



# 2015 Annual Report



Drew Industries Incorporated is a leading supplier of components for recreational vehicles and manufactured homes. Drew operates through its wholly-owned subsidiary, Lippert Components, Inc.

From 42 manufacturing and distribution facilities located throughout the United States and Canada, Drew supplies a broad array of components for the leading manufacturers of recreational vehicles and manufactured homes, as well as the aftermarket for these industries. In addition, Drew manufactures components for adjacent industries including buses, trailers used to haul livestock, equipment and other cargo, pontoon boats, modular housing and factory-built mobile office units. In 2015, the RV Products Segment accounted for 92 percent of Drew's consolidated net sales, of which 73 percent were of components sold to manufacturers of travel trailer and fifth-wheel RVs. The Manufactured Housing Products Segment accounted for 8 percent of Drew's consolidated net sales.

Management of Drew is committed to acting ethically and responsibly, and to providing full and accurate disclosure to the Company's stockholders, employees and other stakeholders.



**DREW'S SALES CONTENT PER TRAVEL TRAILER AND FIFTH-WHEEL RV PRODUCED INDUSTRY-WIDE**  
Peak sales potential is estimated to be \$7,400 per travel trailer and fifth-wheel RV





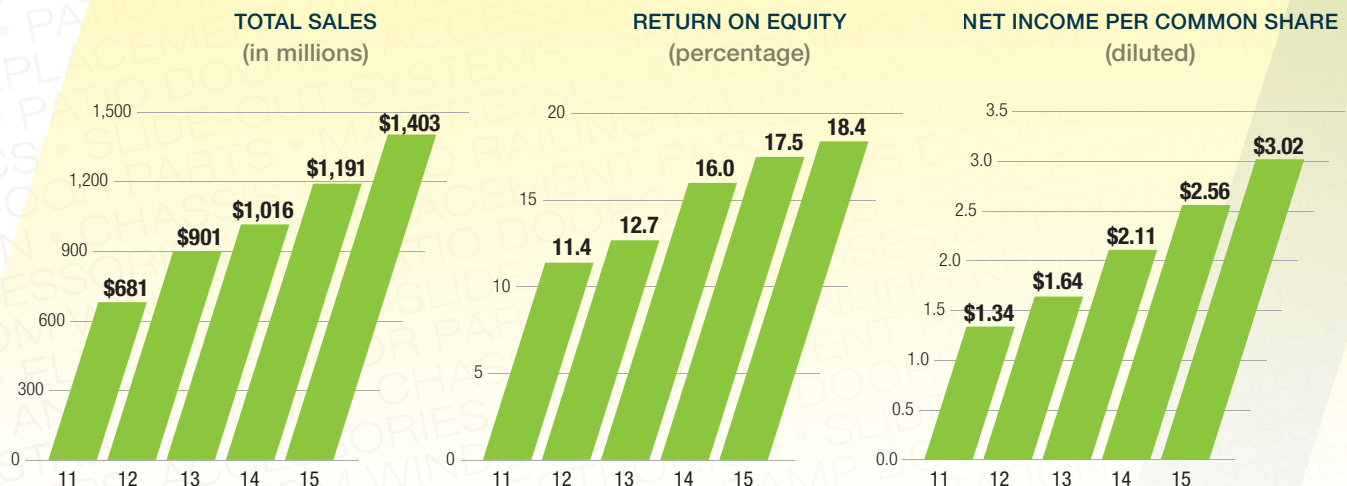
# Financial Data

Year Ended December 31,

(In thousands, except per share amounts)	2011	2012	2013	2014	2015
<b>OPERATING DATA:</b>					
Net sales	\$ 681,166	\$ 901,123	\$ 1,015,576	\$ 1,190,782	<b>\$1,403,066</b>
Severance and executive succession	—	1,456	1,876	—	<b>3,716</b>
Sale of extrusion assets	—	—	—	1,954	—
Operating profit	48,548	58,132	78,298	95,487	<b>116,254</b>
Income before income taxes	48,256	57,802	77,947	95,057	<b>114,369</b>
Provision for income taxes	18,197	20,462	27,828	32,791	<b>40,024</b>
Net income	\$ 30,059	\$ 37,340	\$ 50,119	\$ 62,266	<b>\$ 74,345</b>
Net income per common share:					
Basic	\$ 1.35	\$ 1.66	\$ 2.15	\$ 2.60	<b>\$ 3.06</b>
Diluted	\$ 1.34	\$ 1.64	\$ 2.11	\$ 2.56	<b>\$ 3.02</b>

## FINANCIAL DATA:

Working capital	\$ 85,657	\$ 84,243	\$ 107,339	\$ 100,451	<b>\$ 169,580</b>
Total assets	351,083	373,868	453,184	543,841	<b>622,946</b>
Long-term obligations	21,876	19,843	21,380	41,758	<b>85,509</b>
Stockholders' equity	\$ 277,296	\$ 284,245	\$ 313,613	\$ 394,898	<b>\$ 438,575</b>



# To Our Stockholders

**WE ARE PLEASED TO REPORT ANOTHER RECORD YEAR FOR DREW INDUSTRIES. NOTABLE VICTORIES FOR 2015:**

- *Achieved another record year for sales. With more than \$1.4 billion in net sales, an increase of \$212 million from 2014, it was our sixth consecutive year of consolidated growth of more than \$100 million.*
- *Increased net income to \$74.3 million, or \$3.02 per diluted share, up from \$62.3 million, or \$2.56 per diluted share, in 2014.*
- *Continued to drive growth in adjacent industries, with overall sales in 2015 reaching \$193 million, up 40% from the previous year.*
- *Invested significantly in our business by completing three acquisitions as well as an exclusive distribution agreement with Furrion Limited. Through these acquisitions we further expanded into adjacent markets including the school bus, specialty vehicle, heavy truck and marine industries.*
- *Increased content per unit for fifth-wheel and travel trailer RVs to an all-time high of \$2,987 in 2015 from \$2,816 per unit the prior year. We also increased content per unit on motor home RVs significantly to \$1,810 in 2015 from \$1,602 the prior year.*



## OUR STRATEGIC INITIATIVES

2015 was a year of continued focus on our strategic initiatives. We grew our core RV business and continued to build market share in various product lines. We've quickly grown the aftermarket into a meaningful business with more than \$100 million in revenues. As we continue to sell nearly \$1 billion of RV components to RV OEMs each year, the aftermarket parts and accessories business will become even more meaningful, especially considering higher its margins. We are also giving our attention to adjacent markets outside the RV industry. Buses, cargo trailers, equestrian trailers, heavy trucks and boats all require components similar to RVs. We are tapping into these markets with our existing teams, operations and capital that have traditionally focused only on our core markets. Our business outside the RV OEM market exceeded \$375 million in 2015 and we will continue our sales to push that growth. While our international RV business is still in its early stages, we are making progress through product introductions, products developed specifically for Europe and Australia and key relationships and partnerships with international OEMs. Lastly, and going forward, acquisitions will play an important role in all of these markets. We are looking for great companies with great people, great products and a strong growth trajectory, and are excited about the opportunities we see and the further possibilities on the horizon.



# DREW

## OUR PEOPLE

Other significant initiatives in 2015 included creating a better workforce through leadership training and implementing our core values throughout the organization. Our core values have been developed over decades, but were formally articulated in 2014 as follows:

- Passionate About Winning
- Team Play with Trust
- Honesty, Integrity and Candor
- Caring About People
- Positive Attitude

These core values are not only understood, but visible throughout the company. Our leadership team and employees have bought into this vision 100%, making the organization stronger. We use these core values to evaluate and hire employees.

We have installed a Leadership Development team whose sole responsibility is to create better leaders throughout the organization. In 2015 we held weekly leadership events, not just for senior leaders, but for all levels of management. We are creating a culture of leadership throughout the entire company, further strengthening our workforce.

We have dedicated Lean teams for many divisions of the company and will add more in coming years. Lean is a journey and we will continue to bolster our teams and efforts here. This initiative has opened the eyes of our employees, changing the way they look at manufacturing, whether they're 25-year or 5-year veterans. The excitement generated by making the company more efficient is contagious.

Our people are at the center of the company. To our 7,000 plus employees, we thank you for taking us to new heights!

## IN SUMMARY

Drew Industries is in an excellent position to grow and prosper. We have a strong and talented management team, a healthy balance sheet and unmatched competitive strengths within the industries we serve. We have an executive management team of 14 people with an average tenure of more than 15 years with the company.

As we think strategically about the future, we see many prospects for continued growth. We estimate there are opportunities in all the industries we serve for our existing products to generate additional sales, potentially in excess of \$3 billion annually.

Thank you to our shareholders for your continued trust in Drew Industries, and we look forward to a strong and prosperous 2016.



A handwritten signature in black ink that reads "Jason D. Lippert".

**JASON D. LIPPERT**  
Chief Executive Officer



# Year in Review



As our wholly-owned subsidiary Lippert Components® enters its 60th year in 2016, we reflect on all the pivotal moments and stages of growth during our company history. We've seen six decades of fast-paced strategic business development and six decades of success because we put customers first and care for our employees like family. And we're happy to report another year of growth through strategic acquisitions and product development. We made our first international acquisition in Canada, stepped into the marine industry and made positive progress in the RV Aftermarket. Just as we've grown to be a leading supplier to the RV industry, we look to take that same strategy and success with us wherever we go.

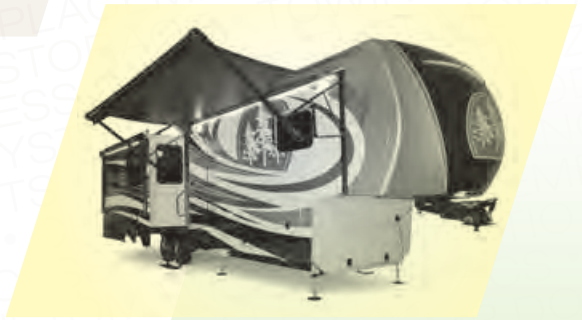
We take the value of caring about people very seriously and believe it is important to invest in the communities where we live and work. We are committed to giving back by championing the causes and supporting the organizations our employees are passionate about. We strive to have a positive impact in our neighborhoods, not only through good business, but also through charitable donations and volunteer work. We are excited to partner with our employees in supporting wonderful charities doing important work for children and families in our communities.



LIPPERT  
COMPONENTS®

LIPPERT  
COMPONENTS®





## RECREATIONAL VEHICLES

We manufacture and market a variety of products used in the production of RVs, and our net sales to RV OEMs comprised 73% of our 2015 consolidated net sales. Industry-wide wholesale shipments of RVs in 2015 remained strong, increasing 5% to nearly 375,000 units. Growing content per unit has been a critical component of our growth strategy over the past decade, allowing us to grow at a faster rate than industry-wide wholesale shipments. Our growth continued in 2015, with content per travel trailer and fifth-wheel RV increasing to \$2,987, up 6% over 2014, and content per motorhome RV reached \$1,810, up nearly 13% over 2014, reflecting market share gains through organic growth and completed acquisitions.

## NEW PRODUCTS

We strive to be an industry leader in product innovation, with a research and development staff focused on developing new products, as well as improving existing products. We are constantly seeking customer feedback so we can offer products the market wants and needs. In 2015 we introduced several exciting new products. Most notably, we debuted Sway Command™ tow control technology with a major RV OEM travel trailer manufacturer, and the product has been well received by dealers and retail customers; the OneControl™ digital application, which allows the user to control RV functions from a tablet or smartphone; the first ever automatic one-touch leveling system designed specifically for travel trailer RVs; and cutting edge electronics, audiovisual products, camera systems and kitchen appliances through our partnership with Furrion®.



Sway Command™



OneControl™

2015

RV OEMS

73%

CONSOLIDATED NET SALES

CONTENT PER TRAVEL TRAILER & FIFTH-WHEEL RV

\$2,987

6% INCREASE

CONTENT PER MOTORHOME RV

13% INCREASE  
\$1,810

# Year in Review



## ADJACENT INDUSTRIES

Many of the same product categories we supply to the RV and manufactured housing industry, we also supply to adjacent industries: mid-size transit buses, school buses, heavy trucks, and trailers used to haul boats, livestock, equipment and other cargo. We have dedicated sales teams focusing on adjacent industries and we've increased sales 40% from \$138 million in 2014 to \$193 million in 2015. There are over 800,000 utility, livestock and marine trailers expected to be built in the US in 2016. We are well positioned to supply products to the majority of those trailers.

## MARINE

In 2015 we stepped into the marine industry when we signed a supply agreement with Furrion in July and began distributing shore power products, VibrationSmart™ TVs and galley appliances. In August we acquired Signature Seating, a manufacturer of furniture solutions for fresh water boat manufacturers, primarily pontoon boats. Then in January 2016 we acquired the pontoon furniture manufacturing operation of Highwater Marine. With a current 24% share of the estimated marine furniture market (including Highwater Marine), we are poised to grow and innovate in this market. We will continue strong marketing and sales efforts dedicated to the marine industry throughout 2016.

## HEAVY TRUCK & BUS

Our Interiors team signed a multi-year, multi-million dollar agreement with a major truck manufacturer, and we debuted our new Truck Slide-Out System. We've come a long way and are now the largest manufacturer of school bus windows in North America, thanks to the acquisition of SpectAL Industries in Canada. SpectAL's Tennessee division supplies windows and doors for the cabs of heavy equipment and off-highway equipment as well.



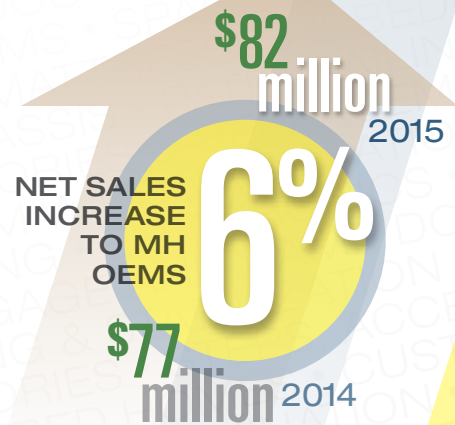


## MANUFACTURED HOUSING

We manufacture and market a variety of products used in the production of manufactured housing, and our net sales to manufactured housing OEMs grew 6% to \$82 million and comprised 5.8% percent of our consolidated net sales. In 2015, the manufactured housing industry produced 70,000 homes, an increase of roughly 10% percent from 2014. This year we developed the Heritage brand of windows, doors and other building products intended to reach traditional site-built and multi-family home markets as well.

## AFTERMARKET: RV, TRAILER & MARINE

In 2011 we formed a team dedicated to the aftermarket and increased our aftermarket sales from \$28 million in 2010 to \$103 million in 2015. We made significant strides in supporting our aftermarket customers, both dealers and warehouse distributors, with comprehensive product training and marketing support. We have spread product brand awareness and goodwill to consumers and dealers by attending more aftermarket trade shows and RV rallies. In addition, we invested more into dealerships through strategic marketing support including point-of-purchase product displays, product profit programs, email marketing, digital product advertisements and more. We will also continue to expend significant sales and marketing efforts in the trailer and marine aftermarket spaces where we are well positioned on several product lines.



# Year in Review



## INTERNATIONAL

In 2015, we saw gradual growth in overseas sales, primarily in Europe and Australia. Export sales in 2015 represented approximately 1% of consolidated net sales. We displayed slide-out systems at the largest RV show in Europe for the second consecutive year as well as two major shows in the UK. We introduced our patent-pending modular slide-out system for panel vans in England, then entered into an agreement with Opp XL B.V., providing us the exclusive rights to manufacture, sell and distribute the Euro Slide-Out system designed in the Netherlands to certain European and international territories. Early in 2016 at the CMT Show in Stuttgart, Germany, the Euro Slide helped one major towable RV manufacturer win two awards for best motorhome and best layout. Our Director of International Business Development will continue building relationships with new international customers, take existing products to new markets and develop new products to meet the needs of new customers.



**140,000**

ESTIMATED RV UNITS SOLD ANNUALLY IN EUROPE





**FURRION PARTNERSHIP**

In July we entered into a six-year exclusive distribution and supply agreement with Furrion Limited. This agreement provides LCI with the rights to distribute Furrion's complete line of products to OEMs and aftermarket customers in the RV, specialty vehicle, utility trailer, horse trailer, marine, transit bus and school bus industries throughout the United States and Canada. Furrion supplies a premium line of LED televisions and sound systems, navigation systems, wireless backup cameras, solar prep units, power solutions and kitchen appliances. Furrion products have been engineered, designed and tested to meet the unique performance levels that these industries demand, including extreme road vibrations and temperature variations. Furrion, whose headquarters is in Hong Kong, is dedicated to staying on the cutting edge of electronics development and will be focused on bringing exciting and revolutionary new products to the industries it serves.



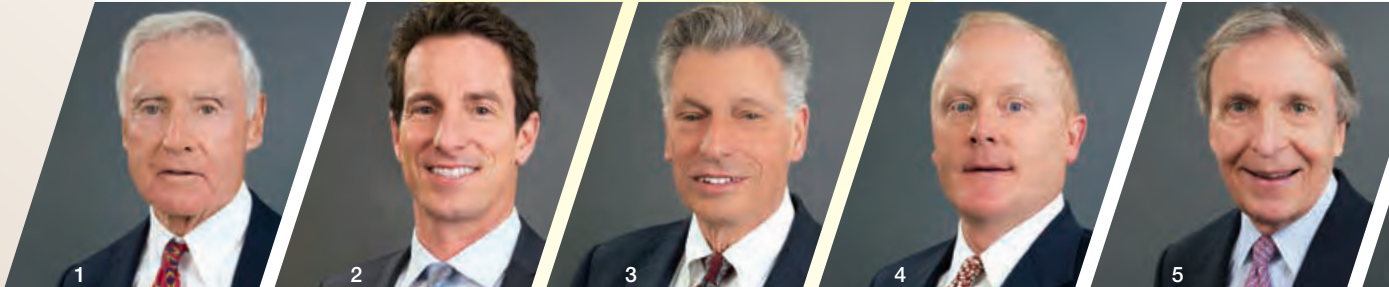
*Furrion concept  
RV kitchen*



**LIPPERT  
COMPONENTS®**

LIPPERT  
COMPONENTS®

# Corporate Information



## BOARD OF DIRECTORS

- 1. James F. Gero**<sup>(1)(2)(3)</sup>  
Chairman of the Board of Drew Industries Incorporated, and a Private Investor
- 2. Jason D. Lippert**  
Chief Executive Officer of Drew Industries Incorporated
- 3. Leigh J. Abrams**<sup>(1)(2)</sup>  
Chairman Emeritus of the Board of Drew Industries Incorporated
- 4. Brendan J. Deely**<sup>(1)(3)</sup>
- 5. Frederick B. Hegi, Jr.**<sup>(2)(3)</sup>  
Founding Partner, Wingate Partners
- 6. John B. Lowe, Jr.**<sup>(1)(3)</sup>  
Chairman of TDIndustries, Inc.
- 7. David A. Reed**<sup>(1)(2)</sup>  
President of a privately-held family investment management company
- 8. Kieran M. O'Sullivan**<sup>(1)(2)</sup>  
President, Chief Executive Officer and Chairman of the Board of CTS Corporation
- 9. Frank J. Crespo**<sup>(2)(3)</sup>  
Vice President and Chief Procurement Officer of Caterpillar, Inc.

Members of the Committees of the Board of Directors, as follows:

<sup>(1)</sup>Compensation Committee

<sup>(2)</sup>Audit Committee

<sup>(3)</sup>Corporate Governance and Nominating Committee

## CORPORATE OFFICERS

- Jason D. Lippert**  
Chief Executive Officer
- Scott T. Mereness**  
President
- David M. Smith**  
Chief Financial Officer
- Robert A. Kuhns**  
Vice President, Chief Legal Officer and Secretary
- Jamie M. Schnur**  
Chief Administrative Officer
- Nick C. Fletcher**  
Chief Human Resources Officer
- Brian M. Hall**  
Corporate Controller and Assistant Secretary

## EXECUTIVE OFFICES

3501 County Road 6 East  
Elkhart, IN 46514  
(574) 535-1125  
website: [www.drewindustries.com](http://www.drewindustries.com)  
E-mail: [drew@drewindustries.com](mailto:drew@drewindustries.com)

## LIPPERT COMPONENTS, INC.

Corporate Headquarters  
3501 County Road 6 East  
Elkhart, IN 46514  
(574) 535-1125

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP  
Aon Center  
200 East Randolph  
Chicago, IL 60601

## TRANSFER AGENT AND REGISTRAR

American Stock Transfer & Trust Company  
59 Maiden Lane  
New York, NY 10038  
(212) 936-5100  
(800) 937-5449  
website: [www.amstock.com](http://www.amstock.com)

## CORPORATE GOVERNANCE

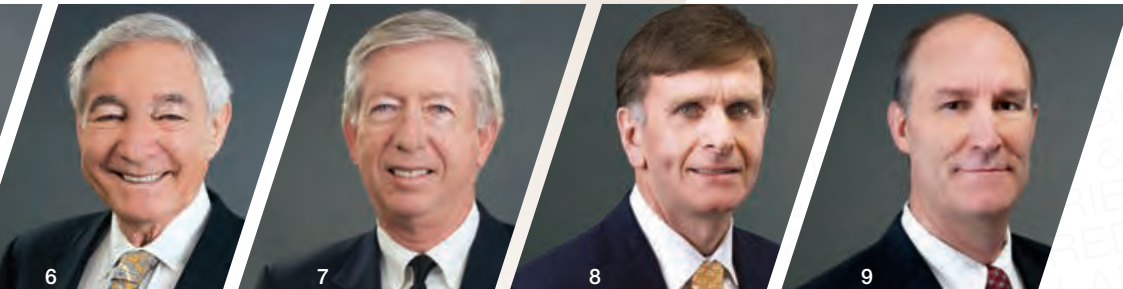
Copies of the Company's Governance Principles, Guidelines for Business Conduct, Code of Ethics for Senior Financial Officers, Whistleblower Policy, and the Charters and Key Practices of the Audit, Compensation, and Corporate Governance and Nominating Committees are on the Company's website at [www.drewindustries.com](http://www.drewindustries.com), and are available upon request, without charge, by writing to:

Secretary  
Drew Industries Incorporated  
3501 County Road 6 East  
Elkhart, IN 46514

## GEO/CFO CERTIFICATIONS

The most recent certifications by our Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits to our Form 10-K. We have also filed with the New York Stock Exchange the most recent Annual CEO Certification as required by Section 303A.12 (a) of the New York Stock Exchange Listed Company Manual.





#### PAY-FOR-PERFORMANCE

Through a combination of performance-based incentives and stock-based awards, Drew strives to attract, motivate and retain talented, entrepreneurial and innovative management.

We have designed our pay-for-performance incentive compensation program to be the “workhorse” of our management compensation. Performance-based incentive compensation has historically represented the major portion of the overall compensation of our key managers.

We believe that those key employees who have the greatest ability to influence the Company’s results should be compensated primarily based on the financial results of those operations for which they are responsible.

Our stock-based awards ensure that our managers have a continuing personal interest in the long-term success of the Company and create a culture of ownership among management, while also rewarding long-term return to stockholders.



Drew Industries remembers a cornerstone of its history and an architect of its success

On January 29, 2016, Drew Industries lost a great mind, a great man and, most importantly, a great friend. Edward “Rusty” Rose was an instrumental figure in Drew Industries’ history, from its early days to its growth trajectory today. Everyone who knew him loved him and had a story about him. At the time of his death, Rusty was active in the business world and many philanthropic causes. He and his wife Deedie supported numerous causes in education, health, the arts and nature conservation.

From everyone at Drew Industries and Lippert Components, we thank Rusty for his years of dedicated service and thoughtful guidance. His business savvy, experience and tireless support helped to set the foundation for Drew and Lippert to become the companies we are today, and for that, we will be forever in his debt. Rusty is survived by his wife, two children and five grandchildren.





DREW INDUSTRIES INCORPORATED  
2015 Form 10-K



**DREW**







---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

---

**FORM 10-K**

---

(Mark One)

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

**For the fiscal year ended December 31, 2015**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 001-13646

---

**DREW INDUSTRIES INCORPORATED**  
(Exact name of registrant as specified in its charter)

---

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**13-3250533**  
(I.R.S. Employer  
Identification Number)

**3501 County Road 6 East**  
**Elkhart, Indiana**  
(Address of principal executive offices)

**46514**  
(Zip Code)

**(574) 535-1125**  
(Registrant's telephone number, including area code)

---

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

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
Common Stock, \$.01 par value	New York Stock Exchange

---

**Securities registered pursuant to Section 12(g) of the Act:**  
**None**

---

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232-405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229-405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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

The aggregate market value of the voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter was \$1,332,983,449. The registrant has no non-voting common equity.

The number of shares outstanding of the registrant's common stock, as of the latest practicable date (February 15, 2016) was 24,380,291 shares.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Proxy Statement with respect to the 2016 Annual Meeting of Stockholders to be held on May 26, 2016 is incorporated by reference into Items 10, 11, 12, 13 and 14 of Part III.

#### **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Annual Report on Form 10-K contains certain "forward-looking statements" with respect to our financial condition, results of operations, business strategies, operating efficiencies or synergies, competitive position, growth opportunities, acquisitions, plans and objectives of management, markets for the Company's Common Stock and other matters. Statements in this Form 10-K that are not historical facts are "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, and involve a number of risks and uncertainties.

Forward-looking statements, including, without limitation, those relating to the Company's future business prospects, net sales, expenses and income (loss), cash flow, and financial condition, whenever they occur in this Form 10-K are necessarily estimates reflecting the best judgment of the Company's senior management at the time such statements were made. There are a number of factors, many of which are beyond the Company's control, which could cause actual results and events to differ materially from those described in the forward-looking statements. These factors include, in addition to other matters described in this Form 10-K, pricing pressures due to domestic and foreign competition, costs and availability of raw materials (particularly steel, steel based components and aluminum) and other components, seasonality and cyclicalities in the industries to which we sell our products, availability of credit for financing the retail and wholesale purchase of products for which we sell our components, inventory levels of retail dealers and manufacturers, availability of transportation for products for which we sell our components, the financial condition of our customers, the financial condition of retail dealers of products for which we sell our components, retention and concentration of significant customers, the costs, pace of and successful integration of acquisitions and other growth initiatives, availability and costs of labor, employee benefits, employee retention, realization and impact of efficiency improvements and cost reductions, the successful entry into new markets, the costs of compliance with environmental laws and increased governmental regulation and oversight, information technology performance and security, the ability to protect intellectual property, interest rates, oil and gasoline prices, the impact of international, national and regional economic conditions and consumer confidence on the retail sale of products for which we sell our components, and other risks and uncertainties discussed more fully under the caption "Risk Factors" in this Annual Report on Form 10-K, and in our subsequent filings with the Securities and Exchange Commission. The Company disclaims any obligation or undertaking to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made, except as required by law.



# DREW INDUSTRIES INCORPORATED

## TABLE OF CONTENTS

	Page
PART I –	
ITEM 1 - BUSINESS	<a href="#">5</a>
ITEM 1A - RISK FACTORS	<a href="#">11</a>
ITEM 1B - UNRESOLVED STAFF COMMENTS	<a href="#">16</a>
ITEM 2 - PROPERTIES	<a href="#">16</a>
ITEM 3 - LEGAL PROCEEDINGS	<a href="#">19</a>
ITEM 4 - MINE SAFETY DISCLOSURES	<a href="#">19</a>
PART II –	
ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	<a href="#">20</a>
ITEM 6 - SELECTED FINANCIAL DATA	<a href="#">21</a>
ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	<a href="#">21</a>
ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	<a href="#">39</a>
ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	<a href="#">40</a>
ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	<a href="#">71</a>
ITEM 9A - CONTROLS AND PROCEDURES	<a href="#">71</a>
ITEM 9B - OTHER INFORMATION	<a href="#">72</a>
PART III –	
ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	<a href="#">72</a>
ITEM 11 - EXECUTIVE COMPENSATION	<a href="#">72</a>

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

[72](#)

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

[72](#)

ITEM 14 - PRINCIPAL ACCOUNTING FEES AND SERVICES

[72](#)

PART IV –

ITEM 15 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES

[73](#)

[SIGNATURES](#)

[77](#)

EXHIBIT 23 - CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

EXHIBIT 31.1 - SECTION 302 CEO CERTIFICATION

EXHIBIT 31.2 - SECTION 302 CFO CERTIFICATION

EXHIBIT 32.1 - SECTION 906 CEO CERTIFICATION

EXHIBIT 32.2 - SECTION 906 CFO CERTIFICATION



## PART I

### Item 1. BUSINESS.

#### Summary

Drew Industries Incorporated (“Drew” and collectively with its subsidiaries, the “Company” or the “Registrant”), through its wholly-owned subsidiary, Lippert Components, Inc. and its subsidiaries (collectively, “Lippert Components” or “LCI”), supplies a broad array of components in the United States and abroad for the leading manufacturers of recreational vehicles (“RVs”) and manufactured homes and for the related aftermarkets of those industries. The Company also supplies components for adjacent industries including buses; trailers used to haul boats, livestock, equipment and other cargo; pontoon boats; modular housing; and factory-built mobile office units.

