capacity, at its Sumter, South Carolina facility in conjunction with its restructuring activities.

During 2018, the Company finalized its plan to sell the land and buildings at these facilities and expected the sales to be completed within twelve months. Machinery and equipment are not included in the sales and will continue to be used for manufacturing activities within the Company. The net book value of the land and buildings as of December 31, 2018 was $6.6 million ($4.7 million related to Sumter and $1.9 million related to Springdale) and is classified within assets held for sale. The estimated fair value of the land and buildings are equal to the carrying values, after asset impairment charges of $2.3 million ($1.6 million related to Sumter and $0.7 million related to Springdale) incurred during the year ended December 31, 2018. The $1.6 million of impairment related to Sumter was charged to restructuring charges and the $0.7 million of impairment related to Springdale was charged to cost of sales. The Springdale facility was sold in January, 2019 for an amount approximating its held for sale value as of December 31, 2018.

(Amounts in thousands except where otherwise indicated)

4. Inventories

The classification of inventories was as follows:

	December 31,	
	2018	**2017**
Finished goods	**$ 167,800**	$ 147,785
Work in process	**102,721**	85,830
Raw materials	**23,379**	25,175
	293,900	258,790
Less: allowances and other	**(23,919)**	(26,517)
Inventories, net	**$ 269,981**	$ 232,273

(Amounts in thousands except where otherwise indicated)

5. Property, Plant, and Equipment

Property, plant, and equipment consisted of the following:

	December 31, 2018		December 31, 2017
Owned assets			
Land and improvements	$ **14,165**	**(a)**	$ 18,569
Buildings and improvements	**60,067**	**(a)**	65,040
Machinery and equipment	**223,705**		213,332
	297,937		296,941
Accumulated depreciation	**(143,594)**		(134,803)
Total owned assets	**154,343**		162,138
Assets under capital lease			
Land and improvements	**2,128**		2,128
Buildings and improvements	**4,027**		4,027
Machinery and equipment	**—**		30
	6,155		6,185
Accumulated depreciation	**(1,515)**		(1,313)
Total assets under capital lease	**4,640**		4,872
Total property, plant, and equipment, net	$ **158,983**		$ 167,010

(a) The decreases in land and improvements and buildings and improvements during 2018 were primarily due to the reclassification of certain assets to held for sale (see Note 3).

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, 2018, 2017 and 2016 was $23.2 million, $26.0 million and $27.9 million, respectively.

6. Goodwill and Other Intangible Assets

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

	Gross BookValue	Accumulated Impairment	Net Book Value
Balance at December 31, 2016	$ 608,857	$ (4,515)	$ 604,342
Currency translation	24,328	—	24,328
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**

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

	December 31, 2018	December 31, 2017
Gross carrying value:		
Customer relationships	**$ 410,672**	$ 420,955
Technology and other	**16,035**	16,204
Indefinite-lived trade names	**125,311**	128,841
	552,018	566,000
Accumulated amortization:		
Customer relationships	**(265,463)**	(226,623)
Technology and other	**(12,781)**	(10,535)
	(278,244)	(237,158)
Total other intangible assets, net	**$ 273,774**	$ 328,842

The Company uses fair value hierarchy Level 3 inputs to measure the fair value of goodwill and other intangible assets. See Note 1 for more information.

As of December 31, 2018, amortizable intangible asset customer relationships and technology and other are being amortized over a weighted-average remaining life of 2.3 years. As of December 31, 2018, the estimated aggregate amortization expense is expected to be as follows:

For the Year Ending December 31,	(in thousands)
2019	$ 48,705
2020	44,526
2021	44,423
2022	5,450
2023	673
Thereafter	4,686
Total	$ 148,463

(Amounts in thousands except where otherwise indicated)

7. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities included the following:

	December 31,	
	2018	2017
Sales allowances and returns	**$ 46,681**	$ 41,305
Advertising	**5,878**	4,291
Warranty	**10,469**	9,251
Claims, including self-insurance and litigation	**4,218**	3,238
Freight and duty	**10,374**	7,222
Tax-related liabilities	**7,967**	11,614
Restructuring reserves	**6,770**	5,962
Interest	**10,853**	13,125
Other	**17,787**	19,528
	$ 120,997	$ 115,536

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

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

Warranty reserve at January 1, 2017	$ 12,259
Accruals for new warranties and adjustments to existing warranties	7,248
Settlements made	(10,772)
Currency translation adjustments	516
Warranty reserve at December 31, 2017	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**

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 consists of an $835.0 million Senior Secured Term Loan Facility, a $175.0 million 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").

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 3.75%. 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 Second Amendment increased the term loan amortization from annual payments of $20.2 million to $22.7 million, or a quarterly installment of $5.7 million, up from $5.0 million, which commenced with the first quarter of 2018. Additionally, the Second Amendment increased the maximum senior secured net leverage ratio, as defined in the Senior Secured Credit Facilities, from 4.50 at December 31, 2017 to 5.25 in 2018, to 4.75 in 2019, 4.5 in 2020, and 4.25 until the maturity of the Senior Secured Credit Facilities maturing on February 1, 2022.

The $175.0 million 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 an initial margin of 2.25% or (b) a London Interbank Offered rate determined by reference to LIBOR, plus an initial margin of 3.75% for consenting lenders and 3.25% for non-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 Second Amendment extends the maturity date on the Company's Revolving Credit Facility from October 1, 2019 to October 1, 2021. The Senior Secured Revolving Credit Facility will decrease to $158.1 million beginning October 1, 2019.

During the year ended December 31, 2018, the Company issued $325.0 million aggregate principal amount of 9.0% Senior Notes due 2023. 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. In connection with the closing of this issuance, the $450.0 million 7.0% Prior Notes due 2021 were redeemed.

As part of the Second Amendment refinancing, the Company incurred a loss on refinancing transaction of $19.2 million; comprised of a $7.9 million premium prepayment on the extinguishment of debt, $6.0 million of previously capitalized debt discount and issuance costs that were extinguished as part of the refinancing, and $5.3 million of expenses not eligible for capitalization.

Also related to the refinancing that occurred during the year ended December 31, 2018, The Company incurred cash costs of $22.3 million; comprised of $9.1 million capitalized as unamortized discount and unamortized debt issuance costs, a $7.9 million premium prepayment on the extinguishment of debt, and $5.3 million of expenses not eligible for capitalization.

The $9.1 million of cash costs capitalized related to the refinancing are included in the table to follow as unamortized discount and unamortized debt issuance costs, along with $6.8 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 2018.

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

	December 31, 2018					December 31, 2017
	Carrying Value	Current Maturities of Long-Term Debt	Unamortized Discount	Unamortized Debt Issuance Costs	Maturity Amount	Carrying Value
Term Loan Facility	**$ 856,070**	**$ 22,713**	**$ 2,039**	**$ 5,002**	**$ 885,824**	$ 754,597
Notes	**319,142**	**—**	**—**	**5,858**	**325,000**	444,987
Total	**$ 1,175,212**	**$ 22,713**	**$ 2,039**	**$ 10,860**	**$ 1,210,824**	$ 1,199,584

As of December 31, 2018, aggregate maturities of long-term debt obligations are as follows:

For the Year Ending December 31,	**(in thousands)**
2019	$ 22,712
2020	22,712
2021	112,712
2022	817,688
2023	325,000
Total	$ 1,300,824

The above table of aggregate maturities is inclusive of the $90.0 million outstanding on the Revolving Credit Facility.

(Amounts in thousands except where otherwise indicated)

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, 2018, the Company was in compliance with all of its debt covenants.