The Company has two reportable segments: the recreational vehicle products segment (the “RV Segment”) and the manufactured housing products segment (the “MH Segment”). The RV Segment accounted for 92 percent of consolidated net sales for 2015, and the MH Segment accounted for 8 percent of consolidated net sales for 2015. Approximately 73 percent of the Company’s RV Segment net sales in 2015 were of products to manufacturers of travel trailer and fifth-wheel RVs.

The Company is focused on profitable growth, both organic and through the acquisition of manufacturers of components for RVs, manufactured homes and adjacent industries. In order to support this growth, over the past several years the Company has expanded its geographic market and product lines, consolidated manufacturing facilities, and integrated manufacturing, distribution and administrative functions. At December 31, 2015, the Company operated 42 manufacturing and distribution facilities in 16 states and Quebec, Canada, and reported consolidated net sales of \$1.4 billion for the year ended December 31, 2015.

The Company was incorporated under the laws of Delaware on March 20, 1984, and is the successor to Drew National Corporation, which was incorporated under the laws of Delaware in 1962. The Company’s principal executive and administrative offices are located at 3501 County Road 6 East, Elkhart, Indiana 46514; telephone number (574) 535-1125; website [www.drewindustries.com](http://www.drewindustries.com); e-mail [drew@drewindustries.com](mailto:drew@drewindustries.com). The Company makes available free of charge on its website its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K (and amendments to those reports) filed with the SEC as soon as reasonably practicable after such materials are electronically filed.

#### Recent Developments

##### *Sales and Profits*

Consolidated net sales for 2015 increased to a record \$1.4 billion, 18 percent higher than 2014. Acquisitions completed by the Company in 2015, as well as the Furrion Limited (“Furrion”) distribution and supply agreement for premium electronics (the “Furrion Agreement”), added \$52 million in net sales in 2015. A five percent increase in industry-wide wholesale shipments of travel trailer and fifth-wheel RVs, the Company’s primary RV market, as well as increased content per unit through market share gains, also positively impacted net sales growth in 2015.

In 2015, the Company continued to grow sales to both adjacent industries and the aftermarket for the RV and MH Segments. Aggregate net sales to adjacent industries increased 40 percent to \$193 million and aftermarket net sales increased 62 percent to \$103 million. Together, these markets now account for 21 percent of consolidated net sales, double the percentage from 2010.

For the full-year 2015, the Company’s net income increased to \$74.3 million, or \$3.02 per diluted share, up from net income of \$62.3 million, or \$2.56 per diluted share, in 2014. Excluding certain charges for severance, environmental and legal costs in 2015, net income would have been \$79.0 million in 2015, or \$3.20 per diluted share, and excluding the 2014 loss on the sale of the Company’s aluminum extrusion-related assets, net income would have been \$63.5 million in 2014, or \$2.61 per diluted share.

In Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” the Company describes in detail the increase in its sales and profits during 2015.

## *Acquisitions*

During 2015 and early 2016 the Company completed five acquisitions:

In January 2015, the Company acquired the business and certain assets of EA Technologies, LLC (“EA Technologies”), an Elkhart, Indiana-based manufacturer of custom steel and aluminum parts and provider of electro-deposition (‘e-coat’) and powder coating services for RV, bus, medium-duty truck, automotive, recreational marine, specialty and utility trailer, and military applications. Net sales reported by EA Technologies for 2014 were \$17 million. The purchase price was \$9.2 million, of which \$6.6 million was paid in the fourth quarter of 2014, with the balance paid at closing. In connection with this acquisition, the Company also acquired a 250,000 square foot facility.

In April 2015, the Company acquired the business and certain assets of Industries Spectal, Inc. (“Spectral”), a Canada-based manufacturer of windows and doors primarily for school buses, as well as commercial buses, emergency vehicles, trucks, agricultural equipment and RVs. Net sales reported by Spectal for 2014 were \$25 million. The purchase price was \$22.3 million paid at closing, plus contingent consideration based on future sales of this operation.

In August 2015, the Company acquired the business and certain assets of Roehm Marine, LLC, also known as Signature Seating (“Signature”), a Ft. Wayne, Indiana-based manufacturer of furniture solutions for fresh water boat manufacturers, primarily pontoon boats. Net sales reported by Signature for the twelve months ended June 2015 were approximately \$16 million. The purchase price was \$16.0 million paid at closing, plus contingent consideration based on future sales of this operation.

In January 2016, the Company acquired the business and certain assets of the pontoon furniture manufacturing operation of Highwater Marine, LLC (“Highwater”), a leading manufacturer of pontoon and other recreational boats located in Elkhart, Indiana. Estimated net sales of the marine furniture business were approximately \$20 million. The purchase price was \$10.0 million paid at closing. Concurrently with the acquisition, the Company entered into a five-year supply agreement for marine furniture and other products with Highwater and Elkhart, Indiana-based Bennington, the largest manufacturer of pontoon boats in the United States.

In February 2016, the Company acquired the business and certain assets of Flair Interiors, Inc. (“Flair”), a Goshen, Indiana-based manufacturer of RV furniture. Net sales reported by Flair for 2015 were approximately \$25 million. The purchase price was \$8.1 million paid at closing.

## *Other Developments*

On April 10, 2015, a special dividend of \$2.00 per share of the Company’s Common Stock, representing an aggregate of \$48.2 million, was paid to stockholders of record as of March 27, 2015.

In July 2015, the Company entered into a 6-year exclusive distribution and supply agreement with Furrion, a Hong Kong based firm that designs, engineers and manufactures premium electronics. This agreement provides the Company with the rights to distribute Furrion’s complete line of products to OEMs and aftermarket customers in the RV, specialty vehicle, utility trailer, horse trailer, marine, transit bus and school bus industries throughout the United States and Canada. Furrion currently supplies a premium line of LED televisions, sound systems, navigation systems, wireless backup cameras, solar prep units, power solutions and kitchen appliances, primarily to the RV industry.

## **RV Segment**

Through its wholly-owned subsidiaries, the Company manufactures or distributes a variety of products used in the production of RVs, including:

- Steel chassis for towable RVs
- Axles and suspension solutions for towable RVs
- Slide-out mechanisms and solutions
- Thermoformed bath, kitchen and other products
- Windows
- Manual, electric and hydraulic stabilizer and leveling systems
- Chassis components
- Furniture and mattresses
- Entry, luggage, patio and ramp doors
- Electric and manual entry steps
- Awnings and awning accessories
- Electronic components
- LED televisions, sound systems, navigation systems and wireless backup cameras
- Other accessories



The Company also supplies certain of these products to the RV aftermarket and to adjacent industries, including buses, trailers used to haul boats, livestock, equipment and other cargo, and pontoon boats. In 2015, the RV Segment represented 92 percent of the Company's consolidated net sales, and 90 percent of consolidated segment operating profit. RVs may be motorized (motorhomes) or towable (travel trailers, fifth-wheel travel trailers, folding camping trailers and truck campers). Approximately 73 percent of the Company's RV Segment net sales in 2015 were of products to manufacturers of travel trailer and fifth-wheel RVs.

Raw materials used by the Company's RV Segment, consisting primarily of steel (coil, sheet, tube and I-beam), extruded aluminum, glass, wood, fabric and foam are available from a number of sources, both domestic and foreign.

Operations of the Company's RV Segment consist primarily of fabricating, welding, thermoforming, painting, sewing and assembling components into finished products. The Company's RV Segment operations are conducted at 38 manufacturing and warehouse facilities throughout the United States and Canada, strategically located in proximity to the customers they serve. Of these facilities, 7 also conduct operations in the Company's MH Segment. See Item 2. "Properties."

The Company's RV Segment products are sold primarily to major manufacturers of RVs such as Thor Industries (symbol: THO), Forest River (a Berkshire Hathaway company, symbol: BRKA), Jayco (a private company) and other OEMs, and, to a lesser extent, to manufacturers in adjacent industries and distributors and retail dealers of aftermarket products.

The RV industry is highly competitive, both among manufacturers of RVs and the suppliers of RV components, generally with low barriers to entry other than compliance with industry standards, codes and safety requirements, and the initial capital investment required to establish manufacturing operations. The Company competes with several other component suppliers on a regional and national basis with respect to a broad array of components for both towable and motorized RVs. The Company's RV Segment operations compete on the basis of customer service, quality, functionality, product innovation, price and reliability. Although definitive information is not readily available, the Company believes with respect to its principal RV products (i) it is the leading supplier of windows and doors for towable RVs; (ii) it is the leading supplier of chassis and slide-out mechanisms for towable RVs; (iii) the leading suppliers of axles for towable RVs are the Company and Dexter Axle Company; (iv) it is the leading supplier of furniture for towable RVs, and the Company competes with several other manufacturers; (v) the Company is the leading supplier of leveling systems for towable RVs; and (vi) the leading suppliers of awnings for towable RVs are the Company, Carefree of Colorado and Dometic Corporation.

The Company's share of the market for its products in adjacent industries cannot be readily determined; however, RV Segment net sales to adjacent industries increased from \$113 million in 2014 to \$172 million in 2015. The Company's share of the aftermarket for RV parts also cannot be readily determined; however, RV Segment net sales to the aftermarket increased from \$50 million in 2014 to \$87 million in 2015. The Company has made investments in people, technology and equipment to increase its share of both adjacent industries and the aftermarket, and is committed to continue these expansion efforts.

Detailed narrative information about the results of operations of the RV Segment is included in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations." Financial information relating to the Company's business segments is included in Note 2 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

## **MH Segment**

Through its wholly-owned subsidiaries, the Company manufactures or distributes a variety of products used in the production of manufactured homes, including:

- Vinyl and aluminum windows
- Thermoformed bath and kitchen products
- Steel and fiberglass entry doors
- Aluminum and vinyl patio doors
- Steel chassis and related components
- Axles

The Company also supplies certain of these products to the manufactured housing aftermarket and to adjacent industries, including modular housing and mobile office units. In 2015, the MH Segment represented 8 percent of the Company's consolidated net sales, and 10 percent of consolidated segment operating profit. Certain of the Company's MH Segment customers manufacture both manufactured homes and modular homes, and certain of the products manufactured by the Company are suitable for both types of homes. As a result, the Company is not always able to determine in which type of home its products are installed.

Raw materials used by the Company's MH Segment, consisting primarily of steel (coil, sheet and I-beam), extruded aluminum and vinyl, glass, and ABS resin, are available from a number of sources, both domestic and foreign.

Operations of the Company's MH Segment consist primarily of fabricating, welding, thermoforming, painting and assembling components into finished products. The Company's MH Segment operations are conducted at 13 manufacturing and warehouse facilities throughout the United States, strategically located in proximity to the customers they serve. Of these facilities, 7 also conduct operations in the Company's RV Segment. See Item 2. "Properties."

The Company's manufactured housing products are sold primarily to major producers of manufactured homes such as Clayton Homes (a Berkshire Hathaway company, symbol: BRKA), Cavco Industries, Inc. (symbol: CVCO), and other OEMs, and, to a lesser extent, to manufacturers in adjacent industries and distributors of aftermarket products.

The manufactured housing industry is also highly competitive among manufacturers and suppliers. The Company competes with several other component suppliers with respect to a broad array of components, as well as with manufacturers of manufactured homes with vertically integrated operations. The Company's MH Segment competes on the basis of customer service, quality, product innovation, price and reliability. Although definitive information is not readily available, the Company believes with respect to its principal manufactured housing products (i) it is the leading supplier of windows for manufactured homes; (ii) the Company's manufactured housing chassis and chassis parts operations compete with several other manufacturers of chassis and chassis parts, as well as with builders of manufactured homes, many of which produce their own chassis and chassis parts; and (iii) the Company's thermoformed bath and kitchen unit operation competes with several other manufacturers of bath and kitchen units.

The Company's share of the market for its products in adjacent industries and the aftermarket cannot be readily determined. MH Segment net sales to adjacent industries and the aftermarket was \$20 million and \$16 million in 2015, respectively. The Company has made investments in people, technology and equipment to increase its share of both adjacent industries and the aftermarket, and is committed to continue these expansion efforts.

Detailed narrative information about the results of operations of the MH Segment is included in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations." Financial information relating to the Company's business segments is included in Note 2 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

## **Sales and Marketing**

The Company's sales activities are related to developing new customer relationships and maintaining existing customer relationships, primarily through the quality of its products, innovation, service, price and customer satisfaction. As a result of the Company's strategic decision to increase its sales to the aftermarket and adjacent industries, as well as expand into international markets, the Company has increased its annual marketing and advertising expenditures over the past few years, which were approximately \$2 million in 2015.

The Company has several supply agreements or other arrangements with certain of its customers that provide for prices of various products to be fixed for periods generally not in excess of eighteen months; however, in certain cases the Company has the right to renegotiate the prices on sixty-days' notice. Both the RV Segment and the MH Segment typically ship products on average within one to two weeks of receipt of orders from their customers and, as a result, neither segment has any significant backlog.

## **Capacity**

In 2015, the Company's facilities operated at an average of approximately 55 percent of their practical capacity, assuming at least two shifts of production at all facilities. However, while certain facilities could add a second shift of production in the short term, the Company has found this to be inefficient over the long term. Capacity varies significantly based on seasonal demand, as well as by facility, product line and geographic region, with certain facilities at times operating below 50 percent utilization, and other facilities at times operating above 90 percent utilization.

At December 31, 2015, the Company operated 42 manufacturing and distribution facilities, and for most products has the ability to fill demand in excess of capacity at individual facilities by shifting production to other facilities, but the Company would incur additional freight costs. Capital expenditures for 2015 were \$29 million, and included approximately \$15 million of "replacement" capital expenditures and approximately \$14 million of "growth" capital expenditures. The ability to expand capacity in certain product areas, if necessary, as well as the potential to reallocate existing resources, is monitored regularly by management to help ensure the Company can maintain a high level of production efficiencies throughout its operations.



## **Seasonality**

The RV and manufactured housing industries, as well as other industries where the Company sells products or where its products are used, historically have been seasonal and generally at the highest levels when the weather is moderate. Accordingly, the Company's sales and profits have generally been the highest in the second quarter and lowest in the fourth quarter. However, because of fluctuations in dealer inventories, the addition of major RV open houses for dealers to the September/October timeframe, and the impact of international, national and regional economic conditions and consumer confidence on retail sales of RVs and other products for which the Company sells its components, as well as the impact of severe weather conditions on the timing of industry-wide shipments from time to time, current and future seasonal industry trends may be different than in prior years.

## **International**

Over the past several years, the Company has been gradually growing international RV sales, primarily in Europe and Australia, and export sales represented approximately 1 percent of consolidated net sales in 2015. The Company continues to focus on developing products tailored for international RV markets. The Company participates in the largest RV shows in Europe and has been receiving positive feedback on its products, especially its proprietary slide-out products. The Company has spent more than two years developing three slide-out systems suited to the needs of the European market, which were recently featured on new RV models. As a result, the Company believes it will see additional orders from European RV OEMs. The Company's Director of International Business Development spends time in Australia, Europe and other international markets, assessing the dynamics of the local marketplace, building relationships with OEMs and helping the Company introduce its existing products and develop new products for those markets, with the goal of identifying long-term growth opportunities. The Company estimates the addressable market for annual net sales of its products outside of North America to be \$750 million.

## **Intellectual Property**

The Company holds 190 United States and foreign patents and has over 50 patent applications pending that relate to various products sold by the Company. The Company has also granted certain licenses that permit third parties to manufacture and sell products in consideration for royalty payments. The Company believes its patents are valuable and vigorously protects its patents when appropriate.

From time to time, the Company has received notices or claims it may be infringing certain patent or other intellectual property rights of others, and the Company has given notices to, or asserted claims against, others that they may be infringing certain patent or other intellectual property rights of the Company. However, no material litigation is currently pending as a result of these claims.

## **Research and Development**

The Company strives to be an industry leader in product innovation and is focused on developing new products, as well as improving existing products. Research and development expenditures are expensed as they are incurred. Research and development expenses were approximately \$8 million in 2015 and \$5 million in both 2014 and 2013, respectively.

## **Regulatory Matters**

Rules promulgated under the Transportation Recall Enhancement, Accountability and Documentation Act (the "Tread Act") require manufacturers of motor vehicles and certain motor vehicle related equipment to regularly make reports and submit documents and certain historical data to the National Highway Traffic Safety Administration ("NHTSA") of the United States Department of Transportation ("DOT") to enhance motor vehicle safety, and to respond to requests for information relating to specific complaints or incidents.

Trailers produced by the Company for hauling boats, personal watercraft, snowmobiles and equipment must comply with Federal Motor Vehicle Safety Standards ("FMVSS") promulgated by NHTSA relating to lighting, braking, wheels, tires and other vehicle systems.

Windows and doors produced by the Company for the RV industry must comply with regulations promulgated by NHTSA governing safety glass performance, egress ability, door hinge and lock systems, egress window retention hardware, and baggage door ventilation. Windows produced by the Company for buses also must comply with FMVSS promulgated by NHTSA.

Upholstered products and mattresses produced by the Company for RVs and buses must comply with FMVSS promulgated by NHTSA regarding flammability. In addition, upholstered products and mattresses produced by the Company for RVs must comply with regulations promulgated by the Consumer Products Safety Commission regarding flammability, as well as standards for toxic chemical levels and labeling requirements promulgated by the California Office of Environmental Health Hazard Assessment. Plywood, particleboard and fiberboard used in RV products are required to comply with standards for formaldehyde emission levels promulgated by the California Air Resources Board and adopted by the Recreation Vehicle Industry Association (“RVIA”).

Windows and entry doors produced by the Company for manufactured homes must comply with performance and construction regulations promulgated by the U.S. Department of Housing and Urban Development (“HUD”) and by the American Architectural Manufacturers Association relating to air and water infiltration, structural integrity, thermal performance, emergency exit conformance, and hurricane resistance. Certain of the Company’s products must also comply with the International Code Council standards, such as the IRC (International Residential Code), the IBC (International Building Code), and the IECC (International Energy Conservation Code) as well as state and local building codes. Thermoformed bath products manufactured by the Company for manufactured homes must comply with performance and construction regulations promulgated by HUD.

The Company believes it is currently operating in compliance, in all material respects, with applicable laws and regulations and has made reports and submitted information as required. The Company does not believe the expense of compliance with these laws and regulations, as currently in effect, will have a material effect on the Company's operations, financial condition or competitive position; however, there can be no assurance this trend will continue as health and safety laws, regulations or other pertinent requirements evolve.

### **Environmental**

The Company’s operations are subject to certain Federal, state and local regulatory requirements relating to the use, storage, discharge, transport and disposal of hazardous materials used during the manufacturing processes. Although the Company believes its operations have been consistent with prevailing industry standards, and are in substantial compliance with applicable environmental laws and regulations, one or more of the Company’s current or former operating sites, or adjacent sites owned by third-parties, have been affected by releases of hazardous materials. As a result, the Company may incur expenditures for future investigation and remediation of these sites, and recorded a pre-tax charge of \$1.5 million related to environmental costs in 2015. In the past, environmental compliance costs have not had, and are not expected in the future to have, a material effect on the Company’s operations or financial condition; however, there can be no assurance that this trend will continue.

### **Employees**

The number of persons employed full-time by the Company at December 31, 2015 was 6,576, compared to 5,845 at December 31, 2014. The total at December 31, 2015 included 5,362 in manufacturing, 288 in transportation, 93 in sales, 172 in customer support and servicing, and 661 in administration. None of the employees of the Company are subject to collective bargaining agreements. The Company believes that relations with its employees are good.

### **Executive Officers**

The following table sets forth our executive officers as of December 31, 2015:

<u>Name</u>	<u>Position</u>
Jason D. Lippert	Chief Executive Officer and Director
Scott T. Mereness	President
David M. Smith	Chief Financial Officer
Robert A. Kuhns	Vice President – Chief Legal Officer and Secretary
Jamie M. Schnur	Chief Administrative Officer
Nick C. Fletcher	Chief Human Resources Officer

Officers are elected annually by the Board of Directors. There are no family relationships between or among any of the executive officers or Directors of the Company. Additional information with respect to the Company’s Directors is included in the Company’s Proxy Statement for the Annual Meeting of Stockholders to be held on May 26, 2016.

JASON D. LIPPERT (age 43) became Chief Executive Officer of the Company effective May 10, 2013, and has been Chief Executive Officer of Lippert Components since February 2003. Mr. Lippert has over 16 years of experience with Drew and its subsidiaries, and has served in a wide range of leadership positions.

SCOTT T. MERENESS (age 44) became President of the Company effective May 10, 2013, and has been President of Lippert Components since July 2010. Mr. Mereness has over 16 years of experience with Drew and its subsidiaries, and has served in a wide range of leadership positions.

DAVID M. SMITH (age 52) has been the Chief Financial Officer since September 2015. Prior to joining the Company, Mr. Smith served for the past ten years as Senior Vice President and Chief Financial Officer of Key Safety Systems, Inc., a global leader in the design, development and manufacturing of passive safety systems primarily to the automotive industry.

ROBERT A. KUHNS (age 50) joined the Company in March 2013, and has been Vice President – Chief Legal Officer and Secretary since July 2013. Prior to joining the Company, he was a partner in the Corporate Group at the Minneapolis office of Dorsey & Whitney LLP, a full-service global law firm.

JAMIE M. SCHNUR (age 44) became Chief Administrative Officer of the Company effective May 2013. Mr. Schnur has over 19 years of experience with the Company, and has served in a wide range of leadership positions with Lippert Components.

NICK C. FLETCHER (age 55) joined the Company on February 2013 as Vice President of Human Resources. Since January 2015, he has been Chief Human Resources Officer. Prior to joining the Company, Mr. Fletcher provided consulting services and held roles in senior level positions at American Commercial Lines, Continental Tire, Wabash National, Siemens and TRW.

#### **Other Officers**

BRIAN M. HALL (age 41) joined the Company in March 2013, and has been Corporate Controller since July 2013. Prior to joining the Company, he was a Senior Manager at Crowe Horwath LLP. Mr. Hall is a Certified Public Accountant.

#### **Item 1A. RISK FACTORS.**

*The following risk factors should be considered carefully in addition to the other information contained in this Annual Report on Form 10-K. The risks and uncertainties described below are not the only ones we face, but represent the most significant risk factors that we believe may adversely affect the RV, manufactured housing and other industries we supply our products to, as well as our business, operations or financial position. The risks and uncertainties discussed in this report are not exclusive and other risk factors that we may consider immaterial or do not anticipate may emerge as significant risks and uncertainties.*

#### **Industry Risk Factors**

Economic and business factors beyond our control, including cyclical and seasonality in the industries where we sell our products, could lead to fluctuations in our operating results.

The RV and manufactured housing markets, as well as other markets where we sell our products or where our products are used, have been characterized by cycles of growth and contraction in consumer demand. Periods of economic recession have adversely affected, and could again adversely affect, our operating results. Companies in these industries are subject to volatility in production levels, shipments, sales and operating results due to changes in external factors such as general economic conditions, including credit availability, consumer confidence, employment rates, prevailing interest rates, inflation, fuel prices and other economic conditions affecting consumer demand and discretionary consumer spending, as well as demographic and political changes. Consequently, our operating results for any prior period may not be indicative of results for any future period.

Additionally, manufacturing operations in the RV and manufactured housing industries, as well as other industries where we sell our products or where our products are used, historically have been seasonal and are generally at the highest levels when the weather is moderate. Accordingly, our sales and profits have generally been the highest in the second quarter and lowest in the fourth quarter. However, because of fluctuations in dealer inventories, and the impact of international, national and regional economic conditions and consumer confidence on retail sales of RVs and other products for which we sell our components, current and future seasonal industry trends may be different than in prior years. Unusually severe weather conditions in some geographic areas may also, from time to time, impact the timing of industry-wide shipments from one period to another.



Reductions in the availability of wholesale financing limits the inventories carried by retail dealers of RVs and manufactured homes and other products which use our components, which would cause reduced production by our customers, and therefore reduced demand for our products.

Retail dealers of RVs and manufactured homes and other products which use our components generally finance their purchases of inventory with financing known as floor-plan financing provided by lending institutions. Reduction in the availability of floor-plan financing has in the past caused, and would likely cause, many dealers to reduce inventories, which would result in reduced production, resulting in reduced demand for our products. Moreover, dealers which are unable to obtain adequate financing could cease operations. Their remaining inventories would likely be sold at discounts, disrupting the market. Such sales have historically caused a decline in orders for new inventory, which reduced demand for our products.

Conditions in the credit market could limit the ability of consumers to obtain retail financing for RVs and manufactured homes, resulting in reduced demand for our products.

Restrictions on the availability of consumer financing for RVs and manufactured homes and increases in the costs of such financing have in the past limited, and could again limit, the ability of consumers to purchase RVs and manufactured homes, which would result in reduced production of RVs and manufactured homes by our customers, and therefore reduce demand for our products.

Loans used to finance the purchase of manufactured homes usually have shorter terms and higher interest rates, and are more difficult to obtain, than mortgages for site-built homes. Historically, lenders required a higher down payment, higher credit scores and other criteria for these loans. Current lending criteria are higher than historical criteria, and many potential buyers of manufactured homes may not qualify.

The availability, cost, and terms of these manufactured housing loans are also dependent on economic conditions, lending practices of financial institutions, government policies, and other factors, all of which are beyond our control. Reductions in the availability of financing for manufactured homes and increases in the costs of this financing have limited, and could continue to limit, the ability of consumers to purchase manufactured homes, resulting in reduced production of manufactured homes by our customers, and therefore reduced demand for our products. In addition, certain provisions of the Dodd-Frank Act, which regulate financial transactions, could make certain types of mortgages more difficult to obtain – in particular those historically used to finance the purchase of manufactured homes. Although legislation has been introduced to address this matter, and the Bureau of Consumer Financial Protection has been reviewing this matter, there can be no assurance of the outcome.

Excess inventories at dealers and manufacturers can cause a decline in the demand for our products.

Dealers and manufacturers could accumulate unsold inventory. High levels of unsold inventory have in the past caused, and would cause, a reduction in orders, which would likely cause a decline in demand for our products.

Gasoline shortages, or high prices for gasoline, could lead to reduced demand for our products.

Fuel shortages, and substantial increases in the price of fuel, have had a material adverse effect on the RV industry as a whole in the past, and could again in the future. Travel trailer and fifth-wheel RVs, components for which represented approximately 73 percent of our RV Segment net sales in 2015, are usually towed by light trucks or SUVs. Generally, these vehicles use more fuel than automobiles, particularly while towing RVs. High prices for gasoline, or anticipation of potential fuel shortages, can affect consumer use and purchase of light trucks and SUVs, which could result in reduced demand for travel trailer and fifth-wheel RVs, and therefore reduced demand for our products.

The manufactured housing industry has experienced a significant long-term decline in shipments, which has led to reduced demand for our products.

Our MH Segment, which accounted for 8 percent of consolidated net sales for 2015, operates in an industry which has experienced a decline in production of new homes compared to the peak of production in 1998. The downturn was caused, in part, by limited availability and high cost of financing for manufactured homes, and was exacerbated by economic and political conditions during the financial crisis.

Although industry-wide wholesale production of manufactured homes has improved in recent years, our annual results of operations could decline if manufactured housing industry conditions were to worsen.

## Company-Specific Risk Factors

A significant percentage of our sales are concentrated in the RV industry, and declines in industry-wide wholesale shipments of travel trailer and fifth-wheel RVs could reduce demand for our products and adversely impact our operating results and financial condition.

In 2015, the RV Segment represented 92 percent of our consolidated net sales, and 90 percent of consolidated segment operating profit. Approximately 73 percent of our RV Segment net sales in 2015 were of products to manufacturers of travel trailer and fifth-wheel RVs. While we measure our RV Segment sales against industry-wide wholesale shipment statistics, the underlying health of the RV industry is determined by retail demand. Retail sales of RVs historically have been closely tied to general economic conditions, as well as consumer confidence which was above historical averages in 2015. Declines in industry-wide wholesale shipments of travel trailer and fifth-wheel RVs could reduce demand for our products and adversely affect our operating results and financial condition.

Volatile raw material costs could adversely impact our financial condition and operating results.

The prices we pay for steel and aluminum represented approximately 45 percent and 15 percent, respectively, of our raw material costs in 2015. These, and other key raw materials, have historically been volatile and can fluctuate dramatically with changes in the global demand and supply for such products.

Because competition and business conditions may limit the amount or timing of increases in raw material costs that can be passed through to our customers in the form of sales price increases, future increases in raw material costs could adversely impact our financial condition and operating results. Conversely, as raw material costs decline, we may not be able to maintain selling prices consistent with higher cost raw materials in our inventory, which could adversely affect our operating results.

We import a portion of our raw materials and the components we sell and the effect of foreign exchange rates could adversely affect our operating results

We negotiate for the purchase of a significant portion of raw materials and semi-finished components with suppliers that are not located in the United States. As such, the prices we pay in part are dependent upon the rate of exchange for US Dollars versus the currency of the local supplier. A dramatic weakening of the US Dollar could increase our cost of goods sold and such cost increases may not be offset through price increases for our products, adversely impacting our margins.

Inadequate supply of raw materials or components used to make our products could adversely impact our financial condition and operating results.

Our business depends on our ability to source raw materials, such as steel and aluminum, and certain components in a timely and cost efficient manner. If raw materials or components that are used in manufacturing our products, particularly those which we import, become unavailable, or if the supply of these raw materials and components is interrupted or delayed, our manufacturing operations could be adversely affected. We currently import, or purchase from suppliers who import, approximately 24 percent of our raw materials and components. Consequently, we rely on the free flow of goods through open and operational ports and on a consistent basis for a significant portion of our raw materials and components. Labor disputes at various ports or at our suppliers create significant risks for our business, particularly if these disputes result in work slowdowns, lockouts, strikes or other disruptions, and could have an adverse impact on our operating results if we are unable to fulfill customer orders or required to accumulate excess inventory or find alternate sources of supply, if available, at higher costs.

The loss of any customer accounting for more than 10 percent of our consolidated net sales could have a material adverse impact on our operating results.

Two customers of the RV Segment accounted for a combined 39 percent, and another customer of both the RV Segment and the MH Segment accounted for 26 percent, of our consolidated net sales in 2015. The loss of any of these customers would have a material adverse impact on our operating results and financial condition.

Changes in consumer preferences relating to our products could cause reduced sales.

Changes in consumer preferences, or our inability to anticipate changes in consumer preferences, for RVs or manufactured homes, or for the products we make for RVs and manufactured homes, could reduce demand for our products and adversely affect our operating results and financial condition.

Competitive pressures could reduce demand for our products or impact our sales prices.

Domestic and foreign competitors may lower prices on products which currently compete with our products, or develop product improvements, which could reduce demand for our products or cause us to reduce prices for our products. In addition, the manufacture by our customers themselves of products supplied by us could reduce demand for our products and adversely affect our operating results and financial condition.

Increases in demand could result in difficulty obtaining additional skilled labor, and available capacity may initially not be utilized efficiently.

In certain geographic regions in which we have manufacturing facilities we have experienced, and could again experience, shortages of qualified employees. Competition for skilled workers, especially during improving economic times, may increase the cost of our labor and create employee retention and recruitment challenges, as employees with knowledge and experience have the ability to change employers relatively easily. If such conditions become extreme, we may not be able to increase production to timely satisfy demand, and may initially incur higher labor and production costs, which could adversely impact our operating results and financial condition.

We may incur unexpected expenses, or face unanticipated delays, in connection with investments we make in our business, which could adversely impact our results.

It may take longer than initially anticipated for us to realize expected results from investments in research and development or acquired businesses, as well as initiatives we have implemented to increase capacity and improve production efficiencies, automation, customer service and other aspects of our business, or we may incur unexpected expenses in connection with these matters. These conditions could have an adverse effect on our operating results and financial condition.

We have recently entered new markets in order to enhance our growth potential. Uncertainties with respect to these new markets could impact our operating results.

We are a leading supplier of components for RVs and manufactured housing, and currently have a significant share of the market for certain of our products, which limits our ability to expand our market share for those products. We have made investments in order to expand the sale of our products in the RV and manufactured housing aftermarket, and in adjacent industries beyond RVs and manufactured housing. We are also exploring opportunities to increase export sales of our products to international markets. Limited operating experience or limited brand recognition in new markets may limit our expansion strategy. Lack of demand for our products in these markets or competitive pressures requiring us to lower prices for our products could adversely impact our business growth in these markets and our results of operations.

If acquired businesses are not successfully integrated into our operations, our financial condition and operating results could be adversely impacted.

We have completed several business acquisitions and may continue to engage in acquisitions or similar activities, including joint ventures and other business transactions that involve potential risks, including failure to successfully integrate and realize the expected benefits of such transactions, assumption of liabilities of the acquired businesses, and possible culture conflicts. Integrating acquired operations is a significant challenge and there is no assurance that we will be able to manage the integrations successfully. If we are unable to efficiently integrate these businesses, the attention of our management could be diverted from our existing operations, which could impair our ability to execute our business plans. Failure to successfully integrate acquired operations or to realize the expected benefits of such acquisitions may have an adverse impact on our results of operations and financial condition.

The loss of key management could reduce our ability to execute our business strategy and could adversely affect our business and results of operations.

We are dependent on the knowledge, experience and skill of our managerial personnel. The loss of the services of one or more key managers or the failure to attract or retain qualified management staff could impair our ability to execute our business strategy, which would have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to numerous international, federal, state and local regulations, and increased costs of compliance, failure in our compliance efforts or events beyond our control could result in damages, expenses or liabilities that could adversely impact our financial condition and operating results.



We are subject to numerous federal, state and local regulations governing the manufacture and sale of our products, including regulations and standards promulgated by the National Highway Traffic Safety Administration (“NHTSA”) of the United States Department of Transportation (“DOT”), the Consumer Products Safety Commission, the United States Department of Housing and Urban Development (“HUD”), and consumer safety standards promulgated by state regulatory agencies and industry associations, and the failure to comply with present or future regulations and standards could subject us to lawsuits, administrative penalties, and civil remedies, including fines, injunctions, and recalls of our products. Sales in foreign countries may be subject to similar regulations. Any recalls of our products, voluntary or involuntary, could adversely impact our financial condition and operating results. Changes in laws or regulations that impose additional regulatory requirements on us could increase our cost of doing business or restrict our actions, causing our results of operations to be adversely affected.

Further, certain U.S. and foreign laws and regulations affect our activities. Areas of our business affected by such laws and regulations include, but are not limited to, labor, advertising, consumer protection, quality of services, warranty, product liability, real estate, intellectual property, tax, import and export, and competition. We are also subject to compliance with the U.S. Foreign Corrupt Practices Act (“FCPA”), and other anti-bribery laws applicable to our operations. Compliance with these laws and others may be onerous and costly, at times, and may be inconsistent from jurisdiction to jurisdiction, which further complicates compliance efforts. Violations of any such laws could subject us to sanctions or other penalties that could negatively affect our reputation, business and operating results.

In addition, potentially significant expenditures could be required in order to comply with evolving healthcare, health and safety laws, regulations or other pertinent requirements that may be adopted or imposed in the future by governmental authorities. Our operating profit margin in 2015 was impacted by higher health insurance costs, largely due to increased employee participation, which we believe is largely due to the new healthcare requirements, and operating profit will likely continue to be impacted in future periods.

Our operations are subject to certain environmental laws and regulations, and costs of compliance, investigation or remediation of environmental conditions could have an adverse effect on our business and results of operations.

Our operations are also subject to certain federal, state and local environmental laws and regulations relating to air, water, noise pollution and the use, storage, discharge and disposal of hazardous materials used during the manufacturing processes. Under certain of these laws, namely the Comprehensive Environmental Response, Compensation, and Liability Act and its state counterparts, liability for investigation and remediation of hazardous substance contamination at currently or formerly owned or operated facilities or at third-party waste disposal sites is joint and several. Although we believe that our operations and facilities have been and are being operated in compliance, in all material respects, with such laws and regulations, one or more of our current or former operating sites, or adjacent sites owned by third-parties, have been affected by releases of hazardous materials. As a result, we may incur expenditures for future investigation and remediation. If other potentially responsible persons (“PRPs”) are unable or otherwise not obligated to contribute to remediation costs, we could be held responsible for their portion of the remediation costs, and those costs could be material. The operation of our manufacturing facilities entails risks, and we cannot assure that our costs in relation to these environmental matters or compliance with environmental laws in general will not have an adverse effect on our business and results of operations.

We may not be able to protect our intellectual property and may be subject to infringement claims.

We rely on certain trademarks and patents, including contractual rights with third parties. We endeavor to protect our rights; however, third parties may infringe upon our intellectual property rights. We may be forced to take steps to protect our rights, including through litigation. This could result in a diversion of resources. The inability to protect our intellectual property rights could have a material adverse effect on our business. We may also be subject to claims by third parties, seeking to enforce their claimed intellectual property rights.

Compliance with conflict mineral disclosure requirements will create additional compliance cost and may create reputational challenges.

The SEC adopted rules pursuant to Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act setting forth new disclosure requirements concerning the use or potential use of certain minerals, deemed conflict minerals (tantalum, tin, gold and tungsten), that are mined from the Democratic Republic of Congo and adjoining countries. These requirements necessitate due diligence efforts on our part to assess whether such minerals are used in our products in order to make the relevant required annual disclosures. There will be costs associated with complying with these disclosure requirements, including for diligence to determine the sources of conflict minerals used in our products and other potential changes to products, processes or sources of supply as a consequence of such verification activities. The implementation of these rules could adversely affect the sourcing, supply and pricing of materials used in our products. As there may be only a limited number of suppliers

offering conflict-free minerals, we cannot be sure that we will be able to obtain necessary conflict minerals from such suppliers in sufficient quantities or at competitive prices, which could adversely affect our ability to meet customer demand. We may also face reputational challenges if we determine that certain of our products contain minerals not determined to be conflict free or if we are unable to sufficiently verify the origins for all conflict minerals used in our products through the procedures we may implement.

If our information technology systems fail to perform adequately or are breached, our operations could be disrupted and could adversely affect our business, reputation and results of operation.

The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage our business data, inventory, supply chain, order entry and fulfillment, manufacturing, distribution, warranty administration, invoicing, collection of payments, and other business processes. We use information systems to report and support the audit our operational and financial results. Additionally, we rely upon information systems in our sales, marketing, human resources and communication efforts. The failure of our information technology systems to perform as we anticipate could disrupt our business and could result in transaction errors, processing inefficiencies, and the loss of sales and customers, causing our business and results of operations to suffer. In addition, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, security breaches, telecommunications failures, computer viruses, hackers, and other manipulation or improper use of our systems. Any such events could result in legal claims or proceedings, liability or penalties under privacy laws, disruption in operations, and damage to our reputation, which could adversely affect our business. Due to our reliance on our information systems, we have established various levels of security, backup and disaster recovery procedures. Further, we have selected and have begun implementing a new enterprise resource planning (“ERP”) system, the full implementation of which is expected to take several years; however, there may be other challenges and risks as we upgrade and standardize our ERP system on a company-wide basis.

If we expand our business internationally, we will be subject to new operational and financial risks.

We have been gradually growing sales overseas, primarily in Europe and Australia, and export sales represented approximately 1 percent of 2015 consolidated net sales. We plan to continue pursuing international opportunities. Business outside of the United States is subject to various risks, many of which are beyond our control, including: changes in tariffs, trade restrictions, trade agreements, and taxations; difficulties in managing or overseeing foreign operations and agents; differences in regulatory environments, labor practices and market practices; cultural and linguistic differences; foreign currency fluctuations and limitations on the repatriation of funds because of foreign exchange controls; different liability standards; and intellectual property laws of countries which do not protect our rights in our intellectual property to the same extent as the laws of the United States. The occurrence or consequences of any of these factors may have an adverse impact on our operating results and financial condition, as well as impact our ability to operate in international markets.

**Item 1B. UNRESOLVED STAFF COMMENTS.**

None.

**Item 2. PROPERTIES.**

The Company’s manufacturing operations are conducted at facilities that are used for both manufacturing and warehousing. In addition, the Company maintains administrative facilities used for corporate and administrative functions. At December 31, 2015, the Company’s properties were as follows:

**RV SEGMENT**

City	State/Province	Square Feet	Owned	Leased
Double Springs <sup>(1)</sup>	Alabama	54,500	<input checked="" type="checkbox"/>	
Gilbert	Arizona	11,600		<input checked="" type="checkbox"/>
Rialto <sup>(1)</sup>	California	56,430	<input checked="" type="checkbox"/>	
Lakeland	Florida	15,000		<input checked="" type="checkbox"/>
Nampa	Idaho	147,000		<input checked="" type="checkbox"/>
Nampa <sup>(1)</sup>	Idaho	29,225	<input checked="" type="checkbox"/>	
Twin Falls	Idaho	16,060		<input checked="" type="checkbox"/>
Goshen <sup>(1)</sup>	Indiana	459,200	<input checked="" type="checkbox"/>	

### RV SEGMENT

City	State/Province	Square Feet	Owned	Leased
Goshen	Indiana	355,960	<input checked="" type="checkbox"/>	
Goshen	Indiana	363,000		<input checked="" type="checkbox"/>
Elkhart	Indiana	308,864	<input checked="" type="checkbox"/>	
South Bend	Indiana	275,973		<input checked="" type="checkbox"/>
Elkhart	Indiana	250,000	<input checked="" type="checkbox"/>	
Goshen	Indiana	144,500	<input checked="" type="checkbox"/>	
Fort Wayne	Indiana	140,000		<input checked="" type="checkbox"/>
Goshen <sup>(1)</sup>	Indiana	138,700	<input checked="" type="checkbox"/>	
Middlebury	Indiana	122,226	<input checked="" type="checkbox"/>	
Auburn	Indiana	119,000		<input checked="" type="checkbox"/>
Elkhart	Indiana	102,900		<input checked="" type="checkbox"/>
Middlebury	Indiana	101,776	<input checked="" type="checkbox"/>	
Goshen	Indiana	95,960		<input checked="" type="checkbox"/>
Elkhart	Indiana	92,000	<input checked="" type="checkbox"/>	
Goshen	Indiana	87,800	<input checked="" type="checkbox"/>	
Goshen	Indiana	53,500	<input checked="" type="checkbox"/>	
Goshen	Indiana	50,000	<input checked="" type="checkbox"/>	
Elkhart	Indiana	28,000		<input checked="" type="checkbox"/>
Goshen	Indiana	22,000		<input checked="" type="checkbox"/>
Elkhart	Indiana	18,000		<input checked="" type="checkbox"/>
Sterling Heights	Michigan	27,363		<input checked="" type="checkbox"/>
Jackson Center	Ohio	12,000		<input checked="" type="checkbox"/>
Pendleton	Oregon	56,800	<input checked="" type="checkbox"/>	
McMinnville <sup>(1)</sup>	Oregon	17,850	<input checked="" type="checkbox"/>	
Granby	Quebec	60,000		<input checked="" type="checkbox"/>
Gaffney	South Carolina	55,000		<input checked="" type="checkbox"/>
Springfield	Tennessee	60,000		<input checked="" type="checkbox"/>
Waxahachie <sup>(1)</sup>	Texas	25,000	<input checked="" type="checkbox"/>	
Kaysville	Utah	70,000		<input checked="" type="checkbox"/>
		4,043,187	<sup>(2)</sup>	

(1) These plants also produce products for the MH Segment. The square footage indicated above represents that portion of the building that is utilized for the manufacture of products for the RV Segment.

(2) At December 31, 2014, the Company's RV Segment used an aggregate of 3,353,867 square feet for manufacturing and warehousing.

### MH SEGMENT

City	State	Square Feet	Owned	Leased
Double Springs <sup>(1)</sup>	Alabama	54,500	<input checked="" type="checkbox"/>	
Rialto <sup>(1)</sup>	California	6,270	<input checked="" type="checkbox"/>	
Fitzgerald	Georgia	79,000	<input checked="" type="checkbox"/>	
Nampa <sup>(1)</sup>	Idaho	54,275	<input checked="" type="checkbox"/>	
Goshen	Indiana	110,000	<input checked="" type="checkbox"/>	



### MH SEGMENT

City	State	Square Feet	Owned	Leased
Howe	Indiana	60,000	<input checked="" type="checkbox"/>	
Goshen <sup>(1)</sup>	Indiana	25,000	<input checked="" type="checkbox"/>	
Goshen <sup>(1)</sup>	Indiana	14,500	<input checked="" type="checkbox"/>	
Arkansas City	Kansas	7,800		<input checked="" type="checkbox"/>
McMinnville <sup>(1)</sup>	Oregon	17,850	<input checked="" type="checkbox"/>	
Denver	Pennsylvania	40,200		<input checked="" type="checkbox"/>
Chester	South Carolina	108,600	<input checked="" type="checkbox"/>	
Waxahachie <sup>(1)</sup>	Texas	170,000	<input checked="" type="checkbox"/>	
		<u>747,995</u> <sup>(2)</sup>		

(1) These plants also produce products for the RV Segment. The square footage indicated above represents that portion of the building that is utilized for the manufacture of products for the MH Segment.

(2) At December 31, 2014, the Company's MH Segment used an aggregate of 747,995 square feet for manufacturing and warehousing.

### ADMINISTRATIVE

City	State/Province	Square Feet	Owned	Leased
Double Springs	Alabama	7,200	<input checked="" type="checkbox"/>	
Elkhart	Indiana	49,200		<input checked="" type="checkbox"/>
Goshen	Indiana	40,000	<input checked="" type="checkbox"/>	
South Bend	Indiana	25,000		<input checked="" type="checkbox"/>
Goshen	Indiana	25,000		<input checked="" type="checkbox"/>
Elkhart	Indiana	20,000	<input checked="" type="checkbox"/>	
Goshen	Indiana	15,500	<input checked="" type="checkbox"/>	
Goshen	Indiana	11,000	<input checked="" type="checkbox"/>	
Elkhart	Indiana	8,000	<input checked="" type="checkbox"/>	
Goshen	Indiana	6,000		<input checked="" type="checkbox"/>
Goshen	Indiana	1,680	<input checked="" type="checkbox"/>	
Sterling Heights	Michigan	6,387		<input checked="" type="checkbox"/>
Granby	Quebec	5,000		<input checked="" type="checkbox"/>
Gaffney	South Carolina	2,500		<input checked="" type="checkbox"/>
Springfield	Tennessee	2,500		<input checked="" type="checkbox"/>
Waxahachie	Texas	16,000		<input checked="" type="checkbox"/>
Waxahachie	Texas	5,000	<input checked="" type="checkbox"/>	
Kaysville	Utah	5,000		<input checked="" type="checkbox"/>
		<u>250,967</u>		

At December 31, 2015, the Company maintained the following facilities, or partial facilities, not currently used in production.

City	State	Square Feet
Phoenix*	Arizona	61,000
South Bend*	Indiana	238,164
Goshen	Indiana	68,125

\*Currently leased to a third party.

**Item 3. LEGAL PROCEEDINGS.**

In the normal course of business, the Company is subject to proceedings, lawsuits, regulatory agency inquiries and other claims. All such matters are subject to uncertainties and outcomes that are not predictable with assurance. While these matters could materially affect operating results when resolved in future periods, it is management's opinion that, after final disposition, including anticipated insurance recoveries in certain cases, any monetary liability or financial impact to the Company beyond that provided for in the Consolidated Balance Sheet as of December 31, 2015, would not be material to the Company's financial position or annual results of operations.

**Item 4. MINE SAFETY DISCLOSURES.**

Not applicable.

## PART II

### Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

As of January 29, 2016, there were 373 holders of the Company's Common Stock, in addition to beneficial owners of shares held in broker and nominee names. The Company's Common Stock trades on the New York Stock Exchange under the symbol "DW".

Information concerning the high and low closing prices of the Company's Common Stock for each quarter during 2015 and 2014 is set forth in Note 15 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

#### Equity Compensation Plan Information as of December 31, 2015:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,002,000	\$3.25	1,305,440
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	1,002,000	\$3.25	1,305,440

Pursuant to the Drew Industries Incorporated Equity Award and Incentive Plan, As Amended and Restated (the "Plan"), which was approved by stockholders in May 2011, the Company may grant to its directors, employees, and consultants equity-based awards, such as stock options, restricted stock and deferred stock units. The number of shares available for granting awards under the Plan was 1,305,440 at December 31, 2015, and 1,389,506 at December 31, 2014. The Plan is the Company's only equity compensation plan.

#### Dividend Information

On April 10, 2015, the Company paid a special cash dividend of \$2.00 per share to holders of record of its Common Stock on March 27, 2015, and on January 6, 2014, the Company paid a special cash dividend of \$2.00 per share to holders of record of its Common Stock on December 20, 2013. Future dividend policy with respect to the Common Stock will be determined by the Board of Directors of the Company in light of prevailing financial needs and earnings of the Company and other relevant factors. The Company's dividend policy is not subject to specific restrictions in its financing agreements, but rather is limited by certain of the debt covenant calculations.



**Item 6. SELECTED FINANCIAL DATA.**

The following table summarizes certain selected historical financial and operating information of the Company and is derived from the Company's Consolidated Financial Statements. Historical financial data may not be indicative of the Company's future performance. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and Notes thereto included in Item 7 and Item 8 of this Report, respectively.

	Year Ended December 31,				
<i>(In thousands, except per share amounts)</i>	2015	2014	2013	2012	2011
<b>Operating Data:</b>					
Net sales	\$ 1,403,066	\$ 1,190,782	\$ 1,015,576	\$ 901,123	\$ 681,166
Severance	\$ 3,716	\$ —	\$ —	\$ —	\$ —
Sale of extrusion assets	\$ —	\$ 1,954	\$ —	\$ —	\$ —
Executive succession	\$ —	\$ —	\$ 1,876	\$ 1,456	\$ —
Operating profit	\$ 116,254	\$ 95,487	\$ 78,298	\$ 58,132	\$ 48,548
Income before income taxes	\$ 114,369	\$ 95,057	\$ 77,947	\$ 57,802	\$ 48,256
Provision for income taxes	\$ 40,024	\$ 32,791	\$ 27,828	\$ 20,462	\$ 18,197
Net income	\$ 74,345	\$ 62,266	\$ 50,119	\$ 37,340	\$ 30,059
<b>Net income per common share:</b>					
Basic	\$ 3.06	\$ 2.60	\$ 2.15	\$ 1.66	\$ 1.35
Diluted	\$ 3.02	\$ 2.56	\$ 2.11	\$ 1.64	\$ 1.34
<b>Financial Data:</b>					
Net working capital	\$ 169,580	\$ 100,451	\$ 107,339	\$ 84,243	\$ 85,657
Total assets	\$ 622,946	\$ 543,841	\$ 453,184	\$ 373,868	\$ 351,083
Long-term obligations	\$ 85,509	\$ 41,758	\$ 21,380	\$ 19,843	\$ 21,876
Stockholders' equity	\$ 438,575	\$ 394,898	\$ 313,613	\$ 284,245	\$ 277,296

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto included in Item 8 of this Report.

Drew Industries Incorporated ("Drew", and collectively with its subsidiaries, the "Company"), through its wholly-owned subsidiary, Lippert Components, Inc. and its subsidiaries (collectively, "Lippert Components" or "LCI"), supplies a broad array of components in the United States and abroad for the leading manufacturers of recreational vehicles ("RVs") and manufactured homes and for the related aftermarkets of those industries. The Company also supplies components for adjacent industries including buses; trailers used to haul boats, livestock, equipment and other cargo; pontoon boats; modular housing; and factory-built mobile office units.

The Company has two reportable segments: the recreational vehicle products segment (the "RV Segment") and the manufactured housing products segment (the "MH Segment"). Intersegment sales are insignificant. At December 31, 2015, the Company operated 42 manufacturing and distribution facilities in the United States and Canada.

Net sales and operating profit were as follows for the years ended December 31:

<i>(In thousands)</i>	2015	2014	2013
Net sales:			
RV Segment:			
RV OEMs:			
Travel trailers and fifth-wheels	\$ 938,787	\$ 841,497	\$ 727,783
Motorhomes	86,513	70,332	47,937
RV aftermarket	87,447	49,570	25,334
Adjacent industries	172,181	113,049	92,640
Total RV Segment net sales	<u>1,284,928</u>	<u>1,074,448</u>	<u>893,694</u>
MH Segment:			
Manufactured housing OEMs	82,032	77,421	80,245
Manufactured housing aftermarket	15,559	14,186	13,719
Adjacent industries	20,547	24,727	27,918
Total MH Segment net sales	<u>118,138</u>	<u>116,334</u>	<u>121,882</u>
Total net sales	<u>\$ 1,403,066</u>	<u>\$ 1,190,782</u>	<u>\$ 1,015,576</u>
Operating profit:			
RV Segment	\$ 107,485	\$ 86,571	\$ 68,248
MH Segment	12,485	10,870	11,926
Total segment operating profit	<u>119,970</u>	<u>97,441</u>	<u>80,174</u>
Severance	(3,716)	—	—
Sale of extrusion assets	—	(1,954)	—
Executive succession	—	—	(1,876)
Total operating profit	<u>\$ 116,254</u>	<u>\$ 95,487</u>	<u>\$ 78,298</u>

In the third quarter of 2015, the Company refined its methodology for categorizing sales within the RV Segment. This change improves accuracy, but has no impact on total RV Segment net sales or trends. Prior periods have been reclassified to conform to this presentation.

Corporate expenses are allocated between the segments based upon net sales. Accretion related to contingent consideration and other non-segment items are included in the segment to which they relate.

Net sales and operating profit by segment, as a percent of the total, were as follows for the years ended December 31:

	2015	2014	2013
Net sales			
RV Segment	92%	90%	88%
MH Segment	8%	10%	12%
Total net sales	<u>100%</u>	<u>100%</u>	<u>100%</u>
Operating Profit:			
RV Segment	90%	89%	85%
MH Segment	10%	11%	15%
Total segment operating profit	<u>100%</u>	<u>100%</u>	<u>100%</u>

Operating profit margin by segment was as follows for the years ended December 31:

	2015	2014	2013
RV Segment	8.4%	8.1%	7.6%
MH Segment	10.6%	9.3%	9.8%

The Company's RV Segment manufactures or distributes a variety of products used in the production of RVs, including:

- Steel chassis for towable RVs
- Axles and suspension solutions for towable RVs
- Slide-out mechanisms and solutions
- Thermoformed bath, kitchen and other products
- Windows
- Manual, electric and hydraulic stabilizer and leveling systems
- Chassis components
- Furniture and mattresses
- Entry, luggage, patio and ramp doors
- Electric and manual entry steps
- Awnings and awning accessories
- Electronic components
- LED televisions, sound systems, navigation systems and wireless backup cameras
- Other accessories

The Company also supplies certain of these products to the RV aftermarket and to adjacent industries, including buses, trailers used to haul boats, livestock, equipment and other cargo, and pontoon boats. RVs may be motorized (motorhomes) or towable (travel trailers, fifth-wheels, folding camping trailers and truck campers). Approximately 73 percent of the Company's RV Segment net sales in 2015 were of products to original equipment manufacturers ("OEMs") of travel trailer and fifth-wheel RVs. Travel trailer and fifth-wheel RVs accounted for 84 percent of all RVs shipped by the industry in 2015.

The Company's MH Segment manufactures or distributes a variety of products used in the production of manufactured homes, including:

- Vinyl and aluminum windows
- Thermoformed bath and kitchen products
- Steel and fiberglass entry doors
- Aluminum and vinyl patio doors
- Steel chassis and related components
- Axles

The Company also supplies certain of these products to the manufactured housing aftermarket and to adjacent industries, including modular housing and mobile office units. Certain of the Company's MH Segment customers manufacture both manufactured homes and modular homes, and certain of the products manufactured by the Company are suitable for both types of homes. As a result, the Company is not always able to determine in which type of home its products are installed.

The RV and manufactured housing industries, as well as other industries where the Company sells products or where its products are used, historically have been seasonal and are generally at the highest levels when the weather is moderate. Accordingly, the Company's sales and profits have generally been the highest in the second quarter and lowest in the fourth quarter. However, because of fluctuations in dealer inventories, the impact of international, national and regional economic conditions and consumer confidence on retail sales of RVs and other products for which the Company sells its components, the timing of dealer orders, and the impact of severe weather conditions on the timing of industry-wide shipments from time to time, current and future seasonal industry trends may be different than in prior years.

Over the past several years, largely due to the growth the Company has experienced in its RV Segment, the MH Segment is now a smaller part of the Company. MH Segment net sales were 8 percent of consolidated 2015 net sales. In addition, the Company has recently increased its focus on the significant opportunities in the aftermarket. The Company continues to evaluate the information provided to its Chief Operating Decision Maker ("CODM"), and assess how changes to its reporting structures would be used by the CODM to assess the performance of the Company's operating segments and make decisions about resource allocations. Any such changes could necessitate a revision to the operating segments the Company reports.