At December 31, 2018, the weighted-average interest rate on the Revolving Credit Facility was 5.62%, exclusive of commitment fees. At December 31, 2018, $81.4 million was available for borrowing under the Revolving Credit Facility, reflecting a $3.6 million reduction for outstanding letters of credit.

The Company made interest payments of $91.7 million, $74.0 million, and $75.2 million during the years ended December 31, 2018, 2017, and 2016, respectively.

On March 12, 2019, the Company entered into a $30.0 million secured revolving promissory note agreement ("Revolving Note Loan") with a subsidiary of Bain Capital. The $30.0 million Revolving Note Loan bears interest at a rate per annum equal to the one-month adjusted LIBOR plus 3.75%, compounded monthly. The Revolving Note Loan 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 bears interest at a rate consistent with the LIBOR option in the Senior Secured Revolving Credit Facility for consenting lenders.

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.

As of December 31, 2018, 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 1, 2020 (collectively the “Hedging Instruments”). 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,	
	2018	**2017**
Prepaid expenses and other current assets	**$ 934**	$ 712
Noncurrent derivative liabilities	**10,551**	20,286

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. 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

Earnings (loss) before taxes consisted of the following:

	Year Ended December 31,		
	2018	2017	2016
United States	**$ (133,831)**	$ (131,175)	$ (124,005)
International	**84,721**	94,452	134,548
Earnings (loss) before taxes	**$ (49,110)**	$ (36,723)	$ 10,543

Significant components of income tax expense consisted of the following:

	Year Ended December 31,		
	2018	2017	2016
Current:			
United States	**$ (119)**	$ 163	$ 303
International	**39,074**	29,466	41,337
Total current income taxes	**38,955**	29,629	41,640
Deferred:			
United States	**(268)**	(42,832)	7,995
International	**(7,792)**	(7,768)	(12,140)
Total deferred income taxes	**(8,060)**	(50,600)	(4,145)
Total income tax (benefit) expense	**$ 30,895**	$ (20,971)	$ 37,495

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the “Tax Act”) was signed into law making significant changes to the Internal Revenue Code ("IRC") which included how the U.S. imposes income tax on multinational corporations. Key changes in the Tax Act which are relevant to the Company and generally effective January 1, 2018 include, but are not limited to: (i) a flat corporate income tax rate of 21%; (ii) immediate expensing for the cost of new investments in certain property acquired; (iii) elimination of the corporate alternative minimum tax; (iv) changes to the net operating losses rules such that losses generated for tax years beginning on or after January 1, 2018 will carry forward indefinitely; and (v) limitations on the deductibility of interest expense under IRC Section 163(j).

On December 22, 2017, the SEC issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. SAB 118 allows registrants to include a provisional amount to account for the implications of the Tax Act where a reasonable estimate can be made and requires the completion of the accounting no later than one year from the date of enactment of the Tax Act or December 22, 2018. The FASB subsequently issued a Staff Q&A indicating that private companies could apply SAB 118.

ASC 740, Accounting for Income Taxes ("ASC 740"), requires changes in tax rates and tax laws to be accounted for in the period of enactment in continuing operations. Accordingly, of significance, in 2017 the Company included a $26.1 million tax benefit for the re-measurement of its U.S. deferred tax assets and liabilities to 21% and a change in the Company's assessment of the realizability of certain of its U.S. deferred tax assets, as they will reverse as net operating losses with an indefinite carryforward and therefore, U.S. deferred tax liabilities from indefinite lived intangibles serve as a source of income for realizability. Additionally, the Company now has an indefinite carryforward related to its interest expense limitation under IRC Section 163(j), which has resulted in the recognition of both U.S. federal and state deferred tax benefits in 2018.

(Amounts in thousands except where otherwise indicated)

In 2017, the Company used estimates to determine the financial reporting impact of the Tax Act, pursuant to SAB 118 and estimated zero transition tax and a benefit of $26.1 million on the re-measurement and realizability of its U.S. deferred taxes. In 2018, the Company completed its accounting for the implementation of the Tax Act, which resulted in no change to the amounts recorded in 2017.