## **INDUSTRY BACKGROUND**

### *Recreational Vehicle Industry*

An RV is a vehicle designed as temporary living quarters for recreational, camping, travel or seasonal use. RVs may be motorized (motorhomes) or towable (travel trailers, fifth-wheel travel trailers, folding camping trailers and truck campers).

The annual sales cycle for the RV industry has historically started in October after the "Open House" in Elkhart, Indiana where many of the largest RV OEMs display product to RV retail dealers, and ends after the conclusion of the summer selling season in September in the following calendar year. Between October and March, industry-wide wholesale shipments of travel trailer and fifth-wheel RVs have historically exceeded retail sales as dealers build inventories to support anticipated sales. Between April and September, the spring and summer selling seasons, retail sales of travel trailer and fifth-wheel RVs have historically exceeded industry-wide wholesale shipments. Based on dealer surveys and information from wholesale finance companies, industry analysts report dealer inventories of travel trailer and fifth-wheel RVs are in-line with anticipated retail demand in the upcoming



spring 2016 selling season. During 2015, wholesale sales of travel trailers and fifth-wheel RV exceeded retail sales by less than 1 percent, indicating dealers are managing their inventories more tightly and suggesting that changes in retail demand could more closely affect wholesale sales than in recent history.

According to the Recreation Vehicle Industry Association (“RVIA”), industry-wide wholesale shipments of travel trailer and fifth-wheel RVs in 2015, the Company’s primary RV markets, increased 5 percent to 314,400 units compared to 2014, as a result of:

- An estimated 35,900 unit increase in retail demand in 2015, or 13 percent, as compared to 2014. In addition, retail demand is typically revised upward in subsequent months, primarily due to delayed RV registrations.
- RV dealers increasing inventory levels by 1,200 units in 2015.

While the Company measures its RV sales against industry-wide wholesale shipment statistics, the underlying health of the RV industry is determined by retail demand. A comparison of the number of units and the year-over-year percentage change in industry-wide wholesale shipments and retail sales of travel trailers and fifth-wheel RVs, as reported by Statistical Surveys, Inc., as well as the resulting estimated change in dealer inventories, for both the United States and Canada, is as follows:

	Wholesale		Retail		Estimated Unit Impact on Dealer Inventories
	Units	Change	Units	Change	
Year ended December 31, 2015	314,400	5%	313,200	13%	1,200
Year ended December 31, 2014	298,900	12%	277,300	11%	21,600
Year ended December 31, 2013	268,000	10%	250,800	13%	17,200

According to the RVIA, industry-wide wholesale shipments of motorhome RVs in 2015 increased 8 percent to 47,300 units compared to 2014. Retail demand for motorhome RVs also increased 12 percent in 2015, following a 16 percent increase in retail demand in 2014.

The RVIA has projected a modest increase in industry-wide wholesale shipments of travel trailer and fifth-wheel RVs for 2016. Several RV OEM customers are introducing new product lines, additional features and adding production capacity. Retail sales of RVs historically have been closely tied to general economic conditions, as well as consumer confidence which was above historical averages in 2015. Furthermore, retail sales of travel trailer and fifth-wheel RVs have increased in 72 of the last 74 months on a year-over-year basis. Industry resources report strong attendance and high consumer interest at RV shows around the United States and Canada in late 2015 and into early 2016.

Although future retail demand is inherently uncertain, RV industry fundamentals in 2015, including generally low unemployment, low fuel prices and available credit for dealers and RV consumers, were strong, as evidenced by the 13 percent increase in industry-wide retail sales of travel trailer and fifth-wheel RVs. The Company believes the strong RV industry fundamentals, aided by product innovation, demographic tailwinds, industry promotion and the advent of stronger dealer networks, are positive signs for 2016. The Company also remains confident in its ability to exceed industry growth rates through new product introductions, market share gains, aftermarket sales, acquisitions and ongoing investments in research and development, engineering, quality and customer service.

Over the long term, the Company expects RV industry sales to be aided by positive demographics and the continued popularity of the “RV Lifestyle”. The number of consumers between the ages of 55 and 70 are projected to total 56 million by 2020, 27 percent higher than in 2010, according to U.S. Census figures, and one in ten vehicle-owning households between the ages of 50 and 64 own at least one RV. The RVIA reported much of the success of the RV industry has been driven by the Baby Boomer generation. The size of that generation is beginning to wane, and younger generations, Generation X and Millennials are becoming more relevant to future industry growth. Generation X and Millennials are more diverse, requiring new and creative marketing approaches to attract them to the RV industry. The RVIA has an advertising campaign promoting the “RV Lifestyle” targeted at both parents aged 30 - 49 with children at home, as well as couples aged 50 - 64 with no children at home. In addition, the RV OEMs have developed more entry level units, specifically targeting younger families, in both towables and motorhomes. The popularity of traveling in RVs to NASCAR and other sporting events, more family-oriented domestic vacations, and using RVs as second homes, are trends that could continue to motivate consumer demand for RVs. RVIA studies indicate RV vacations cost significantly less than other forms of vacation travel, even when factoring in fuel prices and the cost of RV ownership. More details can be found at [www.RVIA.org](http://www.RVIA.org).

## *Manufactured Housing Industry*

Manufactured homes are built entirely in a factory on permanent steel undercarriages or chassis to which axles and wheels are attached. The homes are then transported to a manufactured housing dealer which sells and transports the home to the buyer's home site. The manufactured home is installed pursuant to a federal building code administered by the U.S. Department of Housing and Urban Development ("HUD"). The federal standards regulate manufactured housing design and construction, methods to site and secure the home at a home site, strength and durability, transportability, fire resistance, energy efficiency and quality. The HUD code also sets performance standards for the heating, plumbing, air conditioning, thermal and electrical systems. It is the only federally regulated national building code.

Manufactured homes contain one or more "floors" or sections which can be joined to make larger homes. A typical section may range in size from 800 to 1,200 square feet. During 2015, multi-section homes were 54 percent of the total manufactured homes produced, consistent with 2012 - 2014. Multi-section homes averaged 64 percent of the total manufactured homes produced between 2007 - 2010. Multi-section manufactured homes generally contain more of the Company's products than single-section manufactured homes.

The Institute for Building Technology and Safety ("IBTS") reported industry-wide wholesale shipments of manufactured homes were 70,500 units in 2015, an increase of 10 percent from 2014. For the full year 2014, there were 64,300 industry-wide wholesale shipments of manufactured homes, an increase of 7 percent compared to 2013.

For the 20 years prior to the sub-prime boom in home financing, manufactured housing industry-wide wholesale shipments represented 20 percent or more of single-family housing starts. During the sub-prime years of 2003 - 2007, when low cost loans were available for financing purchases of site-built homes, many traditional buyers of manufactured homes were able to purchase site-built homes instead of manufactured homes, and manufactured housing's share of the single-family market dropped to below 10 percent. Since the sub-prime "bubble" burst in 2007 and 2008, this market share has averaged about 11 percent, despite interest rates for manufactured home loans remaining historically high relative to interest rates for site-built home loans. Accordingly, the Company believes the manufactured housing industry may experience a modest recovery if the economy continues to improve and home buyers look at affordable housing options. However, because of the current real estate, credit and economic environment, including the availability of site built homes at stable prices and high interest rate spreads between conventional mortgages for site-built homes and loans for manufactured homes, the Company expects industry-wide wholesale shipments of manufactured homes to remain low until these conditions improve.

In addition, certain provisions of the Dodd-Frank Act, which regulate financial transactions, have made certain types of mortgages, including chattel loans, more difficult or more expensive to obtain – in particular those historically used to finance the purchase of manufactured homes. Although the Consumer Financial Protection Bureau has been reviewing this matter and legislation has been passed by the U.S. House of Representatives to address this matter, there can be no assurance of the outcome.

Nevertheless, the Company believes long-term growth prospects for manufactured housing remain positive because of the quality and affordability of the home, and favorable demographic trends, including the increasing number of retirees who, in the past, had represented a significant market for manufactured homes.

## **RESULTS OF OPERATIONS**

### **Year Ended December 31, 2015 Compared to Year Ended December 31, 2014**

#### *Consolidated Highlights*

- Consolidated net sales for the year ended December 31, 2015 increased to a record \$1.4 billion, 18 percent higher than the year ended December 31, 2014. Acquisitions completed by the Company in 2015, as well as the Furrion Limited ("Furrion") distribution and supply agreement for premium electronics (the "Furrion Agreement"), added \$52 million in net sales in 2015. The five percent increase in industry-wide wholesale shipments of travel trailer and fifth-wheel RVs, the Company's primary RV market, as well as increased content per unit through market share gains, positively impacted net sales growth in 2015.
- In 2015, the Company continued to grow sales to both adjacent industries and the aftermarket for the RV and manufactured housing segments. Aggregate net sales to adjacent industries increased 40 percent to \$193 million and aftermarket net sales increased 62 percent to \$103 million. Together, these markets now account for 21 percent of consolidated net sales, double the percentage from 2010.

- For the full-year 2015, the Company's net income increased to \$74.3 million, or \$3.02 per diluted share, up from net income of \$62.3 million, or \$2.56 per diluted share, in 2014. Excluding certain charges for severance, environmental and legal costs in 2015, net income would have been \$79.0 million in 2015, or \$3.20 per diluted share, and excluding the 2014 loss on the sale of the Company's aluminum extrusion-related assets, net income would have been \$63.5 million in 2014, or \$2.61 per diluted share.
- Consolidated operating profits during 2015 increased 22 percent, to \$116.3 million in 2015 from \$95.5 million in 2014. Operating profit margin increased to 8.3 percent in 2015 from 8.0 percent in 2014.
- Raw material costs continue to fluctuate. In particular, aluminum rose nearly 20 percent during the second half of 2014, and dropped during the second half of 2015. Similarly, the cost of steel used in certain of the Company's manufactured components dropped during the course of 2015; however, certain market prices have increased in early 2016 from the low points experienced during 2015. Raw material costs are expected to remain volatile.
- During 2015 the Company completed three acquisitions:
  - Signature Seating -- A Ft. Wayne, Indiana-based manufacturer of furniture solutions for fresh water boat manufacturers, primarily pontoon boats, with annual sales of approximately \$16 million;
  - Spectal Industries -- A Canada-based manufacturer of windows and doors primarily for school buses, as well as commercial buses, emergency vehicles, trucks, agricultural equipment and RVs, with annual sales of \$25 million.
  - EA Technologies -- An Elkhart, Indiana-based manufacturer of custom steel and aluminum parts and provider of electro-deposition ('e-coat') and powder coating services for RV, bus, medium-duty truck, automotive, recreational marine, specialty and utility trailer, and military applications, with annual sales of \$17 million.

The Company plans to grow sales and leverage its purchasing power and manufacturing capabilities in addition to its engineering and design resources to improve the cost structure of the acquired operations. After funding these acquisitions in 2015, the Company believes it has access to sufficient financial capital and staff to take advantage of additional investment opportunities.

- For 2015, the Company achieved an 18.4 percent return on equity, an improvement from the 17.5 percent return on equity in 2014.
- In April 2015, the Company paid a special dividend of \$2.00 per share, aggregating \$48.2 million.

### RV Segment

Net sales of the RV Segment in 2015 increased 20 percent, or \$210 million, compared to 2014. Net sales of components were to the following markets for the years ending December 31:

<i>(In thousands)</i>	2015	2014	Change
RV OEMs:			
Travel trailers and fifth-wheels	\$ 938,787	\$ 841,497	12%
Motorhomes	86,513	70,332	23%
RV aftermarket	87,447	49,570	76%
Adjacent industries	172,181	113,049	52%
Total RV Segment net sales	\$ 1,284,928	\$ 1,074,448	20%

According to the RVIA, industry-wide wholesale shipments for the years ended December 31, were:

	2015	2014	Change
Travel trailer and fifth-wheel RVs	314,400	298,900	5%
Motorhomes	47,300	43,900	8%

The Company's net sales growth in components for travel trailer and fifth-wheel RVs during 2015 exceeded the increase in industry-wide wholesale shipments of travel trailer and fifth-wheel RVs during the same period primarily due to market share gains and acquisitions completed in 2015, which acquisitions added \$6 million in net sales during 2015.

The Company's net sales growth in components for motorhomes during 2015 exceeded the increase in industry-wide wholesale shipments of motorhomes during the same period primarily due to market share gains and an acquisition completed in 2014, which acquisition added \$8 million in net sales during 2015. Over the past few years, the Company has been expanding its product line of components for motorhomes in order to increase its customer base and market penetration, and further growth is expected.

The trend in the Company's average product content per RV produced is an indicator of the Company's overall market share of components for new RVs. The Company's average product content per type of RV, calculated based upon the Company's net sales of components to RV OEMs for the different types of RVs produced for the years ended December 31, divided by the industry-wide wholesale shipments of the different types of RVs for the same period, was:

Content per:	2015	2014	Change
Travel trailer and fifth-wheel RV	\$ 2,987	\$ 2,816	6%
Motorhome	\$ 1,810	\$ 1,602	13%

In the third quarter of 2015, the Company refined the calculation of RV content per unit. This change improves accuracy, but has no impact on total RV Segment net sales or trends of content per unit. Prior periods have been reclassified to conform to this presentation.

The Company's average product content per type of RV excludes sales to the aftermarket and adjacent industries. Content per RV is impacted by market share gains, acquisitions, new product introductions, and changes in selling prices for the Company's products, as well as changes in the types of RVs produced industry-wide.

The Company's net sales to the RV aftermarket increased during 2015 primarily due to market share gains and acquisitions completed in 2014, which acquisitions added \$20 million in net sales during 2015. With an estimated 10 million households in North America owning an RV and the Company's increasing content per unit, the Company continues to believe there are significant opportunities in the RV aftermarket.

The Company's net sales to adjacent industries, including components for buses, trailers used to haul boats, livestock, equipment and other cargo, and pontoon boats, increased during 2015 primarily due to market share gains and acquisitions completed in 2015, which acquisitions added \$37 million in net sales during 2015. The Company continues to believe there are significant sales growth opportunities in adjacent industries.

Over the past several years, the Company has been gradually growing international RV sales, primarily in Europe and Australia, and export sales represented approximately 1 percent of consolidated net sales in 2015. The Company continues to focus on developing products tailored for international RV markets. The Company participates in the largest RV shows in Europe and has been receiving positive feedback on its products, especially its proprietary slide-out products. The Company has spent more than two years developing three slide-out systems suited to the needs of the European market, which were recently featured on new RV models. As a result, the Company believes it will see additional orders from European RV OEMs. The Company estimates the addressable market for annual net sales of its products outside of North America to be \$750 million.

Excluding the severance charges in 2015 and the loss on sale of extrusion assets in 2014, operating profit of the RV Segment was \$107.5 million in 2015, an improvement of \$20.9 million, reflecting a 10 percent incremental margin compared to 2014. This increase in RV Segment operating profit was less than the Company's expected 15 to 20 percent incremental margin. The operating profit margin of the RV Segment in 2015 was adversely impacted by:

- Fixed costs which were approximately \$15 to \$20 million higher than in 2014. Over the past couple of years, the Company made significant investments in manufacturing capacity, both facilities and personnel, to prepare for the expected increase in net sales in 2015 and beyond. In addition to investments in fixed costs to expand manufacturing capacity, the Company made improvements in marketing, human resources, engineering, customer service and other critical departments. The Company also added the teams from acquired businesses as well as related amortization of intangible assets. As industry-wide wholesale shipments growth has slowed from multi-year double-digit rates to mid-single-digit rates, the Company evaluated its expenses and in the fourth quarter of 2015 initiated a focused program to reduce indirect labor costs to improve operating leverage. Annual cost savings of approximately \$8 to \$10 million were identified and implemented late in 2015 and will come from aligning staff levels more closely to anticipated growth.
- An increase in stock-based compensation of approximately \$3.2 million due to the implementation of the new 2015 compensation program for management.
- Sales mix changes of its products, including lower sales of fifth-wheel products.
- A charge of \$1.5 million related to environmental costs.
- A voluntary safety recall of the Company's double and triple Coach Steps, for which the Company recorded a reserve of \$1.1 million for the contingent obligation in selling, general and administrative expenses.



Partially offset by:

- Investments over the past several years to increase capacity and improve operating efficiencies, which benefit operating results. The Company added capacity ahead of projected demand, which enabled it to efficiently fulfill customer orders as demand increased. Further, the Company has implemented additional efficiency improvements, including lean, automation and employee retention initiatives to improve operating efficiencies going forward.
- Lower material costs for certain raw material inputs. After increasing in the latter part of 2014, steel and aluminum costs declined over the course of 2015. Nevertheless, material costs, which are subject to global supply and demand forces, remain volatile.
- Better fixed costs absorption by spreading fixed costs over a \$212 million larger sales base.

### *MH Segment*

Net sales of the MH Segment in 2015 increased 2 percent, or \$2 million, compared to 2014. Net sales of components were to the following markets for the years ending December 31:

<i>(In thousands)</i>	2015	2014	Change
Manufactured housing OEMs	\$ 82,032	\$ 77,421	6%
Manufactured housing aftermarket	15,559	14,186	10%
Adjacent industries	20,547	24,727	(17)%
Total MH Segment net sales	\$ 118,138	\$ 116,334	2%

According to the IBTS, industry-wide wholesale shipments for the years ended December 31, were:

	2015	2014	Change
Total homes produced	70,500	64,300	10%
Total floors produced	109,600	99,200	10%

Industry-wide wholesale shipments of manufactured homes increased during 2015 when compared to 2014, as well as the Company's net sales of components for new manufactured homes increased during 2015, primarily due to customer mix, as the Company's content per unit varies between customers.

Manufactured homes contain one or more "floors" or sections which can be joined to make larger homes. The larger homes typically contain more of the Company's products. The Company's average product content per manufactured home produced by the industry and total manufactured home floors produced by the industry, calculated based upon the Company's net sales of components to manufactured housing OEMs for newly produced manufactured homes for the years ended December 31, divided by the number of manufactured homes and manufactured home floors produced by the industry, respectively, for the same period, was:

Content per:	2015	2014	Change
Home produced	\$ 1,163	\$ 1,203	(3)%
Floor produced	\$ 748	\$ 783	(4)%

The Company's average product content per manufactured home excludes sales of replacement parts to the aftermarket and sales to adjacent industries. Content per manufactured home and content per floor are impacted by market share changes, acquisitions and new product introductions, and changes in selling prices for the Company's products, as well as changes in the types of floors produced industry-wide.

Operating profit of the MH Segment was \$12.5 million in 2015, an increase of \$1.6 million compared to 2014 primarily due to the increase in net sales from higher unit sales.

### **Year Ended December 31, 2014 Compared to Year Ended December 31, 2013**

#### *Consolidated Highlights*

- Consolidated net sales for the year ended December 31, 2014 increased to \$1.2 billion, 17 percent higher than the year ended December 31, 2013, primarily due to the 20 percent increase in net sales of the Company's RV Segment. Acquisitions completed by the Company in 2014 added \$36 million in net sales in 2014. The twelve percent increase

in industry-wide wholesale shipments of travel trailer and fifth-wheel RVs, the Company's primary RV market, as well as increased content per unit through market share gains, positively impacted net sales growth in 2014.

- In 2014, the Company continued to grow both adjacent industries and the aftermarket for the RV and manufactured housing segments. Aggregate net sales to adjacent industries increased 14 percent to \$138 million and aftermarket net sales increased 63 percent to \$64 million.
- For the full-year 2014, the Company's net income increased to \$62.3 million, or \$2.56 per diluted share, up from net income of \$50.1 million, or \$2.11 per diluted share, in 2013. Excluding the loss related to the sale of the Company's aluminum extrusion-related assets in 2014 and charges for executive succession in 2013, net income would have been \$63.5 million in 2014, or \$2.61 per diluted share, up from net income of \$51.3 million, or \$2.16 per diluted share, in 2013. Net income in 2014 was also impacted by facility start-up and realignment costs, which reduced net income per diluted share by approximately \$0.09.
- Consolidated operating profits during 2014 increased 22 percent, to \$95.5 million in 2014 from \$78.3 million in 2013. Operating profit margin increased to 8.0 percent in 2014 from 7.7 percent in 2013. As a result of facility start-up and realignment costs, as well as higher health insurance costs, the Company's incremental margin in 2014 was lower than its historical average.
- During 2014 the Company completed four acquisitions, which added approximately \$68 million of acquired annual sales, of which \$36 million occurred in 2014. The four operations acquired by the Company during 2014 were:
  - Innovative Design Solutions, Inc. ("IDS") - A designer, developer and manufacturer of electronic systems encompassing a wide variety of RV, automotive, medical and industrial applications, with annual sales of \$19 million, of which \$15 million were to the Company;
  - Star Design, LLC ("Star Design") - A manufacturer of thermoformed sheet plastic products for the RV, bus and specialty vehicle industries, with annual sales of \$10 million;
  - Power Gear<sup>®</sup> and Kwikkee<sup>®</sup> brands (RV business of Actuant Corporation) - A manufacturer of leveling systems, slide-out mechanisms and steps, primarily for motorhome RVs, with annual sales of \$28 million;
  - Duncan Systems, Inc. ("Duncan Systems") - A supplier of replacement motorhome windshields, awnings, and RV, heavy truck, and specialty vehicle glass and windows, primarily to fulfill insurance claims, with annual sales of \$26 million.
- For 2014, the Company achieved a 17.5 percent return on equity, an improvement from the 16.0 percent return on equity in 2013.
- In January 2014, the Company paid a special dividend of \$2.00 per share, aggregating \$47 million.

### RV Segment

Net sales of the RV Segment in 2014 increased 20 percent, or \$181 million, compared to 2013. Net sales of components were to the following markets for the years ending December 31:

<i>(In thousands)</i>	2014	2013	Change
RV OEMs:			
Travel trailers and fifth-wheels	\$ 841,497	\$ 727,783	16%
Motorhomes	70,332	47,937	47%
RV aftermarket	49,570	25,334	96%
Adjacent industries	113,049	92,640	22%
Total RV Segment net sales	\$ 1,074,448	\$ 893,694	20%

According to the RVIA, industry-wide wholesale shipments for the years ended December 31, were:

	2014	2013	Change
Travel trailer and fifth-wheel RVs	298,900	268,000	12%
Motorhomes	43,900	38,300	15%

The Company's net sales growth in components for travel trailer and fifth-wheel RVs during 2014 exceeded the increase in industry-wide wholesale shipments of travel trailer and fifth-wheel RVs primarily due to market share gains and acquisitions completed in 2014, which acquisitions added \$4 million in net sales during 2014.

The Company's net sales to the RV aftermarket increased during 2014 primarily due to market share gains and acquisitions completed in 2014, which acquisitions added \$9 million in net sales during 2014. With an estimated 10 million households in North America owning an RV, the Company continues to believe there are significant opportunities in the RV aftermarket.

The trend in the Company's average product content per RV produced is an indicator of the Company's overall market share of components for new RVs. The Company's average product content per type of RV, calculated based upon the Company's net sales of components to RV OEMs for the different types of RVs produced for the years ended December 31, divided by the industry-wide wholesale shipments of the different types of RVs for the same period, was:

Content per:	2014	2013	Change
Travel trailer and fifth-wheel RV	\$ 2,816	\$ 2,713	4%
Motorhome	\$ 1,602	\$ 1,272	26%

The Company's average product content per type of RV excludes sales to the aftermarket and adjacent industries. Content per RV is impacted by market share gains, acquisitions, new product introductions, and changes in selling prices for the Company's products, as well as changes in the types of RVs produced industry-wide.

The Company's net sales to the RV aftermarket increased during 2014 primarily due to market share gains and acquisitions completed in 2014, which acquisitions added \$15 million in net sales during 2014.

The Company's net sales to adjacent industries, including components for buses, trailers used to haul boats, livestock, equipment and other cargo, truck campers and truck caps, increased during 2014 primarily due to market share gains and acquisitions completed in 2014, which acquisitions added \$8 million in net sales during 2014.

Operating profit of the RV Segment was \$86.6 million in 2014, an improvement of \$18.3 million compared to 2013. This increase in RV Segment operating profit was less than the Company's expected 15 to 20 percent incremental margin. The operating profit margin of the RV Segment in 2014 was adversely impacted by:

- Higher health insurance costs, largely due to increased employee participation.
- Fixed costs, which were approximately \$15 million higher than in 2013. In response to the increase in net sales, the Company bolstered its administrative staff during 2014, including the teams that were acquired through acquisitions and new employees hired in preparation for future growth and investment opportunities.

In early 2014, the Company entered into two new leases which added more than 700,000 square feet of production and distribution capacity. These two new leased facilities became operational during the latter half of 2014 and the realignment of the related operations were completed.

Partially offset by:

- The elimination of production inefficiencies and costs incurred as a result of significant growth which occurred in 2012 and early 2013.
- Lower payroll costs as a percent of sales, largely due to a reduction in state unemployment tax rates and improved employee retention.
- Lower warranty costs as a percent of sales, largely due to lower claim experience.
- The spreading of fixed costs over a \$181 million larger sales base.

#### *MH Segment*

Net sales of the MH Segment in 2014 decreased 5 percent, or \$6 million, compared to 2013. Net sales of components were to the following markets for the years ending December 31:

<i>(In thousands)</i>	2014	2013	Change
Manufactured housing OEMs	\$ 77,421	\$ 80,245	(4)%
Manufactured housing aftermarket	14,186	13,719	3%
Adjacent industries	24,727	27,918	(11)%
Total MH Segment net sales	\$ 116,334	\$ 121,882	(5)%

According to the IBTS, industry-wide wholesale shipments for the years ended December 31, were:

	2014	2013	Change
Total homes produced	64,300	60,200	7%
Total floors produced	99,200	92,900	7%

The Company's net sales growth in components for new manufactured homes was less than the increase in industry-wide wholesale shipments of manufactured homes, primarily due to customer mix, as the Company's content per unit varies between customers, and loss of market share for certain products. Content per manufactured home and content per floor are impacted by market share changes, acquisitions and new product introductions, changes in selling prices for the Company's products, as well as changes in the types of floors produced industry-wide.

Net sales to the manufactured housing aftermarket increased due to market share gains.

The trend in the Company's average product content per manufactured home produced is an indicator of the Company's overall market share of components for new manufactured homes. Manufactured homes contain one or more "floors" or sections which can be joined to make larger homes. The larger homes typically contain more of the Company's products. The Company's average product content per manufactured home produced by the industry and total manufactured home floors produced by the industry, calculated based upon the Company's net sales of components to manufactured housing OEMs for newly produced manufactured homes for the years ended December 31, divided by the number of manufactured homes and manufactured home floors produced by the industry, respectively, for the same period, was:

Content per:	2014	2013	Change
Home produced	\$ 1,203	\$ 1,332	(10)%
Floor produced	\$ 783	\$ 864	(9)%

The Company's average product content per manufactured home excludes sales of replacement parts to the aftermarket and sales to adjacent industries. Content per manufactured home and content per floor are impacted by market share changes, acquisitions and new product introductions, and changes in selling prices for the Company's products, as well as changes in the types of floors produced industry-wide.

Operating profit of the MH Segment was \$10.9 million in 2014, a decrease of \$1.1 million compared to 2013 primarily due to the decline in net sales.

### Sale of Extrusion Assets

In April 2014, the Company entered into a six-year aluminum extrusion supply agreement, and concurrently sold certain aluminum extrusion assets. The Company recorded a pre-tax loss of \$2.0 million in the second quarter of 2014 on the sale of the aluminum extrusion-related assets. In connection with the sale, the Company received \$0.3 million at closing and a \$7.2 million note receivable collectible over the next four years, recorded at its present value of \$6.4 million on the date of closing. During 2015 and 2014, the Company received installments of \$3.8 million under the note. At December 31, 2015, the present value of the remaining amount due under the note receivable was \$3.2 million.

In July 2015, the Company agreed to terminate the supply agreement, and as consideration the Company received a \$2.0 million note receivable collectible in 2019 and 2020. The Company recorded this note receivable at its present value of \$1.6 million and a corresponding gain of \$1.6 million in the 2015 third quarter. At December 31, 2015, the present value of the remaining amount due under the note receivable was \$1.6 million.

### Severance and Executive Succession

In 2015, the Company initiated a focused program to reduce indirect labor costs. In connection with this cost reduction program, the Company incurred severance charges of \$3.7 million.

In 2013, in connection with the Company's executive succession and corporate relocation from White Plains, New York to Elkhart County, Indiana, the Company recorded pre-tax charges of \$1.9 million, related to contractual obligations for severance and the acceleration of equity awards held by certain employees whose employment terminated as a result of the executive succession and relocation to Indiana. The liability for executive succession and severance obligations were paid through 2015.