The Tax Act also established a new provision designed to tax global intangible low-taxed income ("GILTI"). The Company is required to make an accounting policy election to treat taxable income related to GILTI as either a current-period expense or as a measurement of deferred taxes. The Company has elected to treat GILTI as a current period expense.

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

	Year Ended December 31,		
	2018	**2017**	**2016**
Income tax provision (benefit) at U.S. statutory rate of 21% for 2018 and 35% for 2017 and 2016	**$ (10,313)**	$ (12,853)	$ 3,690
Taxes on foreign earnings	**5,878**	(2,020)	9,518
State income taxes	**(2,859)**	163	75
Foreign tax credits	**—**	(27,801)	(40,437)
Foreign tax credit conversion to deduction	**111,239**	—	—
Permanent items	**109**	6,540	7,971
U.S. tax cost on foreign earnings	**20,488**	10,870	26,129
Valuation allowances	**(93,555)**	30,076	33,510
Change in statutory tax rate	**(57)**	(25,827)	(438)
Other, net	**(35)**	(119)	(2,523)
Income tax expense (benefit)	**$ 30,895**	$ (20,971)	$ 37,495

The deviation from the U.S. federal statutory income tax expense (benefit) for the years ended December 31, 2018, 2017, and 2016, was primarily related to (i) earnings of subsidiaries in a positive position outside of the U.S. in foreign tax jurisdictions with tax rates that differ from the U.S. federal income tax rate; (ii) in 2018, the state deferred tax effect of indefinite-lived intangibles and the current state tax expense and, in 2017 and 2016, the current state tax expense; (iii) the federal tax benefit of foreign tax credits in years 2017 and 2016; (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 2018; (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 as described to follow; and (vii) the effect of recording the change in statutory tax rates, which is primarily attributable to 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, 2018	December 31, 2017
Deferred tax liabilities:		
Goodwill and other intangibles	**$ (53,238)**	$ (52,662)
Gross deferred tax liabilities	**(53,238)**	(52,662)
Deferred tax assets:		
Allowance for doubtful accounts	**3,347**	1,626
Inventories	**9,014**	8,045
Accrued liabilities	**49,487**	40,853
Postretirement benefits	**9,053**	8,950
Property, plant, and equipment	**3,060**	4,205
Interest expense limitation	**17,396**	—
Foreign tax credit	**—**	146,011
Tax losses	**60,231**	30,542
Other	**9,200**	10,352
Gross deferred tax assets	**160,788**	250,584
Valuation allowance on deferred tax assets	**(119,821)**	(219,317)
Net deferred tax liabilities	**$ (12,271)**	$ (21,395)

At December 31, 2018, the Company has established a U.S. deferred tax asset in the amount of $17.4 million that corresponds to newly amended IRC Section 163(j), which disallows interest expense deductions in excess of a calculated threshold. This deferred tax asset has an indefinite life and is partially realizable up to 30% of the Company's indefinite-lived deferred tax liabilities.

At December 31, 2018, the Company no longer has 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.

At December 31, 2018, the Company has recorded a deferred tax asset of $4.3 million related to Research and Development ("R&D") credits generated in years 2013 through 2018. The R&D credit carryforwards can be carried forward to various dates from 2019 through 2037.

At December 31, 2018 and 2017, the tax-effected amount of net operating loss carryforwards were $60.2 million and $30.5 million, respectively. Of the $60.2 million of tax-effected losses, $45.5 million is attributable to U.S. federal income taxes, $7.3 million is attributable to state income taxes, and $7.4 million is attributable to foreign tax jurisdictions. Certain net operating losses can be carried forward indefinitely, and others can be carried forward to various dates through 2037.

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, 2018 the Company had a cumulative loss before income taxes for the three-year period then ended. At December 31, 2017, the Company partially released its valuation allowance against U.S. federal deferred tax assets as a result of the Tax Act. The amount of the valuation allowance release was $31.2 million for 2017.