## Provision for Income Taxes

The effective income tax rate for 2015 was 35.0 percent, more than the 34.5 percent in 2014. Both 2015 and 2014 benefited from federal and state tax credits, as well as the reversal of federal and state tax reserves, due to the closure of the statutes of limitation of federal and state tax years, with a larger benefit in 2014. The Company estimates the 2016 effective income tax rate to be approximately 35 percent to 36 percent.

The effective income tax rate for 2014 was 34.5 percent compared to 35.7 percent in 2013.

## LIQUIDITY AND CAPITAL RESOURCES

The Consolidated Statements of Cash Flows reflect the following for the years ended December 31:

<i>(In thousands)</i>	2015	2014	2013
Net cash flows provided by operating activities	\$ 95,018	\$ 107,020	\$ 82,677
Net cash flows used for investing activities	(66,116)	(144,074)	(36,055)
Net cash flows (used for) provided by financing activities	(16,601)	(29,222)	9,719
Net increase (decrease) in cash	\$ 12,301	\$ (66,276)	\$ 56,341

### *Cash Flows from Operations*

Net cash flows from operating activities in 2015 were \$12.0 million lower than in 2014, primarily due to:

- A larger increase in inventories of \$9.3 million in 2015 compared to 2014. The increase in inventories in 2015 was primarily due to increases in sourced products, including inventory to support the Furrion Agreement (discussed immediately below) and acquisitions completed in 2015. A portion of the increase in inventory is also due to strategic positions to take advantage of favorable market conditions and include the strategic onboarding of a new supplier. Inventory turnover for 2015 decreased to 6.9 turns compared to 8.2 turns for 2014. The Company is working to improve inventory turnover over the coming quarters, however, inventory turns may trend lower due to growth in product categories such as imported furniture and Furrion electronics.
- In July 2015, the Company entered into a 6-year exclusive distribution and supply agreement with Furrion Limited (“Furrion”), a Hong Kong based firm that designs, engineers and manufactures premium electronics. This agreement provides the Company with the rights to distribute Furrion’s complete line of products to OEMs and aftermarket customers in the RV, specialty vehicle, utility trailer, horse trailer, marine, transit bus and school bus industries throughout the United States and Canada. Furrion currently supplies a premium line of LED televisions, sound systems, navigation systems, wireless backup cameras, solar prep units, power solutions and kitchen appliances, primarily to the RV industry. In connection with this agreement, the Company acquired Furrion’s current inventory, as well as Furrion’s deposits on inventory scheduled for delivery, for approximately \$11 million.
- A \$5.9 million decrease in accounts payable and accrued expenses and other liabilities in 2015 compared to a \$31.2 million increase in 2014, primarily due to increased imports and other prepaid inventories, efforts to increase consignments as well as the timing of purchases.

Partially offset by:

- A \$12.1 million increase in net income in 2015 compared to 2014.
- Increases in non-cash charges against net income in 2015 including:
  - A \$9.0 million increase in depreciation and amortization primarily due to investments in acquisitions and capital expenditures.
  - A \$3.2 million increase in stock-based compensation in 2015 compared to 2014.
  - An increase in deferred taxes of \$1.1 million in 2015 compared to a \$5.5 million decrease in 2014 due to an increase in certain expenses currently not deductible for tax purposes in 2015.

Over the long term, based on the Company’s historical collection and payment patterns, as well as inventory turnover, and also giving consideration to emerging trends and changes to the sales mix, the Company expects working capital to increase or decrease equivalent to approximately 11 to 14 percent of the increase or decrease, respectively, in net sales. However, there are many factors that can impact this relationship, especially in the short term.

Depreciation and amortization was \$41.6 million in 2015, and is expected to be approximately \$42 million to \$47 million for fiscal year 2016. Non-cash stock-based compensation in 2015 was \$16.1 million, including \$2.0 million of deferred stock units issued to certain executive officers in lieu of cash for a portion of their 2014 incentive compensation in accordance with their compensation arrangements. Non-cash stock-based compensation is expected to be approximately \$16 million to \$18 million in 2016.

Net cash flows from operating activities in 2014 were \$24.3 million higher than in 2013, primarily due to:

- A \$12.1 million increase in net income in 2014 compared to 2013.
- A \$24.0 million larger increase in accounts payable and accrued expenses and other liabilities in 2014 compared to 2013, primarily due to the increases in sales, production and earnings, as well as the timing of these payments.
- An \$8.5 million smaller increase in accounts receivable in 2014 compared to 2013, primarily due to a decrease in days sales outstanding to 15 at December 31, 2014, compared to 17 at December 31, 2013.
- A \$5.1 million increase in depreciation and amortization primarily due to the acquisitions completed during 2014 and capital expenditures over the last couple years.

Partially offset by:

- An \$18.5 million larger increase in inventories in 2014 as compared to 2013. The larger increase in inventories in 2014 was primarily to support the 41 percent increase in net sales in January 2015. Higher raw material costs and increased lead time on imports also contributed to the increase in inventory. Inventory turnover for 2014 improved to 8.2 turns compared to 7.9 turns for 2013.
- An increase in deferred taxes of \$5.5 million in 2014 compared to a \$0.3 million decrease in 2013 due to an increase in certain expenses not currently deductible for tax purposes in 2014.

#### *Cash Flows from Investing Activities*

Cash flows used for investing activities of \$66.1 million in 2015 were primarily comprised of \$41.1 million for the acquisition of businesses and \$29.0 million for capital expenditures.

In January 2015, the Company acquired the business and certain assets of EA Technologies, a manufacturer of custom steel and aluminum parts and provider of electro-deposition ('e-coat') and powder coating services for RV, bus, medium-duty truck, automotive, recreational marine, specialty and utility trailer, and military applications. The purchase price was \$9.2 million, of which \$6.6 million was paid in the fourth quarter of 2014, with the balance paid at closing.

In April 2015, the Company acquired the business and certain assets of Spectal, a Canada-based manufacturer of windows and doors primarily for school buses, as well as commercial buses, emergency vehicles, trucks, agricultural equipment and RVs. The purchase price was \$22.3 million paid at closing, plus contingent consideration based on future sales of this operation.

In August 2015, the Company acquired the business and certain assets of Roehm Marine, LLC, also known as Signature Seating, a manufacturer of furniture solutions for fresh water boat manufacturers, primarily pontoon boats. The purchase price was \$16.0 million paid at closing, plus contingent consideration based on future sales of this operation.

The Company's capital expenditures are primarily for replacement and growth. Over the long term, based on the Company's historical capital expenditures, the replacement portion has averaged approximately 2 percent of net sales, while the growth portion has averaged approximately 10 to 12 percent of the annual increase in net sales. However, there are many factors that can impact the actual spending compared to these historical averages. In 2015 capital expenditures of \$29 million were in line with historical averages. However, in 2014, the Company's capital expenditures were \$42.5 million, higher than the aforementioned historical averages. The increased spending was the result of several long-term growth and capacity expansion initiatives. As such, coupled with the success achieved in lean manufacturing to free up additional manufacturing space, the Company believes it is well positioned to meet the increased manufacturing demands expected for 2016 and into 2017 with capital expenditures at or below the historical levels.

The Company estimates capital expenditures will be \$20 million to \$26 million in 2016, including \$11 million to \$14 million of "replacement" capital expenditures and \$9 million to \$12 million of "growth" capital expenditures. Additional capital expenditures may be required in 2016 depending on the extent of the sales growth, the effect of any acquisitions and other initiatives by the Company.

The 2015 capital expenditures and acquisitions were funded by cash from operations and periodic borrowings under the Company's line of credit and \$50 million of Senior Promissory Notes issued under the "shelf-loan" facility with Prudential. The

2016 capital expenditures are expected to be funded primarily from cash generated from operations, as well as periodic borrowings under the Company's line of credit.

Cash flows used for investing activities of \$144.1 million in 2014 were primarily comprised of \$42.5 million for capital expenditures and \$106.8 million for the acquisition of businesses.

In February 2014, the Company acquired IDS, a designer, developer and manufacturer of electronic systems encompassing a wide variety of RV applications. IDS also manufactures electronic systems for automotive, medical and industrial applications. The purchase price was \$35.9 million, of which \$34.2 million was paid at closing, with the balance to be paid out annually over the subsequent three years, plus contingent consideration based on future sales of this operation.

In March 2014, the Company acquired the business and certain assets of Star Design, which manufactures thermoformed sheet plastic products for the RV, bus and specialty vehicle industries. The purchase price was \$12.2 million paid at closing.

In June 2014, the Company acquired the RV business of Actuant Corporation, which manufactures leveling systems, slide-out mechanisms and steps, primarily for motorhome RVs, under the Power Gear and Kwikkee brands. The purchase price was \$35.5 million, paid at closing.

In August 2014, the Company acquired the business and certain assets of Duncan Systems, an aftermarket distributor of replacement motorhome windshields, awnings, and RV, heavy truck and specialty vehicle glass and windows, primarily to fulfill insurance claims. The purchase price was \$18.0 million paid at closing, plus contingent consideration based on future sales of this operation.

#### *Cash Flows from Financing Activities*

Cash flows used by financing activities in 2015 included the payment of a special dividend of \$2.00 per share of the Company's Common Stock, representing an aggregate of \$48.2 million, paid to stockholders of record as of March 27, 2015, partially offset by a net increase in indebtedness of \$34.4 million. The increase in indebtedness includes new debt comprised of \$50.0 million of Senior Promissory Notes drawn in March 2015 under the Prudential Investment Management, Inc. "shelf-loan" facility, partially offset by a \$15.7 million decrease in debt due to paying down the Company's line of credit. The Company had no outstanding borrowings under the line of credit as of December 31, 2015, but borrowings reached a high of \$71.6 million during 2015. In addition, the Company made \$4.0 million in payments for contingent consideration related to acquisitions.

Cash flows used for financing activities in 2014 included the payment of a special dividend of \$2.00 per share of the Company's Common Stock, representing an aggregate of \$46.7 million, paid to stockholders of record as of December 20, 2013, partially offset by a net increase in indebtedness of \$15.6 million. The increase in indebtedness was due to borrowings under the Company's line of credit. In addition, in 2014, the Company received \$5.8 million in cash and the related tax benefits from the exercise of stock-based compensation, offset by \$3.7 million in payments for contingent consideration related to acquisitions.

In connection with certain business acquisitions, if established sales targets for the acquired products are achieved, the Company is contractually obligated to pay additional cash consideration. The Company has recorded a \$10.8 million liability for the aggregate fair value of these expected contingent consideration liabilities at December 31, 2015, including \$3.9 million recorded as a current liability. For further information, see Note 11 of the Notes to the Consolidated Financial Statements.

On February 24, 2014, the Company entered into a \$75.0 million line of credit (the "Credit Agreement") with JPMorgan Chase Bank, N.A. and Wells Fargo Bank, N.A., amending an existing facility first entered into in 2008. On March 3, 2015, in accordance with the terms of the Credit Agreement, the Company increased its line of credit by \$25.0 million to \$100.0 million. The Credit Agreement expires on January 1, 2019. At December 31, 2015, the Company had \$2.7 million in standby letters of credit under the line of credit primarily to secure certain insurance arrangements. Availability under the Company's line of credit was \$97.3 million at December 31, 2015.

On February 24, 2014, the Company also entered into a \$150.0 million "shelf-loan" facility with Prudential Investment Management, Inc. and its affiliates ("Prudential"). The facility provides for Prudential to consider purchasing, at the Company's request, in one or a series of transactions, Senior Promissory Notes of the Company in the aggregate principal amount of up to \$150.0 million, to mature no more than twelve years after the date of original issue of each Senior Promissory Note. Prudential has no obligation to purchase the Senior Promissory Notes. This facility expires on February 24, 2017. On March 20, 2015, the Company issued \$50.0 million of Senior Promissory Notes to Prudential, under the "shelf-loan" facility, for a term of five years, at a fixed interest rate of 3.35 percent per annum, payable quarterly in arrears, of which the entire amount was outstanding at December 31, 2015. Availability under the Company's "shelf-loan" facility, subject to the approval of Prudential, was \$100.0 million at December 31, 2015.

Pursuant to the Credit Agreement and “shelf-loan” facility, at December 31, 2015, the Company was required to maintain minimum interest and fixed charge coverages, and to meet certain other financial requirements. At December 31, 2015, the Company was in compliance with all such requirements.

Availability under both the Credit Agreement and the “shelf-loan” facilities is subject to a maximum leverage ratio covenant which limits the amount of consolidated outstanding indebtedness to 2.5 times the trailing twelve-month EBITDA, as defined in the agreements. This limitation did not impact the Company’s borrowing availability at December 31, 2015. The remaining availability under these facilities was \$197.3 million at December 31, 2015. The Company believes the availability under the Credit Agreement and “shelf-loan” facility in conjunction with cash from operations is adequate to finance the Company’s anticipated cash requirements for the next twelve months.

Additional information on the Company’s Credit Agreement and “shelf-loan” facility is included in Note 9 of the Notes to the Condensed Consolidated Financial Statements.

Future minimum commitments relating to the Company’s contractual obligations at December 31, 2015 were as follows:

<i>(In thousands)</i>	Payments due by period					
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years	Other
Total indebtedness	\$ 50,000	\$ —	\$ —	\$ 50,000	\$ —	\$ —
Interest on fixed rate indebtedness <sup>(a)</sup>	7,063	1,675	3,350	2,038	—	—
Operating leases	39,672	7,472	12,314	8,795	11,091	—
Employment contracts <sup>(b)</sup>	15,200	8,311	6,889	—	—	—
Deferred compensation <sup>(c)</sup>	11,485	185	2,892	951	4,118	3,339
Royalty agreements and contingent consideration payments <sup>(d)</sup>	14,444	4,045	7,287	2,034	1,078	—
Purchase obligations <sup>(e)</sup>	587,854	238,553	261,447	87,854	—	—
Taxes <sup>(f)</sup>	2,927	2,927	—	—	—	—
<b>Total</b>	<b>\$ 728,645</b>	<b>\$ 263,168</b>	<b>\$ 294,179</b>	<b>\$ 151,672</b>	<b>\$ 16,287</b>	<b>\$ 3,339</b>

- (a) *The Company has used the contractual payment dates and the fixed interest rates in effect as of December 31, 2015, to determine the estimated future interest payments for fixed rate indebtedness.*
- (b) *Includes amounts payable under employment contracts and arrangements, and retirement and severance agreements.*
- (c) *Includes amounts payable under deferred compensation arrangements. The Other column represents the liability for deferred compensation for employees that have elected to receive payment upon separation from service from the Company.*
- (d) *Comprised of estimated future contingent consideration payments for which a liability has been recorded in connection with business acquisitions over the past few years.*
- (e) *Primarily comprised of (i) purchase orders issued in the normal course of business and (ii) long term purchase commitments, for which the Company has estimated the expected future obligation based on current prices and usage.*
- (f) *Represents unrecognized tax benefits, as well as related interest and penalties.*

These commitments are described more fully in the Notes to Consolidated Financial Statements.

## CORPORATE GOVERNANCE

The Company is in compliance with the corporate governance requirements of the Securities and Exchange Commission (“SEC”) and the New York Stock Exchange. The Company’s governance documents and committee charters and key practices have been posted to the Company’s website ([www.drewindustries.com](http://www.drewindustries.com)) and are updated periodically. The website also contains, or provides direct links to, all SEC filings, press releases and investor presentations. The Company has also established a Whistleblower Policy, which includes a toll-free hotline (877-373-9123) to report complaints about the Company’s accounting, internal controls, auditing matters or other concerns. The Whistleblower Policy and procedure for complaints can be found on the Company’s website ([www.drewindustries.com](http://www.drewindustries.com)).



## **CONTINGENCIES**

Additional information required by this item is included under Item 3 of Part I of this Annual Report on Form 10-K.

## **CRITICAL ACCOUNTING POLICIES**

The Company's Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America which requires certain estimates and assumptions be made that affect the amounts and disclosures reported in those financial statements and the related accompanying notes. Actual results could differ from these estimates and assumptions. The following critical accounting policies, some of which are impacted significantly by judgments, assumptions and estimates, affect the Company's Consolidated Financial Statements. Management has discussed the development and selection of its critical accounting policies with the Audit Committee of the Company's Board of Directors and the Audit Committee has reviewed the disclosure presented below relating to the critical accounting policies.

### **Inventories**

Inventories (finished goods, work in process and raw materials) are stated at the lower of cost, determined on a first-in, first-out basis, or market. Cost is determined based solely on those charges incurred in the acquisition and production of the related inventory (i.e. material, labor and manufacturing overhead costs). The Company estimates an inventory reserve for excess quantities and obsolete items based on specific identification and historical write-offs, taking into account future demand and market conditions. To the extent actual demand or market conditions in the future differ from original estimates, adjustments to recorded inventory reserves may be required.

### **Self-Insurance**

The Company is self-insured for certain health and workers' compensation benefits up to certain stop-loss limits. Such costs are accrued based on known claims and an estimate of incurred, but not reported ("IBNR") claims. IBNR claims are estimated using historical lag information and other data provided by third-party claims administrators. This estimation process is subjective, and to the extent actual results differ from original estimates, adjustments to recorded accruals may be required.

### **Warranty**

The Company provides warranty terms based upon the type of product sold. The Company estimates the warranty accrual based upon various factors, including (i) historical warranty costs, (ii) current trends, (iii) product mix, and (iv) sales. The accounting for warranty accruals requires the Company to make assumptions and judgments, and to the extent actual results differ from original estimates, adjustments to recorded accruals may be required.

### **Income Taxes**

The Company's tax provision is based on pre-tax income, statutory tax rates, federal and state tax credits, and tax planning strategies. Significant management judgment is required in determining the tax provision and in evaluating the Company's tax position. The Company establishes additional provisions for income taxes when, despite the belief the tax positions are fully supportable, there remain certain tax positions that are likely to be challenged and may or may not be sustained on review by tax authorities. The Company adjusts these tax accruals in light of changing facts and circumstances. The effective tax rate in a given financial statement period may be materially impacted by changes in the expected outcome of tax audits. The Company's accompanying Consolidated Balance Sheets also include deferred tax assets resulting from deductible temporary differences, which are expected to reduce future taxable income. These assets are based on management's estimate of realizability, which is reassessed each quarter based upon the Company's forecast of future taxable income. Failure to achieve forecasted taxable income could affect the ultimate realization of certain deferred tax assets, and may result in the recognition of a valuation reserve. For additional information, see Note 10 of the Notes to Consolidated Financial Statements.

### **Fair Value of Net Assets of Acquired Businesses**

The Company values the assets and liabilities associated with the acquisitions of businesses on the respective acquisition dates. Depending upon the type of asset or liability acquired, the Company uses different valuation techniques in determining the fair value. Those techniques include comparable market prices, long-term sales, profitability and cash flow forecasts, assumptions regarding future industry-specific economic and market conditions, a market participant's weighted average cost of capital, as well as other techniques as circumstances required. By their nature, these assumptions require judgment, and if management had

chosen different assumptions, the fair value of net assets of acquired businesses would have been different. For further information on acquired assets and liabilities, see Notes 3 and 13 of the Notes to Consolidated Financial Statements.

### **Impairment of Long-Lived Assets, including Other Intangible Assets and Goodwill**

The Company performs recoverability and impairment tests of noncurrent assets in accordance with accounting principles generally accepted in the United States. For certain assets, recoverability and/or impairment tests are required only when conditions exist that indicate the carrying value may not be recoverable. When such events or circumstances occur, the Company assesses the recoverability of long-lived assets by determining whether the carrying value will be recovered through the expected undiscounted future cash flows resulting from the use of the asset. In the event the sum of the expected undiscounted future cash flows is less than the carrying value of the asset, an impairment loss equal to the excess of the asset's carrying value over its fair value would be recorded.

For other assets, impairment tests are required at least annually, or more frequently, if events or circumstances indicate that an asset may be impaired. The impairment test for other assets consists of an assessment of qualitative factors. If such qualitative factors do not support that the fair value of the reporting unit is greater than the carrying amount, the Company then uses a discounted cash flow model to estimate the fair value of the reporting unit.

The Company's assessment of the recoverability and impairment tests of noncurrent assets involve critical accounting estimates. These estimates require significant management judgment, include inherent uncertainties and are often interdependent; therefore, they do not change in isolation. Factors that management must estimate include, among others, the economic life of the asset, sales volume, pricing, cost of raw materials, delivery costs, inflation, cost of capital, tax rates, capital spending and proceeds from the sale of assets. These factors are even more difficult to predict when financial markets are highly volatile. The estimates management uses when assessing the recoverability of noncurrent assets are consistent with those management uses in its internal planning. When performing impairment tests, management estimates the fair values of the assets using management's best assumptions, which is believed to be consistent with what a hypothetical marketplace participant would use. Estimates and assumptions used in these tests are evaluated and updated as appropriate. The variability of these factors depends on a number of conditions, including uncertainty about future events, and thus accounting estimates may change from period to period. If other assumptions and estimates had been used when these tests were performed, impairment charges could have resulted. As mentioned above, these factors do not change in isolation and, therefore, the Company does not believe it is practicable or meaningful to present the impact of changing a single factor. Furthermore, if management uses different assumptions or if different conditions occur in future periods, future impairment charges could result.

### **Contingent Consideration Payments**

In connection with several acquisitions, in addition to the cash paid at closing, additional payments could be required depending upon the level of sales generated from certain of the acquired products. The fair value of the aggregate estimated contingent consideration payments has been recorded as a liability in the Consolidated Balance Sheets. Each quarter, the Company is required to re-evaluate the fair value of the liability for the estimated contingent consideration payments for such acquisitions. The fair value of the contingent consideration payments is estimated using a discounted cash flow model. This model involves the use of estimates and significant judgments that are based on a number of factors including sales of certain products, future business plans, economic projections, weighted average cost of capital, and market data. Actual results may differ from forecasted results.

### **Other Estimates**

The Company makes a number of other estimates and judgments in the ordinary course of business including, but not limited to, those related to product returns, sales and purchase rebates, accounts receivable, lease terminations, asset retirement obligations, long-lived assets, executive succession, post-retirement benefits, stock-based compensation, segment allocations, environmental liabilities, contingencies and litigation. Establishing reserves for these matters requires management's estimate and judgment with regard to risk and ultimate liability or realization. As a result, these estimates are based on management's current understanding of the underlying facts and circumstances and may also be developed in conjunction with outside advisors, as appropriate. Due to uncertainties related to the ultimate outcome of these issues or the possibilities of changes in the underlying facts and circumstances, actual results and events could differ significantly from management estimates.

### **New Accounting Pronouncements**

Information required by this item is included in Note 14 of the Notes to the Consolidated Financial Statements.

## **INFLATION**

The prices of key raw materials, consisting primarily of steel and aluminum, and components used by the Company which are made from these raw materials, are influenced by demand and other factors specific to these commodities, rather than being directly affected by inflationary pressures. Prices of these commodities have historically been volatile, and over the past few months prices have continued to fluctuate. The Company did not experience any significant increases in its labor costs in 2015 related to inflation.

**Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

At December 31, 2015, the Company had \$50.0 million of fixed rate debt outstanding. Assuming there is an increase of 100 basis points in the interest rate for borrowings of a similar nature subsequent to December 31, 2015, which the Company becomes unable to capitalize on in the short-term as a result of the structure of its fixed rate financing, future cash flows would be approximately \$0.3 million lower per annum than if the fixed rate financing could be obtained at current market rates.

The Company is also exposed to changes in the prices of raw materials, specifically steel and aluminum. The Company has, from time to time, entered into derivative instruments for the purpose of managing a portion of the exposures associated with fluctuations in aluminum prices. While these derivative instruments are subject to fluctuations in value, these fluctuations are generally offset by the changes in fair value of the underlying exposures. At December 31, 2015, the Company had no derivative instruments outstanding.

The Company has historically been able to obtain sales price increases to partially offset the majority of raw material cost increases. However, there can be no assurance future cost increases, if any, can be partially or fully passed on to customers, or that the timing of such sales price increases will match raw material cost increases.

Additional information required by this item is included under the caption "Inflation" in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this Report.



## **Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

### **Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders  
Drew Industries Incorporated:

We have audited the accompanying consolidated balance sheets of Drew Industries Incorporated and subsidiaries (the “Company”) as of December 31, 2015 and 2014, and the related consolidated statements of income, stockholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2015. We also have audited the Company’s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying “Management’s Annual Report on Internal Control over Financial Reporting.” Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company’s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Drew Industries Incorporated and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ KPMG LLP

Chicago, Illinois  
February 29, 2016

**DREW INDUSTRIES INCORPORATED**  
**CONSOLIDATED STATEMENTS OF INCOME**

	Year ended December 31,		
	2015	2014	2013
<i>(In thousands, except per share amounts)</i>			
Net sales	\$ 1,403,066	\$ 1,190,782	\$ 1,015,576
Cost of sales	1,097,064	935,859	802,467
Gross profit	306,002	254,923	213,109
Selling, general and administrative expenses	186,032	157,482	132,935
Severance	3,716	—	—
Sale of extrusion assets	—	1,954	—
Executive succession	—	—	1,876
Operating profit	116,254	95,487	78,298
Interest expense, net	1,885	430	351
Income before income taxes	114,369	95,057	77,947
Provision for income taxes	40,024	32,791	27,828
Net income	<u>\$ 74,345</u>	<u>\$ 62,266</u>	<u>\$ 50,119</u>
Net income per common share:			
Basic	\$ 3.06	\$ 2.60	\$ 2.15
Diluted	\$ 3.02	\$ 2.56	\$ 2.11
Weighted average common shares outstanding:			
Basic	24,295	23,911	23,321
Diluted	24,650	24,334	23,753

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**DREW INDUSTRIES INCORPORATED**  
**CONSOLIDATED BALANCE SHEETS**

December 31,

2015                      2014

*(In thousands, except per share amount)*

	2015	2014
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 12,305	\$ 4
Accounts receivable, net	41,509	37,987
Inventories, net	170,834	132,492
Deferred taxes	22,616	18,709
Prepaid expenses and other current assets	21,178	18,444
Total current assets	268,442	207,636
Fixed assets, net	150,600	146,788
Goodwill	83,619	66,521
Other intangible assets, net	100,935	96,959
Deferred taxes	6,775	11,744
Other assets	12,575	14,193
Total assets	<u>\$ 622,946</u>	<u>\$ 543,841</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable, trade	\$ 29,700	\$ 49,534
Accrued expenses and other current liabilities	69,162	57,651
Total current liabilities	98,862	107,185
Long-term indebtedness	50,000	15,650
Other long-term liabilities	35,509	26,108
Total liabilities	184,371	148,943
Stockholders' equity		
Common stock, par value \$.01 per share: authorized		
75,000 shares; issued 27,039 shares at December 31, 2015		
and 26,534 shares at December 31, 2014	270	265
Paid-in capital	166,566	147,186
Retained earnings	301,206	276,914
Stockholders' equity before treasury stock	468,042	424,365
Treasury stock, at cost, 2,684 shares at December 31, 2015		
and December 31, 2014	(29,467)	(29,467)
Total stockholders' equity	438,575	394,898
Total liabilities and stockholders' equity	<u>\$ 622,946</u>	<u>\$ 543,841</u>

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**DREW INDUSTRIES INCORPORATED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Year Ended December 31,

	2015	2014	2013
<i>(In thousands)</i>			
<b>Cash flows from operating activities:</b>			
Net income	\$ 74,345	\$ 62,266	\$ 50,119
Adjustments to reconcile net income to cash flows provided by operating activities:			
Depreciation and amortization	41,624	32,596	27,500
Stock-based compensation expense	14,043	10,817	10,839
Deferred taxes	1,062	(5,493)	269
Other non-cash items	1,335	2,796	1,867
Changes in assets and liabilities, net of acquisitions of businesses:			
Accounts receivable, net	2,082	(606)	(9,013)
Inventories, net	(31,276)	(21,940)	(3,403)
Prepaid expenses and other assets	(2,249)	(4,610)	(2,288)
Accounts payable, trade	(21,783)	21,269	2,296
Accrued expenses and other liabilities	15,835	9,925	4,491
Net cash flows provided by operating activities	95,018	107,020	82,677
<b>Cash flows from investing activities:</b>			
Capital expenditures	(28,989)	(42,458)	(32,595)
Acquisitions of businesses	(41,058)	(106,782)	(4,750)
Proceeds from note receivable	2,000	1,750	—
Proceeds from sales of fixed assets	2,337	3,587	1,444
Other investing activities	(406)	(171)	(154)
Net cash flows used for investing activities	(66,116)	(144,074)	(36,055)
<b>Cash flows from financing activities:</b>			
Exercise of stock-based awards, net of shares tendered for payment of taxes	1,470	5,769	15,175
Proceeds from line of credit borrowings	614,629	425,330	135,452
Repayments under line of credit borrowings	(630,279)	(409,680)	(135,452)
Payment of special dividend	(48,227)	(46,706)	—
Proceeds from shelf-loan borrowing	50,000	—	—
Payment of contingent consideration related to acquisitions	(3,974)	(3,739)	(5,456)
Other financing activities	(220)	(196)	—
Net cash flows (used for) provided by financing activities	(16,601)	(29,222)	9,719
Net increase (decrease) in cash	12,301	(66,276)	56,341
Cash and cash equivalents at beginning of year	4	66,280	9,939
Cash and cash equivalents at end of year	\$ 12,305	\$ 4	\$ 66,280
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid during the year for:			
Interest	\$ 2,113	\$ 641	\$ 364
Income taxes, net of refunds	\$ 33,782	\$ 30,947	\$ 26,799

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**DREW INDUSTRIES INCORPORATED**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**

	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Total Stockholders' Equity
<i>(In thousands, except shares and per share amounts)</i>					
<b>Balance - December 31, 2012</b>	\$ 254	\$ 100,412	\$ 213,046	\$ (29,467)	\$ 284,245
Net income	—	—	50,119	—	50,119
Issuance of 681,426 shares of common stock pursuant to stock-based awards	7	13,440	—	—	13,447
Income tax benefit relating to issuance of common stock pursuant to stock-based awards	—	1,534	—	—	1,534
Stock-based compensation expense	—	10,839	—	—	10,839
Issuance of 3,776 deferred stock units relating to prior year compensation	—	135	—	—	135
Special cash dividend (\$2.00 per share)	—	—	(46,706)	—	(46,706)
<b>Balance - December 31, 2013</b>	261	126,360	216,459	(29,467)	313,613
Net income	—	—	62,266	—	62,266
Issuance of 476,047 shares of common stock pursuant to stock-based awards	4	2,298	—	—	2,302
Income tax benefit relating to issuance of common stock pursuant to stock-based awards	—	3,914	—	—	3,914
Stock-based compensation expense	—	10,817	—	—	10,817
Issuance of 43,188 deferred stock units relating to prior year compensation	—	1,986	—	—	1,986
Dividend equivalents on stock-based awards	—	1,811	(1,811)	—	—
<b>Balance - December 31, 2014</b>	265	147,186	276,914	(29,467)	394,898
Net income	—	—	74,345	—	74,345
Issuance of 505,312 shares of common stock pursuant to stock-based awards	5	(7,563)	—	—	(7,558)
Income tax benefit relating to issuance of common stock pursuant to stock-based awards	—	9,028	—	—	9,028
Stock-based compensation expense	—	14,043	—	—	14,043
Issuance of 36,578 deferred stock units relating to prior year compensation	—	2,046	—	—	2,046
Special cash dividend (\$2.00 per share)	—	—	(48,227)	—	(48,227)
Dividend equivalents on stock-based awards	—	1,826	(1,826)	—	—
<b>Balance - December 31, 2015</b>	\$ 270	\$ 166,566	\$ 301,206	\$ (29,467)	\$ 438,575

*The accompanying notes are an integral part of these Consolidated Financial Statements.*



**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The Consolidated Financial Statements include the accounts of Drew Industries Incorporated and its wholly-owned subsidiaries (“Drew” and collectively with its subsidiaries, the “Company”). Drew has no unconsolidated subsidiaries. Drew, through its wholly-owned subsidiary, Lippert Components, Inc. and its subsidiaries (collectively, “Lippert Components” or “LCI”), supplies a broad array of components in the United States and abroad for the leading manufacturers of recreational vehicles (“RVs”) and manufactured homes and for the related aftermarkets of those industries, and also supplies components for adjacent industries including buses; trailers used to haul boats, livestock, equipment and other cargo; pontoon boats; modular housing; and factory-built mobile office units. At December 31, 2015, the Company operated 42 manufacturing and distribution facilities.