Cash payments for income taxes, net of refunds received, attributable to the operations of the Company for the years ended December 31, 2018, 2017, and 2016 were $35.8 million, $32.5 million, and $30.0 million, respectively.

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 an $4.8 million and a $8.6 million receivable from its former owners as of December 31, 2018 and 2017, 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, 2018, the Company recorded a $4.1 million reduction of income tax expense and $4.1 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, 2018, 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 $7.4 million would be reduced and reflected as a reduction of the overall income tax provision in future periods. The Company expects a reversal of $3.9 million in uncertain tax positions during 2019 due to statute of limitation expirations.

(Amounts in thousands except where otherwise indicated)

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

	Unrecognized Tax Benefits	Interest	Penalties	Total
Balance at January 1, 2017	$ 7,552	$ 2,233	$ 564	$ 10,349
Additions for tax positions related to current year	43	341	6	390
Releases due to statute expirations	(165)	(189)	(51)	(405)
Currency translation	491	155	33	679
Balance at December 31, 2017	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**

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 2013. The Company is subject to tax examinations for years 2014 and forward for U.S. federal and state income tax purposes until the net operating losses related to those years are utilized in subsequent tax years.

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 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, 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 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 benefit obligations	(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, for the Company's Pension Plans. Of this amount, the Company expects to recognize $1.3 million (before income taxes) as a component of net periodic benefit cost during 2019.

(Amounts in thousands except where otherwise indicated)

The Company's overall investment strategy is to achieve an asset allocation of 64% equity securities, 34% fixed income securities, and 2% other investments. The fair values of plan assets for the U.S. Pension Plan at December 31, 2018, were 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

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, 2018, 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 2.12%, respectively, in 2019.

(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

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, 2017:

(Amounts in thousands except where otherwise indicated)

	U.S. Pension Plan	Non-U.S. Pension Plans
Change in benefit obligation		
Benefit obligation at January 1, 2017	$ 16,188	$ 73,668
Service cost	451	926
Interest cost	597	1,413
Actuarial (gain) loss	7	265
Foreign currency exchange rate changes	—	9,662
Curtailment gain	—	(439)
Benefits paid and expenses	(947)	(1,994)
Settlement payments	—	(1,441)
Settlement gain	—	(366)
Benefit obligation at December 31, 2017	16,296	81,694
Change in plan assets		
Fair value of plan assets at January 1, 2017	13,254	1,422
Actual return on plan assets	1,892	(1)
Benefits paid and expenses	(947)	(1,368)
Employer contributions	—	491
Foreign currency exchange rate changes	—	70
Fair value of plan assets at December 31, 2017	14,199	614
Accrued benefit cost at December 31, 2017 (funded status)	$ (2,097)	$ (81,080)
Amounts recognized in the consolidated balance sheet		
Accrued expenses and other current liabilities	$ —	$ (3,216)
Postretirement benefits	(2,097)	(77,864)
Net amount recognized at December 31, 2017 (funded status)	$ (2,097)	$ (81,080)

	U.S. Pension Plan	Non-U.S. Pension Plans
Weighted-average assumptions used to determine benefit obligations as of December 31, 2017		
Discount rate	3.40%	1.77%
Rate of compensation increase	n/a	2.84%

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 $2.0 million.