The RV and manufactured housing industries, as well as other industries where the Company sells products or where its products are used, historically have been seasonal and are generally at the highest levels when the weather is moderate. Accordingly, the Company’s sales and profits have generally been the highest in the second quarter and lowest in the fourth quarter. However, because of fluctuations in dealer inventories, the impact of international, national and regional economic conditions and consumer confidence on retail sales of RVs and other products for which the Company sells its components, the timing of dealer orders, and the impact of severe weather conditions on the timing of industry-wide shipments from time to time, current and future seasonal industry trends may be different than in prior years.

The Company is not aware of any significant events, except as disclosed in the Notes to Consolidated Financial Statements, which occurred subsequent to the balance sheet date but prior to the filing of this report that would have a material impact on the Consolidated Financial Statements.

All significant intercompany balances and transactions have been eliminated. Certain prior year balances have been reclassified to conform to current year presentation.

**Cash and Cash Equivalents**

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

**Accounts Receivable**

Accounts receivable are stated at historical carrying value, net of write-offs and allowances. The Company establishes allowances based upon historical experience and any specific customer collection issues identified by the Company. Uncollectible accounts receivable are written off when a settlement is reached or when the Company has determined the balance will not be collected.

**Inventories**

Inventories are stated at the lower of cost (using the first-in, first-out method) or market. Cost includes material, labor and overhead; market is replacement cost or realizable value after allowance for costs of distribution.

**Fixed Assets**

Fixed assets which are owned are stated at cost less accumulated depreciation, and are depreciated on a straight-line basis over the estimated useful lives of the properties and equipment. Leasehold improvements and leased equipment are amortized over the shorter of the lives of the leases or the underlying assets. Maintenance and repair costs that do not improve service potential or extend economic life are expensed as incurred; significant improvements are capitalized.

**Income Taxes**

Deferred tax assets and liabilities are determined based on the temporary differences between the financial reporting and tax basis of assets and liabilities, applying enacted statutory tax rates in effect for the year in which the differences are expected to reverse.

**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

The Company accounts for uncertainty in tax positions by recognizing in its financial statements the impact of a tax position only if that position is more likely than not of being sustained on audit, based on the technical merits of the position. Further, the Company assesses the tax benefits of the tax positions in its financial statements based on experience with similar tax positions, information obtained during the examination process and the advice of experts. The Company recognizes previously unrecognized tax benefits upon the earlier of the expiration of the period to assess tax in the applicable taxing jurisdiction or when the matter is constructively settled and upon changes in statutes or regulations and new case law or rulings.

The Company classifies interest and penalties related to income taxes as income tax expense in its Consolidated Financial Statements.

### **Goodwill**

Goodwill represents the excess of the total consideration given in an acquisition of a business over the fair value of the net tangible and identifiable intangible assets acquired. Goodwill is not amortized, but instead is tested at the reporting unit level for impairment annually in November, or more frequently if certain circumstances indicate a possible impairment may exist. In 2015 and 2014, the Company assessed qualitative factors of its reporting units to determine whether it was more likely than not the fair value of the reporting unit was less than its carrying amount, including goodwill. The qualitative impairment test consists of an assessment of qualitative factors, including general economic and industry conditions, market share and input costs.

### **Other Intangible Assets**

Intangible assets with estimable useful lives are amortized, primarily on an accelerated basis, over their respective estimated useful lives to their estimated residual values, and reviewed for impairment. The amortization of other intangible assets is done using a method, straight-line or accelerated, which best reflects the pattern in which the estimated future economic benefits of the asset will be consumed. The useful lives of intangible assets are determined after considering the expected cash flows and other specific facts and circumstances related to each intangible asset.

### **Impairment of Long-Lived Assets**

Long-lived assets, other than goodwill, are tested for impairment when changes in circumstances indicate their carrying value may not be recoverable. A determination of impairment, if any, is made based on the undiscounted value of estimated future cash flows, salvage value or expected net sales proceeds, depending on the circumstances. Impairment is measured as the excess of the carrying value over the estimated fair value of such assets.

### **Asset Retirement Obligations**

Asset retirement obligations are legal obligations associated with the retirement of long-lived assets. The Company records asset retirement obligations on certain of its owned and leased facilities and leased machinery and equipment. These liabilities are initially recorded at fair value and are adjusted for changes resulting from revisions to the timing or the amount of the original estimate.

### **Environmental Liabilities**

Accruals for environmental matters are recorded when it is probable a liability has been incurred and the amount of the liability can be reasonably estimated, based upon current law and existing technologies. These amounts, which are not discounted and are exclusive of claims against potentially responsible third parties, are adjusted periodically as assessment and remediation efforts progress or additional technical or legal information becomes available. Environmental exposures are difficult to assess for numerous reasons, including the identification of new sites, developments at sites resulting from investigatory studies and remedial activities, advances in technology, changes in environmental laws and regulations and their application, the scarcity of reliable data pertaining to identified sites, the difficulty in assessing the involvement and financial capability of other potentially responsible parties and the Company's ability to obtain contributions from other parties, and the lengthy time periods over which site remediation occurs. It is possible some of these matters (the outcomes of which are subject to various uncertainties) may be resolved unfavorably against the Company, and could materially affect operating results when resolved in future periods.

**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

**Financial Instruments**

The carrying values of cash and cash equivalents, accounts receivable and accounts payable approximated their fair value due to the short-term nature of these instruments.

**Stock-Based Compensation**

All stock-based compensation awards are expensed over their vesting period, based on fair value. For awards having a service-only vesting condition, the Company recognizes stock-based compensation expense on a straight-line basis over the requisite service periods. For awards with a performance vesting condition, which are subject to certain pre-established performance targets, the Company recognizes stock-based compensation expense on a graded-vesting basis to the extent it is probable the performance targets will be met. The fair value for stock options is determined using the Black-Scholes option-pricing model, while the fair values of deferred stock units, restricted stock and stock awards are based on the market price of the Company's Common Stock, all on the date the stock-based awards are granted.

**Revenue Recognition**

The Company recognizes revenue when products are shipped and the customer takes ownership and assumes risk of loss, collectability is reasonably assured, and the sales price is fixed or determinable. Sales taxes collected from customers and remitted to governmental authorities, which are not significant, are accounted for on a net basis and therefore are excluded from net sales in the Consolidated Statements of Income.

**Shipping and Handling Costs**

The Company records shipping and handling costs within selling, general and administrative expenses. Such costs aggregated \$45.8 million, \$40.9 million and \$36.4 million in the years ended December 31, 2015, 2014 and 2013, respectively.

**Legal Costs**

The Company expenses all legal costs associated with litigation as incurred. Legal expenses are included in selling, general and administrative expenses in the Consolidated Statements of Income.

**Fair Value Measurements**

Fair value is determined using a hierarchy that has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant other observable inputs, and Level 3 includes fair values estimated using significant unobservable inputs.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, net sales and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including, but not limited to, those related to product returns, sales and purchase rebates, accounts receivable, inventories, goodwill and other intangible assets, net assets of acquired businesses, income taxes, warranty and product recall obligations, self-insurance obligations, lease terminations, asset retirement obligations, long-lived assets, post-retirement benefits, stock-based compensation, segment allocations, contingent consideration, environmental liabilities, contingencies and litigation. The Company bases its estimates on historical experience, other available information and various other assumptions believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities not readily apparent from other resources. Actual results and events could differ significantly from management estimates.

**2. SEGMENT REPORTING**

The Company has two reportable segments: the recreational vehicle products segment (the "RV Segment") and the manufactured housing products segment (the "MH Segment"). Intersegment sales are insignificant.

**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

The RV Segment, which accounted for 92 percent, 90 percent, and 88 percent of consolidated net sales for the years ended December 31, 2015, 2014 and 2013 respectively, manufactures or distributes a variety of products used in the production of RVs, including:

- Steel chassis for towable RVs
- Axles and suspension solutions for towable RVs
- Slide-out mechanisms and solutions
- Thermoformed bath, kitchen and other products
- Windows
- Manual, electric and hydraulic stabilizer and leveling systems
- Chassis components
- Furniture and mattresses
- Entry, luggage, patio and ramp doors
- Electric and manual entry steps
- Awnings and awning accessories
- Electronic components
- LED televisions, sound systems, navigation systems and wireless backup cameras
- Other accessories

The Company also supplies certain of these products to the RV aftermarket, and to adjacent industries, including buses and trailers used to haul boats, livestock, equipment and other cargo, and pontoon boats. Approximately 73 percent of the Company's RV Segment net sales in 2015 were of products to original equipment manufacturers ("OEMs") of travel trailer and fifth-wheel RVs.

The MH Segment, which accounted for 8 percent, 10 percent and 12 percent of consolidated net sales for the years ended December 31, 2015, 2014 and 2013, respectively, manufactures or distributes a variety of products used in the production of manufactured homes, including:

- Vinyl and aluminum windows
- Thermoformed bath and kitchen products
- Steel and fiberglass entry doors
- Aluminum and vinyl patio doors
- Steel chassis and related components
- Axles

The Company also supplies certain of these products to the manufactured housing aftermarket, and to adjacent industries, including modular housing and mobile office units. Certain of the Company's MH Segment customers manufacture both manufactured homes and modular homes, and certain of the products manufactured by the Company are suitable for both types of homes. As a result, the Company is not always able to determine in which type of home its products are installed.

Decisions concerning the allocation of the Company's resources are made by the Company's key executives, with oversight by the Board of Directors. This group evaluates the performance of each segment based upon segment operating profit or loss, generally defined as income or loss before interest and income taxes. Decisions concerning the allocation of resources are also based on each segment's utilization of assets. Management of debt is a corporate function. The accounting policies of the RV and MH Segments are the same as those described in Note 1 of the Notes to Consolidated Financial Statements.

Corporate expenses are allocated between the segments based upon net sales. Accretion related to contingent consideration and other non-segment items are included in the segment to which they relate.

Information relating to segments follows for the years ended December 31:

<i>(In thousands)</i>	Segments			Corporate and Other	Total
	RV	MH	Total		
<b>2015</b>					
Net sales to external customers <sup>(a)</sup>	\$ 1,284,928	\$ 118,138	\$ 1,403,066	\$ —	\$ 1,403,066
Operating profit (loss) <sup>(b)</sup>	\$ 107,485	\$ 12,485	\$ 119,970	\$ (3,716)	\$ 116,254
Total assets <sup>(c)</sup>	\$ 519,795	\$ 27,702	\$ 547,497	\$ 75,449	\$ 622,946
Expenditures for long - lived assets <sup>(d)</sup>	\$ 30,126	\$ 1,193	\$ 31,319	\$ —	\$ 31,319
Depreciation and amortization	\$ 39,065	\$ 2,412	\$ 41,477	\$ 147	\$ 41,624

**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

<i>(In thousands)</i>	Segments			Corporate and Other	Total
	RV	MH	Total		
<b>2014</b>					
Net sales to external customers <sup>(a)</sup>	\$ 1,074,448	\$ 116,334	\$ 1,190,782	\$ —	\$ 1,190,782
Operating profit (loss) <sup>(b)</sup>	\$ 86,571	\$ 10,870	\$ 97,441	\$ (1,954)	\$ 95,487
Total assets <sup>(c)</sup>	\$ 451,264	\$ 29,482	\$ 480,746	\$ 63,095	\$ 543,841
Expenditures for long - lived assets <sup>(d)</sup>	\$ 145,406	\$ 2,039	\$ 147,445	\$ —	\$ 147,445
Depreciation and amortization	\$ 29,933	\$ 2,568	\$ 32,501	\$ 95	\$ 32,596

<b>2013</b>					
Net sales to external customers <sup>(a)</sup>	\$ 893,694	\$ 121,882	\$ 1,015,576	\$ —	\$ 1,015,576
Operating profit (loss) <sup>(b)</sup>	\$ 68,248	\$ 11,926	\$ 80,174	\$ (1,876)	\$ 78,298
Total assets <sup>(c)</sup>	\$ 306,139	\$ 32,948	\$ 339,087	\$ 114,097	\$ 453,184
Expenditures for long - lived assets <sup>(d)</sup>	\$ 34,989	\$ 2,682	\$ 37,671	\$ —	\$ 37,671
Depreciation and amortization	\$ 24,615	\$ 2,806	\$ 27,421	\$ 79	\$ 27,500

(a) *Thor Industries, Inc., a customer of the RV Segment, accounted for 29 percent, 33 percent and 34 percent of the Company's consolidated net sales for the years ended December 31, 2015, 2014 and 2013, respectively. Berkshire Hathaway Inc. (through its subsidiaries Forest River, Inc. and Clayton Homes, Inc.), a customer of both segments, accounted for 26 percent, 28 percent and 28 percent of the Company's consolidated net sales for the years ended December 31, 2015, 2014 and 2013, respectively. Jayco, Inc., a customer of the RV Segment, accounted for 10 percent of the Company's consolidated net sales for the year ended December 31, 2015. No other customer accounted for more than 10 percent of consolidated net sales in the years ended December 31, 2015, 2014 and 2013.*

(b) *Certain general and administrative expenses are allocated between the segments based upon net sales or operating profit, depending upon the nature of the expense.*

(c) *Segment assets include accounts receivable, inventories, fixed assets, goodwill and other intangible assets. Corporate and other assets include cash and cash equivalents, prepaid expenses and other current assets, deferred taxes, and other assets.*

(d) *Expenditures for long-lived assets include capital expenditures, as well as fixed assets, goodwill and other intangible assets purchased as part of the acquisition of businesses. The Company purchased \$38.6 million, \$105.0 million and \$4.8 million of long-lived assets, as part of the acquisitions of businesses in the years ended December 31, 2015, 2014 and 2013, respectively.*

Net sales by product were as follows for the years ended December 31:

<i>(In thousands)</i>	2015	2014	2013
<b>RV Segment:</b>			
Chassis, chassis parts and slide-out mechanisms	\$ 638,261	\$ 564,543	\$ 493,244
Windows and doors	245,016	204,054	181,934
Furniture and mattresses	163,380	133,371	100,196
Axles and suspension solutions	114,531	92,261	69,818
Other	123,740	80,219	48,502
Total RV Segment net sales	\$ 1,284,928	\$ 1,074,448	\$ 893,694
<b>MH Segment:</b>			
Windows and doors	\$ 73,035	\$ 66,140	\$ 67,029
Chassis and chassis parts	29,798	33,842	38,359
Other	15,305	16,352	16,494
Total MH Segment net sales	\$ 118,138	\$ 116,334	\$ 121,882
Total net sales	\$ 1,403,066	\$ 1,190,782	\$ 1,015,576



**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

The composition of net sales was as follows for the years ended December 31:

<i>(In thousands)</i>	2015	2014	2013
Net sales:			
RV Segment:			
RV OEMs:			
Travel trailers and fifth-wheels	\$ 938,787	\$ 841,497	\$ 727,783
Motorhomes	86,513	70,332	47,937
RV aftermarket	87,447	49,570	25,334
Adjacent industries	172,181	113,049	92,640
Total RV Segment net sales	<u>\$ 1,284,928</u>	<u>\$ 1,074,448</u>	<u>\$ 893,694</u>
MH Segment:			
Manufactured housing OEMs	\$ 82,032	\$ 77,421	\$ 80,245
Manufactured housing aftermarket	15,559	14,186	13,719
Adjacent industries	20,547	24,727	27,918
Total MH Segment net sales	<u>\$ 118,138</u>	<u>\$ 116,334</u>	<u>\$ 121,882</u>
Total net sales	<u>\$ 1,403,066</u>	<u>\$ 1,190,782</u>	<u>\$ 1,015,576</u>

In the third quarter of 2015, the Company refined its methodology for categorizing sales within the RV Segment. This change improves accuracy, but has no impact on total RV Segment net sales or trends. Prior periods have been reclassified to conform to this presentation.

*Potential Future Changes to Reporting Segments*

Over the past several years, largely due to the growth the Company has experienced in its RV Segment, the MH Segment is now a smaller part of the Company. Net sales to manufactured housing OEMs are 6 percent of consolidated net sales for the year ending December 31, 2015. In addition, the Company has recently increased its focus on the significant opportunities in the aftermarket. The Company continues to evaluate the information provided to its Chief Operating Decision Maker (“CODM”), and assess how changes to its reporting structures would be used by the CODM to assess the performance of the Company’s operating segments and make decisions about resource allocations. Any such changes could necessitate a revision to the operating segments the Company reports.

**3. ACQUISITIONS, GOODWILL AND OTHER INTANGIBLE ASSETS**

**Acquisitions in 2016**

*Flair Interiors*

In February 2016, the Company acquired the business and certain assets of Flair Interiors, Inc. (“Flair”), a manufacturer of RV furniture. Net sales reported by Flair for 2015 were approximately \$25 million. The purchase price was \$8.1 million paid at closing.

*Highwater Marine Furniture*

In January 2016, the Company acquired the business and certain assets of the pontoon furniture manufacturing operation of Highwater Marine, LLC (“Highwater”), a leading manufacturer of pontoon and other recreational boats located in Elkhart, Indiana. Estimated net sales of the marine furniture business were approximately \$20 million. The purchase price was \$10.0 million paid at closing. The results of the acquired business will be included in the Company’s RV Segment and in the Consolidated Statements of Income subsequent to the acquisition date. The Company is in the process of allocating the consideration for the fair value of the assets acquired.

**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

**Acquisitions in 2015**

*Signature Seating*

In August 2015, the Company acquired the business and certain assets of Roehm Marine, LLC, also known as Signature Seating (“Signature”), a manufacturer of furniture solutions for fresh water boat manufacturers, primarily pontoon boats. Net sales reported by Signature for the twelve months ended June 2015 were approximately \$16 million. The purchase price was \$16.0 million paid at closing, plus contingent consideration based on future sales of this operation. The results of the acquired business have been included in the Company’s RV Segment and in the Consolidated Statements of Income since the acquisition date. The acquisition of this business was recorded on the acquisition date as follows (*in thousands*):

Cash consideration	\$ 16,000
Contingent consideration	3,556
Total fair value of consideration given	<u>\$ 19,556</u>
Customer relationships	\$ 7,500
Other identifiable intangible assets	390
Net tangible assets	<u>3,633</u>
Total fair value of net assets acquired	<u>\$ 11,523</u>
Goodwill (tax deductible)	<u>\$ 8,033</u>

The customer relationships intangible asset is being amortized over its preliminary estimated useful life of 15 years. The consideration given was greater than the fair value of the net assets acquired, resulting in goodwill, because the Company anticipates leveraging its existing experience and manufacturing capacity with respect to these product lines, and also believes the diversified customer base will further its expansion into adjacent industries.

*Spectal Industries*

In April 2015, the Company acquired the business and certain assets of Industries Spectal, Inc. (“Spectal”), a Canada-based manufacturer of windows and doors primarily for school buses, as well as commercial buses, emergency vehicles, trucks, agricultural equipment and RVs. Net sales reported by Spectal for 2014 were \$25 million. The purchase price was \$22.3 million paid at closing, plus contingent consideration based on future sales of this operation. The results of the acquired business have been included in the Company’s RV Segment and in the Consolidated Statements of Income since the acquisition date. The acquisition of this business was recorded on the acquisition date as follows (*in thousands*):

Cash consideration	\$ 22,335
Contingent consideration	1,211
Total fair value of consideration given	<u>\$ 23,546</u>
Customer relationships	\$ 10,100
Other identifiable intangible assets	700
Net tangible assets	<u>3,681</u>
Total fair value of net assets acquired	<u>\$ 14,481</u>
Goodwill (tax deductible)	<u>\$ 9,065</u>

The customer relationships intangible asset is being amortized over its estimated useful life of 15 years. The consideration given was greater than the fair value of the net assets acquired, resulting in goodwill, because the Company anticipates leveraging its existing experience and manufacturing capacity with respect to these product lines, and also believes the diversified customer base will further its expansion into adjacent industries.

**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

*EA Technologies*

In January 2015, the Company acquired the business and certain assets of EA Technologies, LLC (“EA Technologies”), a manufacturer of custom steel and aluminum parts and provider of electro-deposition (‘e-coat’) and powder coating services for RV, bus, medium-duty truck, automotive, recreational marine, specialty and utility trailer, and military applications. Net sales reported by EA Technologies for 2014 were \$17 million. The purchase price was \$9.2 million, of which \$6.6 million was paid in the fourth quarter of 2014, with the balance paid at closing. The results of the acquired business have been included in the Company’s RV Segment and in the Consolidated Statements of Income since the acquisition date. The acquisition of this business was recorded on the acquisition date as follows (*in thousands*):

Cash consideration	\$ 9,248
Customer relationships	\$ 400
Other identifiable intangible assets	80
Net tangible assets	8,868
Total fair value of net assets acquired	<u>\$ 9,348</u>
Gain on bargain purchase	<u>\$ 100</u>

**Acquisitions in 2014**

*Duncan Systems*

In August 2014, the Company acquired the business and certain assets of Duncan Systems, Inc. (“Duncan Systems”), an aftermarket distributor of replacement motorhome windshields, awnings, and RV, heavy truck and specialty vehicle glass and windows, primarily to fulfill insurance claims. Net sales reported by Duncan Systems for the twelve months ended July 2014 were \$26 million. The purchase price was \$18.0 million paid at closing, plus contingent consideration based on future sales of this operation. The results of the acquired business have been included in the Company’s RV Segment and in the Consolidated Statements of Income since the acquisition date. The acquisition of this business was recorded on the acquisition date as follows (*in thousands*):

Cash consideration	\$ 18,000
Contingent consideration	1,914
Total fair value of consideration given	<u>\$ 19,914</u>
Customer relationships	\$ 10,500
Other identifiable intangible assets	930
Net tangible assets	4,070
Total fair value of net assets acquired	<u>\$ 15,500</u>
Goodwill (tax deductible)	<u>\$ 4,414</u>

The customer relationships intangible asset is being amortized over its estimated useful life of 14 years. The consideration given was greater than the fair value of the assets acquired, resulting in goodwill, because the Company anticipates the attainment of synergies and an increase in market share for the distributed products.

*Power Gear and Kwikkee Brands*

In June 2014, the Company acquired the RV business of Actuant Corporation, which manufactures leveling systems, slide-out mechanisms and steps, primarily for motorhome RVs, under the Power Gear and Kwikkee brands. Net sales reported by the acquired business for the twelve months ended May 2014 were \$28 million, consisting of sales to OEMs and the aftermarket. The purchase price was \$35.5 million, paid at closing. The results of the acquired business have been included in the Company’s RV Segment and in the Consolidated Statements of Income since the acquisition date.

**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

The acquisition of this business was recorded on the acquisition date as follows (*in thousands*):

Cash consideration	\$ 35,500
Customer relationships	\$ 12,300
Patents	5,300
Other identifiable intangible assets	2,130
Net tangible assets	2,227
Total fair value of net assets acquired	<u>\$ 21,957</u>
Goodwill (tax deductible)	<u>\$ 13,543</u>

The customer relationships intangible asset is being amortized over its estimated useful life of 14 years and the patents are being amortized over their estimated useful life of 8 years. The consideration given was greater than the fair value of the assets acquired, resulting in goodwill, because the Company anticipates the attainment of synergies and an increase in the markets for the acquired products.

*Star Design*

In March 2014, the Company acquired the business and certain assets of Star Design, LLC (“Star Design”). Net sales reported by Star Design for 2013 were \$10 million, comprised primarily of thermoformed sheet plastic products for the RV, bus and specialty vehicle industries. The purchase price was \$12.2 million paid at closing. The results of the acquired business have been included in the Company’s RV Segment and in the Consolidated Statements of Income since the acquisition date. The acquisition of this business was recorded on the acquisition date as follows (*in thousands*):

Cash consideration	\$ 12,232
Customer relationships	\$ 4,400
Other identifiable intangible assets	610
Net tangible assets	2,108
Total fair value of net assets acquired	<u>\$ 7,118</u>
Goodwill (tax deductible)	<u>\$ 5,114</u>

The customer relationships intangible asset is being amortized over its estimated useful life of 14 years. The consideration given was greater than the fair value of the net assets acquired, resulting in goodwill, because the Company anticipates leveraging its existing experience and manufacturing capacity with respect to these product lines, and also believes the diversified customer base will further its expansion into adjacent industries.

*Innovative Design Solutions*

In February 2014, the Company acquired Innovative Design Solutions, Inc. (“IDS”), a designer, developer and manufacturer of electronic systems encompassing a wide variety of RV applications. IDS also manufactures electronic systems for automotive, medical and industrial applications. Net sales reported by IDS for 2013 were \$19 million, of which \$15 million were to the Company. The purchase price was \$35.9 million, of which \$34.2 million was paid at closing, with the balance to be paid out annually over the subsequent three years, plus contingent consideration based on future sales of this operation. The results of the acquired business have been included in the Company’s RV Segment and in the Consolidated Statements of Income since the acquisition date.

**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

The acquisition of this business was recorded on the acquisition date as follows (*in thousands*):

Cash consideration	\$ 34,175
Present value of future payments	1,739
Contingent consideration	710
Total fair value of consideration given	<u>\$ 36,624</u>
Patents	\$ 6,000
Customer relationships	4,000
Other identifiable intangible assets	3,180
Net tangible assets	1,894
Total fair value of net assets acquired	<u>\$ 15,074</u>
Goodwill (tax deductible)	<u>\$ 21,550</u>

The patents are being amortized over their estimated useful life of 10 years and the customer relationships intangible asset is being amortized over its estimated useful life of 12 years. The consideration given was greater than the fair value of the assets acquired, resulting in goodwill, because the Company anticipates an increase in the markets for the acquired products, market share growth in both existing and new markets, as well as attainment of synergies.

### Acquisitions in 2013

#### *Fortress Technologies*

In December 2013, the Company acquired the business and certain assets of Fortress Technologies, LLC (“Fortress”), a manufacturer of specialized RV chassis. Net sales reported by Fortress for 2013 were \$3 million. The results of the acquired business have been included in the Company’s RV Segment and in the Consolidated Statements of Income since the acquisition date. The acquisition of this business was recorded on the acquisition date as follows (*in thousands*):

Cash consideration	<u>\$ 3,299</u>
Working capital, net	\$ (111)
Net tangible assets	3,410
Total fair value of net assets acquired	<u>\$ 3,299</u>

#### *Midstates Tool & Die and Engineering*

In June 2013, the Company acquired the business and certain assets of Midstates Tool & Die and Engineering, Inc. (“Midstates”), a manufacturer of tools and dies, as well as automation equipment. Net sales reported by the acquired business for the twelve months ended May 2013 were \$2 million. The results of the acquired business have been included in the Company’s RV Segment and in the Consolidated Statements of Income since the acquisition date. The acquisition of this business was recorded on the acquisition date as follows (*in thousands*):

Cash consideration	<u>\$ 1,451</u>
Non-compete agreement	\$ 40
Net tangible assets	1,043
Total fair value of net assets acquired	<u>\$ 1,083</u>
Goodwill (tax deductible)	<u>\$ 368</u>

The consideration given was greater than the fair value of assets acquired, resulting in goodwill, because the Company anticipates the tool and die and automation capabilities of the acquired business will help improve its operating efficiencies.



**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

**Sale of Extrusion Assets**

In April 2014, the Company entered into a six-year aluminum extrusion supply agreement, and concurrently sold certain aluminum extrusion assets. The Company recorded a pre-tax loss of \$2.0 million in the second quarter of 2014 on the sale of the aluminum extrusion-related assets. In connection with the sale, the Company received \$0.3 million at closing and a \$7.2 million note receivable collectible over the next four years, recorded at its present value of \$6.4 million on the date of closing. During 2015 and 2014, the Company received installments of \$3.8 million under the note. At December 31, 2015, the present value of the remaining amount due under the note receivable was \$3.2 million.

In July 2015, the Company agreed to terminate the supply agreement, and as consideration the Company received a \$2.0 million note receivable collectible in 2019 and 2020. The Company recorded this note receivable at its present value of \$1.6 million and a corresponding gain of \$1.6 million in the 2015 third quarter. At December 31, 2015, the present value of the remaining amount due under the note receivable was \$1.6 million.

**Goodwill**

Goodwill by reportable segment was as follows:

<i>(In thousands)</i>	RV Segment	MH Segment	Total
Accumulated cost	\$ 61,679	\$ 10,025	\$ 71,704
Accumulated impairment	(41,276)	(9,251)	(50,527)
Net balance – December 31, 2012	20,403	774	21,177
Acquisitions – 2013	368	—	368
Net balance – December 31, 2013	20,771	774	21,545
Acquisitions – 2014	44,976	—	44,976
Net balance – December 31, 2014	65,747	774	66,521
Acquisitions – 2015	17,098	—	17,098
Net balance – December 31, 2015	<u>\$ 82,845</u>	<u>\$ 774</u>	<u>\$ 83,619</u>
Accumulated cost	\$ 124,121	\$ 10,025	\$ 134,146
Accumulated impairment	(41,276)	(9,251)	(50,527)
Net balance – December 31, 2015	<u>\$ 82,845</u>	<u>\$ 774</u>	<u>\$ 83,619</u>

The Company performed its annual goodwill impairment procedures for all of its reporting units as of November 30, 2015, 2014 and 2013, and concluded no goodwill impairment existed at that time. The Company plans to update its review as of November 30, 2016, or sooner if events occur or circumstances change that could reduce the fair value of a reporting unit below its carrying value.

**Other Intangible Assets**

Other intangible assets, by segment, consisted of the following at December 31:

<i>(In thousands)</i>	2015	2014
RV Segment	\$ 100,418	\$ 95,075
MH Segment	517	1,884
Other intangible assets	<u>\$ 100,935</u>	<u>\$ 96,959</u>

**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

Other intangible assets consisted of the following at December 31, 2015:

<i>(In thousands)</i>	Gross Cost	Accumulated Amortization	Net Balance	Estimated Useful Life in Years
Customer relationships	\$ 94,560	\$ 30,514	\$ 64,046	6 to 16
Patents	54,293	28,255	26,038	3 to 19
Tradenames	8,935	4,751	4,184	3 to 15
Non-compete agreements	4,493	2,800	1,693	3 to 6
Other	594	307	287	2 to 12
Purchased research and development	4,687	—	4,687	Indefinite
Other intangible assets	<u>\$ 167,562</u>	<u>\$ 66,627</u>	<u>\$ 100,935</u>	

Other intangible assets consisted of the following at December 31, 2014:

<i>(In thousands)</i>	Gross Cost	Accumulated Amortization	Net Balance	Estimated Useful Life in Years
Customer relationships	\$ 81,260	\$ 27,553	\$ 53,707	6 to 16
Patents	54,333	22,389	31,944	3 to 19
Tradenames	9,173	4,525	4,648	3 to 15
Non-compete agreements	3,948	2,233	1,715	3 to 6
Other	360	102	258	2 to 12
Purchased research and development	4,687	—	4,687	Indefinite
Other intangible assets	<u>\$ 153,761</u>	<u>\$ 56,802</u>	<u>\$ 96,959</u>	

Amortization expense related to other intangible assets was as follows for the years ended December 31:

<i>(In thousands)</i>	2015	2014	2013
Cost of sales	\$ 6,017	\$ 5,092	\$ 3,610
Selling, general and administrative	10,038	7,612	6,398
Amortization expense	<u>\$ 16,055</u>	<u>\$ 12,704</u>	<u>\$ 10,008</u>

Estimated amortization expense for other intangible assets for the next five years is as follows:

<i>(In thousands)</i>	2016	2017	2018	2019	2020
Cost of sales	\$ 6,186	\$ 5,732	\$ 4,911	\$ 4,235	\$ 3,014
Selling, general and administrative	9,523	8,460	7,813	7,174	5,983
Amortization expense	<u>\$ 15,709</u>	<u>\$ 14,192</u>	<u>\$ 12,724</u>	<u>\$ 11,409</u>	<u>\$ 8,997</u>

#### 4. RECEIVABLES

The following table provides a reconciliation of the activity related to the Company's allowance for doubtful accounts receivable, for the years ended December 31:

<i>(In thousands)</i>	2015	2014	2013
Balance at beginning of period	\$ 917	\$ 705	\$ 677
Provision for doubtful accounts	(5)	178	194
Additions related to acquired businesses	33	58	5
Recoveries	8	4	1
Accounts written off	(109)	(28)	(172)
Balance at end of period	<u>\$ 844</u>	<u>\$ 917</u>	<u>\$ 705</u>

**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

In addition to the allowance for doubtful accounts receivable, the Company had an allowance for prompt payment discounts in the amount of \$0.4 million and \$0.4 million at December 31, 2015 and 2014, respectively.

**5. INVENTORIES**

Inventories consisted of the following at December 31:

<i>(In thousands)</i>	2015	2014
Raw materials	\$ 144,397	\$ 111,366
Work in process	4,932	2,624
Finished goods	21,505	18,502
Inventories, net	<u>\$ 170,834</u>	<u>\$ 132,492</u>

**6. FIXED ASSETS**

Fixed assets consisted of the following at December 31:

<i>(In thousands)</i>	2015	2014	Estimated Useful Life in Years
Land	\$ 11,064	\$ 10,792	
Buildings and improvements	89,616	85,002	10 to 40
Leasehold improvements	11,147	8,114	3 to 10
Machinery and equipment	153,784	138,025	3 to 15
Furniture and fixtures	20,653	20,729	3 to 8
Construction in progress	5,512	9,515	
Fixed assets, at cost	<u>291,776</u>	<u>272,177</u>	
Less accumulated depreciation and amortization	141,176	125,389	
Fixed assets, net	<u>\$ 150,600</u>	<u>\$ 146,788</u>	

Depreciation and amortization of fixed assets was as follows for the years ended December 31:

<i>(In thousands)</i>	2015	2014	2013
Cost of sales	\$ 21,289	\$ 16,364	\$ 14,667
Selling, general and administrative expenses	4,137	3,440	2,773
Total	<u>\$ 25,426</u>	<u>\$ 19,804</u>	<u>\$ 17,440</u>

**7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Accrued expenses and other current liabilities consisted of the following at December 31:

<i>(In thousands)</i>	2015	2014
Employee compensation and benefits	\$ 25,147	\$ 21,473
Current portion of accrued warranty	17,020	14,516
Other	26,995	21,662
Accrued expenses and other current liabilities	<u>\$ 69,162</u>	<u>\$ 57,651</u>

Estimated costs related to product warranties are accrued at the time products are sold. In estimating its future warranty obligations, the Company considers various factors, including the Company's (i) historical warranty costs, (ii) current trends, (iii) product mix, and (iv) sales.

**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

The following table provides a reconciliation of the activity related to the Company's accrued warranty, including both the current and long-term portions, for the years ended December 31:

<i>(In thousands)</i>	2015	2014	2013
Balance at beginning of period	\$ 21,641	\$ 17,325	\$ 12,729
Provision for warranty expense	17,267	12,860	13,874
Warranty liability from acquired businesses	240	688	21
Warranty costs paid	(12,944)	(9,232)	(9,299)
Balance at end of period	26,204	21,641	17,325
Less long-term portion	9,184	7,125	5,594
Current portion of accrued warranty	\$ 17,020	\$ 14,516	\$ 11,731

## 8. RETIREMENT AND OTHER BENEFIT PLANS

### Defined Contribution Plan

The Company maintains a discretionary defined contribution 401(k) profit sharing plan covering all eligible employees. The Company contributed \$2.5 million, \$1.8 million and \$1.4 million to this plan during the years ended December 31, 2015, 2014 and 2013, respectively.

### Deferred Compensation Plan

The Company has an Executive Non-Qualified Deferred Compensation Plan (the "Plan"). Pursuant to the Plan, certain management employees are eligible to defer all or a portion of their regular salary and incentive compensation. Participants deferred \$1.2 million, \$1.6 million and \$1.7 million during the years ended December 31, 2015, 2014 and 2013, respectively. The amounts deferred under this Plan are credited with earnings or losses based upon changes in values of the notional investments elected by the Plan participants. Each Plan participant is fully vested in their deferred compensation and earnings credited to his or her account as all contributions to the Plan are made by the participant. The Company is responsible for certain costs of Plan administration, which are not significant, and will not make any contributions to the Plan. Pursuant to the Plan, payments to the Plan participants are made from the general unrestricted assets of the Company, and the Company's obligations pursuant to the Plan are unfunded and unsecured. Participants withdrew \$0.8 million, \$0.4 million and \$0.2 million from the Plan during the years ended December 31, 2015, 2014 and 2013, respectively. At December 31, 2015 and 2014, deferred compensation of \$11.7 million and \$10.7 million, respectively, was recorded in other long-term liabilities, and deferred compensation of \$0.2 million and \$0.8 million, respectively, was recorded in accrued expenses and other current liabilities.

## 9. LONG-TERM INDEBTEDNESS

At December 31, 2015, the Company had no outstanding borrowings on its line of credit. At December 31, 2014, the Company had \$15.7 million of outstanding borrowings on its line of credit at a weighted average interest rate of 1.9 percent.

On February 24, 2014, the Company entered into a \$75.0 million line of credit (the "Credit Agreement") with JPMorgan Chase Bank, N.A. and Wells Fargo Bank, N.A. On March 3, 2015, in accordance with the terms of the Credit Agreement, the Company increased its line of credit by \$25.0 million to \$100.0 million. Interest on borrowings under the line of credit is designated from time to time by the Company as either (i) the Prime Rate, minus a rate ranging from 0.75 to 1.0 percent (minus 1.0 percent at December 31, 2015), but not less than 1.5 percent, or (ii) LIBOR, plus additional interest ranging from 1.75 to 2.0 percent (plus 1.75 percent at December 31, 2015) depending on the Company's performance and financial condition. The Credit Agreement expires on January 1, 2019. At December 31, 2015 and 2014, the Company had \$2.7 million and \$1.9 million, respectively, in standby letters of credit under the line of credit. Availability under the Company's line of credit was \$97.3 million at December 31, 2015.

On February 24, 2014, the Company also entered into a \$150.0 million "shelf-loan" facility with Prudential Investment Management, Inc. and its affiliates ("Prudential"). The facility provides for Prudential to consider purchasing, at the Company's request, in one or a series of transactions, Senior Promissory Notes of the Company in the aggregate principal amount of up to \$150.0 million, to mature no more than twelve years after the date of original issue of each Senior Promissory Note. Prudential has no obligation to purchase the Senior Promissory Notes. Interest payable on the Senior Promissory Notes will be at rates

**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

determined by Prudential within five business days after the Company issues a request to Prudential. This facility expires on February 24, 2017. On March 20, 2015, the Company issued \$50.0 million of Senior Promissory Notes to Prudential for a term of five years, at a fixed interest rate of 3.35 percent per annum, payable quarterly in arrears, of which the entire amount was outstanding at December 31, 2015. Availability under the Company's "shelf-loan" facility, subject to the approval of Prudential, was \$100.0 million at December 31, 2015. At December 31, 2015, the fair value of the Company's long-term debt approximates the carrying value, as estimated using quoted market prices and discounted future cash flows based on similar borrowing arrangements.

Borrowings under both the line of credit and the "shelf-loan" facility are secured on a pari-passu basis by first priority liens on the capital stock or other equity interests of each of the Company's direct and indirect subsidiaries.

Pursuant to the Credit Agreement and "shelf-loan" facility, at December 31, 2015 and 2014, the Company was required to maintain minimum interest and fixed charge coverages, and to meet certain other financial requirements. At December 31, 2015 and 2014, the Company was in compliance with all such requirements, and expects to remain in compliance for the next twelve months.

Availability under both the Credit Agreement and the "shelf-loan" facilities is subject to a maximum leverage ratio covenant which limits the amount of consolidated outstanding indebtedness to 2.5 times the trailing twelve-month EBITDA, as defined in the agreements. This limitation did not impact the Company's borrowing availability at December 31, 2015. The remaining availability under these facilities was \$197.3 million at December 31, 2015. The Company believes the availability under the Credit Agreement and "shelf-loan" facility in conjunction with cash from operations is adequate to finance the Company's anticipated cash requirements for the next twelve months.

## 10. INCOME TAXES

The provision for income taxes in the Consolidated Statements of Income was as follows for the years ended December 31:

<i>(In thousands)</i>	2015	2014	2013
<b>Current:</b>			
Federal	\$ 31,292	\$ 32,142	\$ 23,430
State	7,670	6,142	4,129
Total current provision	<u>\$ 38,962</u>	<u>\$ 38,284</u>	<u>\$ 27,559</u>
<b>Deferred:</b>			
Federal	\$ 466	\$ (4,545)	\$ 68
State	596	(948)	201
Total deferred provision	<u>\$ 1,062</u>	<u>\$ (5,493)</u>	<u>\$ 269</u>
Provision for income taxes	<u>\$ 40,024</u>	<u>\$ 32,791</u>	<u>\$ 27,828</u>

The provision for income taxes differs from the amount computed by applying the federal statutory rate to income before income taxes for the following reasons for the years ended December 31:

<i>(In thousands)</i>	2015	2014	2013
Income tax at federal statutory rate	\$ 40,029	\$ 33,270	\$ 27,281
State income tax, net of federal income tax impact	5,373	3,376	2,815
Manufacturing credit pursuant to Jobs Creation Act	(2,336)	(2,258)	(1,444)
Federal tax credits	(1,049)	(681)	(747)
Other	(1,993)	(916)	(77)
Provision for income taxes	<u>\$ 40,024</u>	<u>\$ 32,791</u>	<u>\$ 27,828</u>

At December 31, 2015, federal income taxes receivable of \$8.1 million and state income taxes receivable of \$0.4 million were included in prepaid expenses and other current assets. At December 31, 2014, federal and state income taxes receivable of \$1.3 million were included in prepaid expenses and other current assets, and state income taxes payable of \$0.8 million were included in accrued expenses and other current liabilities.



**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities were as follows at December 31:

<i>(In thousands)</i>	2015	2014
<b>Deferred tax assets:</b>		
Goodwill and other intangible assets	\$ 11,879	\$ 14,066
Stock-based compensation	7,428	7,172
Deferred compensation	5,310	5,040
Warranty	8,809	7,845
Inventory	5,974	3,897
Other	4,922	3,189
Total deferred tax assets	44,322	41,209
<b>Deferred tax liabilities:</b>		
Fixed assets	(14,931)	(10,756)
Net deferred tax assets	<u>\$ 29,391</u>	<u>\$ 30,453</u>

The Company concluded it is more likely than not the deferred tax assets at December 31, 2015 will be realized in the ordinary course of operations based on projected future taxable income and scheduling of deferred tax liabilities.

Excess tax benefits on stock-based compensation of \$9.0 million, \$3.9 million and \$1.5 million were credited directly to stockholders' equity during the years ended December 31, 2015, 2014 and 2013, respectively, relating to tax benefits which exceeded the compensation cost for stock-based compensation recognized in the Consolidated Financial Statements.

At December 31, 2015, the remaining pool of excess tax benefits from prior exercises of stock-based compensation in stockholders' equity was \$23.4 million.

#### **Unrecognized Tax Benefits**

The following table reconciles the total amounts of unrecognized tax benefits, at December 31:

<i>(In thousands)</i>	2015	2014	2013
Balance at beginning of period	\$ 1,526	\$ 1,369	\$ 1,701
Changes in tax positions of prior years	912	84	(29)
Additions based on tax positions related to the current year	866	603	676
Payments	(85)	—	(126)
Closure of tax years	(365)	(530)	(853)
Balance at end of period	<u>\$ 2,854</u>	<u>\$ 1,526</u>	<u>\$ 1,369</u>

In addition, the total amount of accrued interest and penalties related to taxes was \$0.2 million, \$0.2 million and \$0.2 million at December 31, 2015, 2014 and 2013, respectively.

The total amount of unrecognized tax benefits, net of federal income tax benefits, of \$2.7 million, \$1.2 million and \$1.0 million at December 31, 2015, 2014 and 2013, respectively, would, if recognized, increase the Company's earnings, and lower the Company's annual effective tax rate in the year of recognition.

The Company periodically undergoes examinations by the Internal Revenue Service ("IRS"), as well as various state taxing authorities. The IRS and other taxing authorities may challenge certain deductions and positions reported by the Company on its income tax returns. For federal income tax purposes, the tax years 2012 through 2014 remain subject to examination. For Indiana state income tax purposes, the tax years 2012 through 2014 remain subject to examination. Approximately 80 percent of the Company's operations are located in Indiana.

The Company has assessed its risks associated with all tax return positions, and believes its tax reserve estimates reflect its best estimate of the deductions and positions it will be able to sustain, or it may be willing to concede as part of a settlement. At this time, the Company cannot estimate the range of reasonably possible change in its tax reserve estimates in 2016. While these tax matters could materially affect operating results when resolved in future periods, it is management's opinion that after

**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

final disposition, any monetary liability or financial impact to the Company beyond that provided for in the Consolidated Balance Sheet as of December 31, 2015, would not be material to the Company's financial position or annual results of operations.

**11. COMMITMENTS AND CONTINGENCIES**

*Leases*

The Company's lease commitments are primarily for real estate, machinery and equipment, and vehicles. The significant real estate leases provide for renewal options and require the Company to pay for property taxes and all other costs associated with the leased property.

Future minimum lease payments under operating leases at December 31, 2015 are as follows (*in thousands*):

2016	\$ 7,472
2017	6,761
2018	5,553
2019	4,752
2020	4,043
Thereafter	11,093
<b>Total minimum lease payments</b>	<b>\$ 39,674</b>

Rent expense for operating leases was \$9.8 million, \$8.6 million and \$7.1 million for the years ended December 31, 2015, 2014 and 2013, respectively.

*Contingent Consideration*

In connection with several business acquisitions, if certain sales targets for the acquired products are achieved, the Company would pay additional cash consideration. The Company has recorded a liability for the fair value of this contingent consideration at December 31, 2015 and 2014, based on the present value of the expected future cash flows using a market participant's weighted average cost of capital of 13.9 percent and 15.0 percent, respectively.

As required, the liability for this contingent consideration is measured at fair value quarterly, considering actual sales of the acquired products, updated sales projections, and the updated market participant weighted average cost of capital. Depending upon the weighted average costs of capital and future sales of the products which are subject to contingent consideration, the Company could record adjustments in future periods.

The following table provides a reconciliation of the Company's contingent consideration liability for the years ended December 31:

<i>(In thousands)</i>	2015	2014	2013
Balance at beginning of period	\$ 8,129	\$ 7,414	\$ 11,519
Acquisitions	4,766	3,370	—
Payments	(3,974)	(3,739)	(5,456)
Accretion <sup>(a)</sup>	1,196	1,075	1,308
Fair value adjustments <sup>(a)</sup>	723	9	43
Balance at end of the period <sup>(b)</sup>	10,840	8,129	7,414
Less current portion in accrued expenses and other current liabilities	(3,877)	(3,622)	(3,462)
Total long-term portion in other long-term liabilities	<u>\$ 6,963</u>	<u>\$ 4,507</u>	<u>\$ 3,952</u>

(a) Recorded in selling, general and administrative expense in the Consolidated Statements of Income.

(b) Amounts represent the fair value of estimated remaining payments. The total estimated remaining undiscounted payments as of December 31, 2015 are \$14.4 million. The liability for contingent consideration expires at various dates through September 2029. Certain of the contingent consideration arrangements are subject to a maximum payment amount, while the remaining arrangements have no maximum contingent consideration.

**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

*Furrion Distribution and Supply Agreement*

In July 2015, the Company entered into a 6-year exclusive distribution and supply agreement with Furrion Limited (“Furrion”), a Hong Kong based firm that designs, engineers and manufactures premium electronics. This agreement provides the Company with the rights to distribute Furrion’s complete line of products to OEMs and aftermarket customers in the RV, specialty vehicle, utility trailer, horse trailer, marine, transit bus and school bus industries throughout the United States and Canada. Furrion currently supplies a premium line of LED televisions, sound systems, navigation systems, wireless backup cameras, solar prep units, power solutions and kitchen appliances, primarily to the RV industry. Furrion’s sales were approximately \$35 million in 2014.

In connection with this agreement, the Company acquired Furrion’s current inventory, as well as Furrion’s deposits on inventory scheduled for delivery, for approximately \$11 million. In addition, the Company entered into the following minimum purchase obligations (“MPOs”):

July 2015 - June 2016	\$ 60 million
July 2016 - June 2017	\$ 90 million
July 2017 - June 2018	\$127 million
July 2018 - June 2019	\$172 million

If the Company misses an MPO in any given year by more than ten percent, after taking into account excess purchases from the previous year, Furrion has the right to either terminate the distribution agreement with six months’ notice or remove exclusivity from the Company. If exclusivity is withdrawn, the Company, at its election, can terminate the distribution agreement with six months’ notice. Upon termination of the agreement, Furrion has agreed to purchase from the Company any non-obsolete stocks of Furrion products at the cost paid by the Company. After the first year, Furrion and the Company have agreed to review these MPOs on an annual basis and adjust the MPOs as necessary based upon current economic and industry conditions, the development and customer acceptance of new Furrion products, competition and other factors which impact demand for Furrion products.

*Product Recalls*

From time to time, the Company cooperates with and assists its customers on their product recalls and inquiries, and occasionally receives inquiries directly from the National Highway Traffic Safety Administration (“NHTSA”) regarding reported incidents involving the Company’s products. In February 2015, NHTSA opened a Preliminary Evaluation as a result of four Vehicle Owner Questionnaires (VOQs) alleging failure of the Company’s electrically powered step (“Coach Step”), which was primarily supplied for motorhome RVs between model years 2008 and 2014. The Coach Step was no longer manufactured after 2014. In March 2015, NHTSA sent a formal request for information, data and supporting documentation from the Company regarding the Coach Step, which the Company provided in April 2015. After a thorough review of the design and operation of the Coach Step, the Company initiated a voluntary safety recall in September 2015 of all double and triple Coach Steps. The Company recorded a reserve of \$1.1 million for the contingent obligation in selling, general and administrative expenses.

*Environmental*

The Company’s operations are subject to certain Federal, state and local regulatory requirements relating to the use, storage, discharge and disposal of hazardous materials used during the manufacturing processes. Although the Company believes its operations have been consistent with prevailing industry standards, and are in substantial compliance with applicable environmental laws and regulations, one or more of the Company’s current or former operating sites, or adjacent sites owned by third-parties, have been affected by releases of hazardous materials. As a result, the Company may incur expenditures for future investigation and remediation of these sites, and recorded a pre-tax charge of \$1.5 million related to environmental costs in 2015.

*Litigation*

In the normal course of business, the Company is subject to proceedings, lawsuits, regulatory agency inquiries and other claims. All such matters are subject to uncertainties and outcomes that are not predictable with assurance. While these matters could materially affect operating results when resolved in future periods, it is management’s opinion that, after final disposition, including anticipated insurance recoveries in certain cases, any monetary liability or financial impact to the Company beyond that

**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

provided in the Consolidated Balance Sheet as of December 31, 2015, would not be material to the Company's financial position or annual results of operations.

*Executive Succession and Severance*

In 2015, the Company initiated a focused program to reduce indirect labor costs. In connection with this cost reduction program, the Company incurred severance charges of \$3.7 million.

In 2013, in connection with the Company's executive succession and corporate relocation from White Plains, New York to Elkhart County, Indiana, the Company recorded pre-tax charges of \$1.9 million, related to contractual obligations for severance and the acceleration of equity awards held by certain employees whose employment terminated as a result of the executive succession and relocation to Indiana. The liability for executive succession and severance obligations were paid through 2015.

**12. STOCKHOLDERS' EQUITY**

**Special Dividend**

On April 10, 2015, a special dividend of \$2.00 per share of the Company's Common Stock, representing an aggregate of \$48.2 million, was paid to stockholders of record as of March 27, 2015. On January 6, 2014, a special dividend of \$2.00 per share of the Company's Common Stock, representing an aggregate of \$46.7 million, was paid to stockholders of record as of December 20, 2013. In connection with these special dividends, holders of deferred stock units, restricted stock and stock awards were credited with deferred stock units, restricted stock or stock equal to \$2.00 per special dividend for each deferred stock unit, share of restricted stock or stock award, representing \$1.8 million in total for each of the 2015 and 2014 special dividends. In connection with each of these special cash dividends, the exercise price of all outstanding stock options was reduced by \$2.00 per share. These reductions in exercise price were made pursuant to the terms of the outstanding awards, resulting in no incremental stock-based compensation expense.

**Stock-Based Awards**

Pursuant to the Drew Industries Incorporated Equity Award and Incentive Plan, as Amended and Restated (the "Equity Plan"), which was approved by stockholders in May 2011, the Company may grant to its directors, employees, and other eligible persons Common Stock-based awards, such as stock options, restricted stock and deferred stock units. All such awards granted under the Equity Plan must be approved by the Compensation Committee of Drew's Board of Directors (the "Committee"). The Committee determines the period for which all such awards may be exercisable, but in no event may such an award be exercisable more than 10 years from the date of grant. The number of shares available under the Equity Plan, and the exercise price of all such awards granted under the Equity Plan, are subject to adjustments by the Committee to reflect stock splits, dividends, recapitalization, mergers, or other major corporate actions.

At the Annual Meeting of Stockholders held on May 22, 2014, stockholders approved an amendment to the Equity Plan to increase the number of shares of common stock available for issuance pursuant to awards by 1,678,632 shares.