The amounts recognized in accumulated other comprehensive loss at December 31, 2017 consisted of $1.4 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, 2017, are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Total
Cash and cash equivalents	$ 201	$ —	$ 201
Equity securities:			
U.S. large-cap	—	5,384	5,384
U.S. mid-cap	—	1,574	1,574
U.S. small-cap	—	858	858
International	—	1,433	1,433
Fixed income securities:			
U.S. corporate	—	3,433	3,433
U.S. government	—	1,316	1,316
Total	$ 201	$ 13,998	$ 14,199

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, 2017, was as follows:

	U.S. Pension Plan	Non-U.S. Pension Plans
All defined benefit plans:		
Accumulated benefit obligation	$ 16,296	$ 67,424
Unfunded defined benefit plans:		
Projected benefit obligation	—	79,806
Accumulated benefit obligation	—	66,208
Defined benefit plans with an accumulated benefit obligation in excess of the fair value of plan assets:		
Projected benefit obligation	16,296	1,888
Accumulated benefit obligation	16,296	1,216
Fair value of plan assets	14,199	614

As of December 31, 2018, 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
2019	$ 989	$ 2,754
2020	1,003	4,428
2021	1,035	2,516
2022	1,055	4,192
2023	1,051	2,543
2024-2028	5,304	14,763

The net periodic 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 gain	—	8
Net periodic cost	$ 144	$ 3,444

(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	3.40%	1.78%
Expected return on plan assets	6.00%	2.12%
Rate of compensation increase	n/a	2.83%

The net periodic (benefit) 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 loss	—	1,107
Curtailment gain	—	(366)
Settlement loss	—	(672)
Net periodic cost	$ 281	$ 2,359

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%

The net periodic cost related to the defined benefit pension plans included the following components for the year ended December 31, 2016:

	U.S. Pension Plan	Non-U.S. Pension Plans
Service cost	$ 420	$ 814
Interest cost	633	1,490
Expected return on plan assets	(801)	(1)
Amortization of net gain	—	543
Settlement loss	—	58
Net periodic (benefit) cost	$ 252	$ 2,904

Weighted-average assumptions used in determining net periodic cost for the period	U.S. Pension Plan	Non-U.S. Pension Plans
Discount rate	4.00%	2.23%
Expected return on plan assets	6.40%	2.53%
Rate of compensation increase	n/a	2.91%

(Amounts in thousands except where otherwise indicated)

In 2019, the Company expects to make cash contributions of approximately $0.8 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 U.S. defined contribution plans for the years ended December 31, 2018, 2017, and 2016, was approximately $5.8 million, $5.5 million and $5.9 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, 2018 and 2017, this liability totaled $8.1 million and $7.6 million, respectively, and was included in accrued expenses and other current liabilities and in other noncurrent liabilities.

12. Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) by component for the years ended December 31, 2018, 2017, and 2016 are summarized as follows:

	Foreign Currency Translation Adjustments	Unrecognized Pension Costs	Unrealized Gain 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 income (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 Loss on Derivative Financial Instruments	Total
Balance at January 1, 2017	$ (161,726)	$ (11,194)	$ 3,255	$ (169,665)
Other comprehensive income (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	Unrecognized Pension Costs	Unrealized Gain on Derivative Financial Instruments	Total
Balance at January 1, 2016	$ (131,716)	$ (7,597)	$ (1,966)	$ (141,279)
Other comprehensive loss before reclassifications:				
Pre-tax other comprehensive (loss) income	(30,010)	410	4,505	(25,095)
Related income tax expense	—	(101)	—	(101)
Other comprehensive (loss) income before reclassifications, net of income taxes	(30,010)	309	4,505	(25,196)
Amounts reclassified from accumulated other comprehensive loss:				
Pre-tax other comprehensive income (loss)	—	3,978	(1,888)	2,090
Related income tax (expense) benefit	—	(72)	1,172	1,100
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	3,906	(716)	3,190
Net current period other comprehensive income (loss), net of income taxes	(30,010)	(3,597)	5,221	(28,386)
Balance at December 31, 2016	$ (161,726)	$ (11,194)	$ 3,255	$ (169,665)

Foreign currency translation adjustments included on intra-entity transactions that are of a long-term investment nature of $6.4 million loss, $8.4 million gain, and $1.0 million gain were recorded for the years ended December 31, 2018, 2017, and 2016, 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. LoggerHead has appealed the decision to US Court of Appeals and a final decision is not expected until the second half of 2019. As of December 31, 2018, the Company has not accrued any liability for this case.

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 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, 2018, the Company had no accruals of legal 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.

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, 2018 and 2017, the Company had environmental reserves of $6.8 million and $7.5 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 and capital leases for the years ended December 31, 2018, 2017, and 2016 was $10.7 million, $10.4 million, and $10.4 million, respectively.

(Amounts in thousands except where otherwise indicated)

At December 31, 2018, 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, 2018, were as follows:

Year	Operating Leases	Capital Leases
2019	$ 7,816	$ 831
2020	5,930	831
2021	4,589	831
2022	3,121	839
2023	2,087	865
Thereafter	7,985	7,738
Total minimum lease payments	$ 31,528	11,935
Less: estimated executory costs		—
Net minimum lease payments		11,935
Less: imputed interest		(4,346)
Present value of minimum lease payments		$ 7,589

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, 2018, 2017, and 2016, the fee totaled $3.0 million. Reimbursement for out-of-pocket expenses totaled less than $0.1 million for the years ended December 31, 2018 and 2017. Reimbursement for out-of-pocket expenses totaled $0.4 million for the year ended December 31, 2016.

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. See Note 8, Debt, for further information.

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 2019. Additional programs may be implemented during 2019 with related restructuring charges.

(Amounts in thousands except where otherwise indicated)

Restructuring charges included the following:

	December 31, 2018					
	2018		**2017**		**2016**	
Termination benefits and other related costs	**$**	**10,249**	$	11,848	$	9,800
Equipment movement, facility clean up, and idle facility cost		**1,898**		4,409		7,346
Non-cash impairment charges of fixed assets associated with product line discontinuations		**2,467 (a)**		4,071		1,134
Total Restructuring Charges	**$**	**14,614**	$	20,328	$	18,280

(a) Includes $1,586 of impairment for Sumter held for sale assets (see Note 3).

The following table summarizes the activity in the reserves related to the Company's restructuring actions for the years ended December 31, 2018 and 2017:

Balance at January 1, 2017	$	2,960
Additions and adjustments to existing reserves		16,257
Cash utilization of reserves		(13,560)
Currency translation adjustments		305
Balance at December 31, 2017		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**
Non-cash charges		
Year ended December 31, 2017	$	4,071
Year ended December 31, 2018	**$**	**2,467**

16. Stock-Based Compensation

During 2018, 2017, and 2016, 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:

(Amounts in thousands except where otherwise indicated)

	Time-Vested Options		Performance Vested Options	
	Underlying Shares	Weighted Average Exercise Price	Underlying Shares	Weighted Average Exercise Price
Outstanding at January 1, 2018	12,857	$ 1,151	24,630	$ 1,161
Granted	767	1,400	2,133	1,400
Forfeited	(7)	1,000	(906)	1,000
Exercised	(139)	1,000	—	—
Outstanding at December 31, 2018	13,478	$ 1,167	25,857	$ 1,187
Exercisable at December 31, 2018	12,267	$ 1,120	—	$ —

	Time-Vested Options			Performance-Vested Options		
	Year Ended December 31,			Year Ended December 31,		
	2018	2017	2016	2018	2017	2016
Compensation expense	**$ 1,177**	$ 1,112	$ 1,033	**$ —**	$ —	$ —
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	**6,968**	5,810	4,361	**—**	—	—

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 6.32 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 2018, 2017, and 2016.

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-vested stock options outstanding was approximately $1.7 million as of December 31, 2018, and is expected to be recognized over a weighted-average period of 3.3 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, 2018 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 $9.7 million as of December 31, 2018.

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, 2018 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, 2018.

17. Subsequent Events

The Company has evaluated subsequent events through March 29, 2019, 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, 2018, and (ii) except as disclosed in Note 3, Assets Held for Sale, and Note 8, Debt, no other events have occurred that would require disclosure in the notes thereto.