The number of shares available for granting awards was 1,305,440, 1,389,506 and 246,368 at December 31, 2015, 2014 and 2013, respectively.

Stock-based compensation resulted in charges to operations as follows for the years ended December 31:

<i>(In thousands)</i>	2015	2014	2013
Stock options	\$ 974	\$ 1,412	\$ 2,325
Deferred stock units	7,023	4,343	5,425
Restricted stock	1,031	910	911
Stock awards	5,015	4,152	2,178
Stock-based compensation expense	<u>\$ 14,043</u>	<u>\$ 10,817</u>	<u>\$ 10,839</u>

Stock-based compensation expense is recorded in the Consolidated Statements of Income in the same line as cash compensation to those employees is recorded, primarily in selling, general and administrative expenses. In addition, for the years ended December 31, 2015, 2014 and 2013, the Company issued deferred stock units to certain executive officers in lieu of cash for a portion of prior year incentive compensation, in accordance with their compensation arrangements, of \$2.0 million, \$2.0

**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

million and \$0.1 million, respectively. In February 2016, the Company issued deferred stock units valued at \$0.3 million, to certain officers in lieu of cash for a portion of their 2015 incentive compensation in accordance with their compensation arrangements.

**Stock Options**

The Equity Plan provides for the grant of stock options that qualify as incentive stock options under Section 422 of the Internal Revenue Code, and non-qualified stock options. The exercise price for stock options granted under the Equity Plan must be at least equal to 100 percent of the fair market value of the shares subject to such stock option on the date of grant. The exercise price may be paid in cash or in shares of the Company's Common Stock which have been held for a minimum of six months. Historically, upon exercise of stock options, new shares have been issued instead of using treasury shares.

Outstanding stock options expire six years from the date of grant, and either vest ratably over the service period of five years for employees or, for certain executive officers, based on achievement of specified performance conditions. As a result of the Company's executive succession and corporate relocation, the vesting of certain stock options was accelerated pursuant to contractual obligations with certain employees whose employment terminated as a result of the relocation to Indiana.

Transactions in stock options under the Equity Plan are summarized as follows:

	Number of Option Shares	Stock Option Exercise Price	Weighted Average Exercise Price
Outstanding at December 31, 2012	1,320,819	\$ 8.09 - \$29.11	\$ 19.92
Exercised	(574,288)	\$ 8.09 - \$29.11	\$ 23.04
Forfeited	(22,870)	\$ 8.09 - \$29.11	\$ 19.36
Outstanding at December 31, 2013	723,661	\$ 8.09 - \$21.17	\$ 15.46
Exercised	(258,530)	\$ 6.09 - \$19.17	\$ 12.89
Forfeited	(11,800)	\$ 6.09 - \$19.17	\$ 16.93
Reduction for cash dividend	—	\$ 6.09 - \$19.17	\$ (2.00)
Outstanding at December 31, 2014	453,331	\$ 15.49 - \$19.17	\$ 16.89
Exercised	(214,601)	\$ 13.49 - \$19.17	\$ 14.48
Forfeited	(26,700)	\$ 13.49 - \$19.17	\$ 14.30
Reduction for cash dividend	—	\$ 13.49 - \$17.17	\$ (2.00)
Outstanding at December 31, 2015	212,030	\$ 13.67 - \$17.17	\$ 15.38
Exercisable at December 31, 2015	162,170	\$ 13.67 - \$17.17	\$ 14.83

Additional information for the exercise of stock options is as follows for the years ended December 31:

<i>(In thousands)</i>	2015	2014	2013
Intrinsic value of stock options exercised	\$ 9,424	\$ 7,860	\$ 9,062
Cash receipts from stock options exercised	\$ 3,280	\$ 3,333	\$ 13,231
Income tax benefits from stock option exercises	\$ 2,885	\$ 3,660	\$ 3,473
Grant date fair value of stock options vested	\$ 1,055	\$ 1,561	\$ 2,252

The following table summarizes information about stock options outstanding at December 31, 2015:

Exercise Price	Option Shares Outstanding	Remaining Life in Years	Option Shares Exercisable
\$ 13.67	108,450	0.9	108,450
\$ 17.17	103,580	1.9	53,720
Total Shares	212,030 (a)		162,170 (a)

(a) The aggregate intrinsic value for option shares outstanding and option shares exercisable is \$9.6 million and \$7.5 million, respectively. The weighted average remaining term for option shares outstanding and option shares exercisable is 1.4 years and 1.2 years, respectively.

**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

As of December 31, 2015, there was \$0.4 million of total unrecognized compensation costs related to unvested stock options, which are expected to be recognized over a weighted average remaining period of 0.9 years.

**Deferred Stock Units**

The Equity Plan provides for the grant or issuance of deferred stock units (“DSUs”) to directors, employees and other eligible persons. Recipients of DSUs are entitled to receive shares at the end of a specified deferral period. Holders of DSUs receive dividends granted to holders of the Common Stock, payable in additional DSUs, and are subject to the same vesting criteria as the original grant.

DSUs vest (i) ratably over the service period, (ii) at a specified future date, or (iii) for certain officers, based on achievement of specified performance conditions. As a result of the Company’s executive succession and corporate relocation, the vesting of certain deferred stock units was accelerated pursuant to contractual obligations with certain employees whose employment terminated. In addition, DSUs are issued in lieu of cash compensation.

Transactions in DSUs under the Equity Plan are summarized as follows:

	Number of Shares	Stock Price
Outstanding at December 31, 2012	613,754	\$ 6.16 - \$33.32
Issued	32,462	\$33.84 - \$48.53
Granted	140,461	\$36.58 - \$50.85
Forfeited	(4,505)	\$30.50
Exercised	(89,211)	\$20.20 - \$30.65
Outstanding at December 31, 2013	692,961	\$ 6.16 - \$50.85
Issued	56,212	\$36.68 - \$51.46
Granted	187,490	\$45.98 - \$46.95
Dividend equivalents	27,532	\$50.45
Forfeited	(38,855)	\$26.98 - \$50.89
Exercised	(187,052)	\$19.98 - \$50.89
Outstanding at December 31, 2014	738,288	\$ 6.16 - \$51.20
Issued	54,982	\$52.20 - \$60.92
Granted	90,184	\$52.20 - \$61.53
Dividend equivalents	20,922	\$59.94
Forfeited	(23,604)	\$30.50 - \$60.29
Exercised	(353,259)	\$20.89 - \$51.46
Outstanding at December 31, 2015	527,513	\$ 6.16 - \$61.53

As of December 31, 2015, there was \$12.7 million of total unrecognized compensation costs related to DSUs, which is expected to be recognized over a weighted average remaining period of 1.9 years.

**Restricted Stock**

The Equity Plan provides for the grant of restricted stock to directors, employees and other eligible persons. The restriction period is established by the Committee, but may not be less than one year. Holders of restricted stock have all the rights of a stockholder of the Company, including the right to vote and the right to receive dividends granted to holders of the Common Stock, payable in additional shares of restricted stock, and subject to the same vesting criteria as the original grant. Shares of restricted stock are not transferable during the restriction period. Restricted stock grants, which were all made to directors, were as follows (*in thousands except share and per share amounts*):

	2015	2014	2013
Granted	20,558	19,439	17,885
Stock price	\$58.96 - \$61.53	\$ 46.82	\$ 50.89
Fair value of stock granted	\$ 1,220	\$ 910	\$ 910



**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

As of December 31, 2015, there was \$1.0 million of total unrecognized compensation costs related to restricted stock, which is expected to be recognized over a weighted average remaining period of 0.8 years.

**Stock Awards**

In accordance with the Executive Employment and Non-Competition Agreements for various officers of the Company, such officers are entitled to receive an annual long-term award consisting of the right to earn shares of common stock. These shares are earned during the subsequent three year period based on growth in the Company's earnings per diluted share.

Transactions in stock awards under the Equity Plan are summarized as follows:

	Number of Shares	Stock Price
Outstanding at December 31, 2012	90,102	\$26.88
Granted	103,500	\$32.25 - \$43.70
Outstanding at December 31, 2013	193,602	\$26.88 - \$43.70
Granted	103,500	\$51.20
Dividend equivalents	7,675	\$50.45
Exercised	(31,959)	\$26.88
Outstanding at December 31, 2014	272,818	\$26.88 - \$51.45
Granted	96,010	\$60.29
Dividend equivalents	8,992	\$59.94
Forfeited	(16,534)	\$60.29
Exercised	(98,830)	\$26.88 - \$43.70
Outstanding at December 31, 2015	262,456	\$32.25 - \$60.29

As of December 31, 2015, there was \$6.7 million of total unrecognized compensation costs related to outstanding stock awards, which is expected to be recognized over a weighted average remaining period of 1.5 years.

**Weighted Average Common Shares Outstanding**

The following reconciliation details the denominator used in the computation of basic and diluted earnings per share for the years ended December 31:

<i>(In thousands)</i>	2015	2014	2013
Weighted average shares outstanding for basic earnings per share	24,295	23,911	23,321
Common stock equivalents pertaining to stock-based awards	355	423	432
Weighted average shares outstanding for diluted earnings per share	24,650	24,334	23,753

The weighted average diluted shares outstanding for the years ended December 31, 2015, 2014 and 2013, exclude the effect of 255,547, 293,860 and 303,240 shares of common stock, respectively, subject to stock-based awards. Such shares were excluded from total diluted shares because they were anti-dilutive or the specified performance conditions that those shares were subject to were not yet achieved.

**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

**13. FAIR VALUE MEASUREMENTS**

**Recurring**

The following table presents the Company's assets and liabilities measured at fair value on a recurring basis at December 31:

<i>(In thousands)</i>	2015				2014			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
<b>Assets</b>								
Deferred compensation	\$ 7,774	\$ 7,774	\$ —	\$ —	\$ 7,388	\$ 7,388	\$ —	\$ —
Total assets	<u>\$ 7,774</u>	<u>\$ 7,774</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7,388</u>	<u>\$ 7,388</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Liabilities</b>								
Contingent consideration	\$ 10,840	\$ —	\$ —	\$ 10,840	\$ 8,129	\$ —	\$ —	\$ 8,129
Deferred compensation	11,836	11,836	—	—	11,478	11,478	—	—
Total liabilities	<u>\$ 22,676</u>	<u>\$ 11,836</u>	<u>\$ —</u>	<u>\$ 10,840</u>	<u>\$ 19,607</u>	<u>\$ 11,478</u>	<u>\$ —</u>	<u>\$ 8,129</u>

*Deferred Compensation*

The Company has an Executive Non-Qualified Deferred Compensation Plan (the "Plan"). The amounts deferred under the Plan are credited with earnings or losses based upon changes in values of the notional investments elected by the Plan participants. The Company invests approximately 65 percent of the amounts deferred by the Plan participants in life insurance contracts, matching the investments elected by the Plan participants. Deferred compensation assets and liabilities were valued using a market approach based on the quoted market prices of identical instruments.

*Contingent Consideration Related to Acquisitions*

Liabilities for contingent consideration related to acquisitions were fair valued using management's projections for long-term sales forecasts, including assumptions regarding market share gains and future industry-specific economic and market conditions, and a market participant's weighted average cost of capital. Over the next six years, the Company's long-term sales growth forecasts for products subject to contingent consideration arrangements average approximately 13 percent per year. For further information on the inputs used in determining the fair value, and a roll-forward of the contingent consideration liability, see Note 11 of the Notes to Consolidated Financial Statements.

Changes in either of the inputs in isolation would result in a change in the fair value measurement. A change in the assumptions used for sales forecasts would result in a directionally similar change in the fair value liability, while a change in the weighted average cost of capital would result in a directionally opposite change in the fair value liability. If there is an increase in the fair value liability, the Company would record a charge to selling, general and administrative expenses, and if there is a decrease in the fair value liability, the Company would record a benefit in selling, general and administrative expenses.

**Non-recurring**

The following table presents the carrying value on the measurement date of any assets and liabilities which were measured at fair value and recorded at the lower of cost or fair value, on a non-recurring basis, using significant unobservable inputs (Level 3), and the corresponding non-recurring losses recognized during the years ended December 31:

<i>(In thousands)</i>	2015		2014		2013	
	Carrying Value	Non-Recurring Losses	Carrying Value	Non-Recurring Losses	Carrying Value	Non-Recurring Losses
<b>Assets</b>						
Vacant owned facilities	\$ 2,537	\$ —	\$ 3,863	\$ —	\$ 3,197	\$ 145
Other intangible assets	—	—	—	—	—	—
Net assets of acquired businesses	28,727	—	66,169	—	4,382	—
Total assets	<u>\$ 31,264</u>	<u>\$ —</u>	<u>\$ 70,032</u>	<u>\$ —</u>	<u>\$ 7,579</u>	<u>\$ 145</u>

**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

*Vacant Owned Facilities*

During 2015, the Company reviewed the recoverability of the carrying value of three vacant owned facilities, of which one of these facilities was sold and one was reopened. At December 31, 2015, the Company had one vacant owned facility, with an estimated fair value of \$3.1 million and a carrying value of \$2.5 million, classified in fixed assets in the Consolidated Balance Sheets.

During 2014, the Company reviewed the recoverability of the carrying value of four vacant owned facilities. At December 31, 2014, the Company had three vacant owned facilities with an estimated combined fair value of \$4.2 million and a combined carrying value of \$3.9 million, classified in fixed assets in the Consolidated Balance Sheets.

During 2013, the Company reviewed the recoverability of the carrying value of six vacant owned facilities. The fair value of two of these vacant owned facilities did not exceed their carrying value, therefore an impairment charge of \$0.1 million was recorded in selling, general, and administrative expenses in the Consolidated Statements of Income. At December 31, 2013, the Company had three vacant owned facilities, with an estimated combined fair value of \$3.6 million and a combined carrying value of \$3.2 million, classified in fixed assets in the Consolidated Balance Sheets.

The determination of fair value was based on the best information available, including internal cash flow estimates, market prices for similar assets, broker quotes and independent appraisals, as appropriate.

*Net Assets of Acquired Businesses*

The Company valued the assets and liabilities associated with the acquisitions of businesses on the respective acquisition dates. Depending upon the type of asset or liability acquired, the Company used different valuation techniques in determining the fair value. Those techniques included comparable market prices, long-term sales, profitability and cash flow forecasts, assumptions regarding future industry-specific economic and market conditions, a market participant's weighted average cost of capital, as well as other techniques as circumstances required. For further information on acquired assets and liabilities, see Note 3 of the Notes to Consolidated Financial Statements.

**14. NEW ACCOUNTING PRONOUNCEMENTS**

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-17, *Balance Sheet Classification of Deferred Taxes*. This ASU requires entities with a classified balance sheet to present all deferred tax assets and liabilities as non-current. This ASU is effective for annual and interim periods beginning after December 15, 2016, and can be applied prospectively or retrospectively to adjustments with early adoption permitted at the beginning of an interim or annual reporting period. The Company is evaluating the effect of adopting this new accounting guidance, but does not expect adoption will have a material impact on the Company's results of operations, cash flows or financial position.

In September 2015, the FASB issued ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments*. This ASU applies to restating prior periods to reflect adjustments made to provisional amounts recognized in a business combination. Under the new guidance, an acquirer must recognize adjustments to provisional amounts identified during the measurement period in the reporting period in which the adjustment amounts are determined. This ASU is effective for annual and interim periods beginning after December 15, 2015, and is to be applied prospectively to adjustments to provisional amounts occurring after the effective date with early adoption permitted at the beginning of an interim or annual reporting period. The Company is evaluating the effect of adopting this new accounting guidance, but does not expect adoption will have a material impact on the Company's results of operations, cash flows or financial position.

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory*. This ASU applies to inventory measured using the first-in, first-out ("FIFO") or average cost methods. Under the updated guidance, an entity should measure inventory that is within scope at the lower of cost and net realizable value, which is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This ASU is effective for annual and interim periods beginning after December 15, 2016, and should be applied prospectively with early adoption permitted at the beginning of an interim or annual reporting period. Adoption of this ASU will not have a material impact on the Company's results of operations, cash flows or financial position.

**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. This ASU requires debt issuance costs be presented on the balance sheet as a direct reduction from the related debt liability rather than as an asset. Amortization of the costs would be reported as interest expense. The amendments in this ASU are to be applied retrospectively and are effective for interim and annual reporting periods beginning after December 15, 2015. Adoption of this ASU will not have a material impact on the Company's results of operations, cash flows or financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. This ASU provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize 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 ASU is for annual periods, and interim periods within those years, beginning after December 15, 2017, with early adoption permitted for years beginning after December 15, 2016, to be applied retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company is evaluating the effect of adopting this new accounting guidance, but does not expect adoption will have a material impact on the Company's results of operations, cash flows or financial position.

**DREW INDUSTRIES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

**15. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)**

Interim unaudited financial information follows:

<i>(In thousands, except per share amounts)</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
<b>Year ended December 31, 2015</b>					
Net sales	\$ 361,457	\$ 362,085	\$ 345,296	\$ 334,228	\$ 1,403,066
Gross profit	\$ 76,403	\$ 82,060	\$ 74,125	\$ 73,414	\$ 306,002
Income before income taxes	\$ 31,649	\$ 33,019	\$ 26,576	\$ 23,125	\$ 114,369
Net income	\$ 20,073	\$ 20,869	\$ 17,263	\$ 16,140	\$ 74,345
Net income per common share:					
Basic	\$ 0.83	\$ 0.86	\$ 0.71	\$ 0.66	\$ 3.06
Diluted	\$ 0.82	\$ 0.85	\$ 0.70	\$ 0.65	\$ 3.02
Stock market price:					
High	\$ 64.61	\$ 62.60	\$ 59.42	\$ 61.90	\$ 64.61
Low	\$ 47.63	\$ 55.26	\$ 52.42	\$ 53.55	\$ 47.63
Close (at end of quarter)	\$ 61.54	\$ 58.02	\$ 54.61	\$ 60.89	\$ 60.89
<b>Year ended December 31, 2014</b>					
Net sales	\$ 285,377	\$ 321,783	\$ 294,271	\$ 289,351	\$ 1,190,782
Gross profit	\$ 63,200	\$ 72,012	\$ 62,483	\$ 57,228	\$ 254,923
Income before income taxes	\$ 25,926	\$ 29,075	\$ 22,941	\$ 17,115	\$ 95,057
Net income	\$ 16,164	\$ 18,618	\$ 15,488	\$ 11,996	\$ 62,266
Net income per common share:					
Basic	\$ 0.68	\$ 0.78	\$ 0.65	\$ 0.50	\$ 2.60
Diluted	\$ 0.67	\$ 0.77	\$ 0.64	\$ 0.49	\$ 2.56
Stock market price:					
High	\$ 54.20	\$ 54.15	\$ 50.83	\$ 51.69	\$ 54.20
Low	\$ 45.53	\$ 45.80	\$ 41.00	\$ 41.95	\$ 41.00
Close (at end of quarter)	\$ 54.20	\$ 50.01	\$ 42.19	\$ 51.07	\$ 51.07

The sum of per share amounts for the four quarters may not equal the total per share amounts for the year as a result of changes in the weighted average common shares outstanding or rounding.

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

None.

**Item 9A. CONTROLS AND PROCEDURES.**

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure, in accordance with the definition of "disclosure controls and procedures" in Rule 13a-15 under the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, cannot provide absolute assurance of achieving the desired control objectives. Management included in its evaluation the cost-benefit relationship of possible controls and procedures. The Company continually evaluates its disclosure controls and procedures to determine if changes are appropriate based upon changes in the Company's operations or the business environment in which it operates.

As of the end of the period covered by this Form 10-K, the Company performed an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

(a) Management's Annual Report on Internal Control over Financial Reporting.

We are responsible for the preparation and integrity of the Consolidated Financial Statements appearing in the Annual Report on Form 10-K. We are also responsible for establishing and maintaining adequate internal control over financial reporting. We maintain a system of internal control that is designed to provide reasonable assurance as to the fair and reliable preparation and presentation of the Consolidated Financial Statements, as well as to safeguard assets from unauthorized use or disposition. The Company continually evaluates its system of internal control over financial reporting to determine if changes are appropriate based upon changes in the Company's operations or the business environment in which it operates.

Our control environment is the foundation for our system of internal control over financial reporting and is embodied in our Guidelines for Business Conduct. It sets the tone of our organization and includes factors such as integrity and ethical values. Our internal control over financial reporting is supported by formal policies and procedures which are reviewed, modified and improved as changes occur in business conditions and operations.

We conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Although there are inherent limitations in the effectiveness of any system of internal control over financial reporting, based on our evaluation, we have concluded that our internal control over financial reporting was effective as of December 31, 2015.

KPMG LLP, an independent registered public accounting firm, has audited the Consolidated Financial Statements included in this Report and, as part of their audit, has issued their attestation report on the effectiveness of our internal control over financial reporting, included elsewhere in this Form 10-K.

/s/ Jason D. Lippert  
Chief Executive Officer

/s/ David M. Smith  
Chief Financial Officer

(b) Report of the Independent Registered Public Accounting Firm.

The attestation report of our independent registered public accounting firm on the effectiveness of our internal control over financial reporting is included in Item 8. "Financial Statements and Supplementary Data."



(c) Changes in Internal Control over Financial Reporting.

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

The Company has selected a new enterprise resource planning ("ERP") system, and has begun implementing that system. Although to date there have been no significant changes in the Company's internal controls, the Company anticipates internal controls will be strengthened incrementally due both to the installation of the new ERP software and business process changes. The full implementation is expected to take several years.

**Item 9B. OTHER INFORMATION.**

None.

**PART III**

**Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.**

Information with respect to the Company's Directors, Executive Officers and Corporate Governance is incorporated by reference from the information contained under the proposal entitled "Election of Directors" and under the caption "Corporate Governance and Related Matters – Board Committees" in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on May 26, 2016 (the "2016 Proxy Statement") and from the information contained under "Executive Officers of the Registrant" in Part I, Item 1, "Business," in this Report.

Information regarding Section 16 reporting compliance is incorporated by reference from the information contained under the caption "Voting Securities – Compliance with Section 16(a) of the Exchange Act" in the Company's 2016 Proxy Statement.

The Company has adopted Governance Principles, Guidelines for Business Conduct, a Whistleblower Policy, and a Code of Ethics for Senior Financial Officers ("Code of Ethics"), each of which, as well as the Charter and Key Practices of the Company's Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee, are available on the Company's website at [www.drewindustries.com](http://www.drewindustries.com). A copy of any of these documents will be furnished, without charge, upon written request to Secretary, Drew Industries Incorporated, 3501 County Road 6 East, Elkhart, Indiana 46514.

If the Company makes any substantive amendment to the Code of Ethics or the Guidelines for Business Conduct, or grants a waiver to a Director or Executive Officer from a provision of the Code of Ethics or the Guidelines for Business Conduct, the Company will disclose the nature of such amendment or waiver on its website or in a Current Report on Form 8-K. There have been no waivers to Directors or Executive Officers of any provisions of the Code of Ethics or the Guidelines for Business Conduct.

**Item 11. EXECUTIVE COMPENSATION.**

The information required by this item is incorporated by reference from the information contained under the caption "Executive Compensation" and "Director Compensation" in the Company's 2016 Proxy Statement.

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

The information required by this item is incorporated by reference from the information contained under the caption "Voting Securities – Security Ownership of Certain Beneficial Owners and Management" in the Company's 2016 Proxy Statement and the Equity Compensation Plan Information contained in Part I, Item 5 in this Report.

**Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

The information required by this item with respect to transactions with related persons and director independence is incorporated by reference from the information contained under the captions "Transactions with Related Persons" and "Corporate Governance and Related Matters – Board of Directors and Director Independence" in the Company's 2016 Proxy Statement.

**Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.**

The information required by this item is incorporated by reference from the information contained under the proposal entitled “Appointment of Auditors – Fees for Independent Auditors” in the Company’s 2016 Proxy Statement.

**PART IV**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.**

- (a) Documents Filed:
  - (1) Financial Statements.
  - (2) Exhibits. See Item 15 (b) - “List of Exhibits” incorporated herein by reference.
- (b) Exhibits - List of Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
3.1*	Drew Industries Incorporated Restated Certificate of Incorporation.
3.2	Amended and Restated By-laws of Drew Industries Incorporated (incorporated by reference to Exhibit 4.2 included in the Registrant’s Registration Statement on Form S-8 filed on December 31, 2014 (Registration No. 333-201336)).
10.221	Form of Indemnification Agreement between Registrant and its officers and independent directors (incorporated by reference to Exhibit 10.1 included in the Registrant's Form 8-K filed on May 26, 2015).
10.231†*	Executive Non-Qualified Deferred Compensation Plan, as amended.
10.233	Second Amended and Restated Credit Agreement dated as of November 25, 2008 by and among Kinro, Inc., Lippert Components, Inc., JPMorgan Chase Bank, N.A., individually and as Administrative Agent, and Wells Fargo Bank, N.A. individually and as Documentation Agent (incorporated by reference to Exhibit 10.1 included in the Registrant’s Form 8-K filed on December 2, 2008).
10.257	First Amendment dated February 24, 2011 to the Second Amended and Restated Credit Agreement dated as of November 25, 2008 among Kinro, Inc., Lippert Components, Inc., JPMorgan Chase Bank, N.A., individually and as Administrative Agent, and Wells Fargo Bank, N.A. individually and as Documentation Agent (incorporated by reference to Exhibit 10.1 included in the Registrant’s Form 8-K filed on February 25, 2011).
10.259†	Drew Industries Incorporated Equity Award and Incentive Plan, As Amended and Restated (incorporated by reference to Appendix A included in the Registrant’s Definitive Proxy Statement on Schedule 14A filed on April 11, 2014).
10.263†	Executive Compensation and Non-Competition Agreement between Registrant and Joseph S. Giordano III, dated February 10, 2012 (incorporated by reference to Exhibit 10(iii)(A) included in the Registrant’s Form 8-K filed on February 13, 2012).
10.268†	Change in Control Agreement between Registrant and Jason D. Lippert, dated April 9, 2012 (incorporated by reference to Exhibit 10.02 included in the Registrant’s Form 8-K filed on April 10, 2012).

- 10.269† Change in Control Agreement between Registrant and Scott T. Mereness, dated April 9, 2012 (incorporated by reference to Exhibit 10.03 included in the Registrant’s Form 8-K filed on April 10, 2012).
- 10.270† Amended and Restated Executive Employment and Non-Competition Agreement among Drew Industries Incorporated, Lippert Components Manufacturing, Inc., Kinro Manufacturing, Inc. and Jason D. Lippert, dated February 26, 2013 (incorporated by reference to Exhibit 10(iii)(A) included in the Registrant’s Form 8-K filed on February 26, 2013).
- 10.271† Amended and Restated Executive Employment and Non-Competition Agreement among Drew Industries Incorporated, Lippert Components Manufacturing, Inc., Kinro Manufacturing, Inc. and Scott T Mereness, dated March 4, 2013 (incorporated by reference to Exhibit 10(iii)(A) included in the Registrant’s Form 8-K filed on March 5, 2013).
- 10.272† Amendment to Executive Compensation and Non-Competition Agreement between Registrant and Joseph S. Giordano III, dated April 10, 2013 (incorporated by reference to Exhibit 10(iii)(A) included in the Registrant’s Form 8-K filed on April 11, 2013).
- 10.273† Amendment to Change in Control Agreement between Registrant and Jason D. Lippert, dated May 10, 2013 (incorporated by reference to Exhibit 10(ii)(A)-2 included in the Registrant’s Form 8-K filed on May 10, 2013).
- 10.274† Amendment to Change in Control Agreement between Registrant and Scott T. Mereness, dated May 10, 2013 (incorporated by reference to Exhibit 10(ii)(A)-3 included in the Registrant’s Form 8-K filed on May 10, 2013).
- 10.276† Severance Agreement between Registrant and Robert A. Kuhns, dated February 11, 2014 (incorporated by reference to Exhibit 10(iii)(A) included in the Registrant’s Form 8-K filed on February 14, 2014).
- 10.277† Description of 2014 executive compensation arrangement between Registrant and Robert A. Kuhns (incorporated by reference to Item 5.02 included in the Registrant’s Form 8-K filed on February 14, 2014).
- 10.278† Change in Control Agreement between Registrant and Robert A. Kuhns, dated April 4, 2013, as amended May 20, 2013.
- 10.279 Second Amendment dated as of February 24, 2014 to Second Amended and Restated Credit Agreement dated as of November 25, 2008 among Kinro, Inc., Lippert Components, Inc., JPMorgan Chase Bank, N.A., individually and as Administrative Agent, and Wells Fargo Bank N.A., individually and as Documentation Agent (incorporated by reference to Exhibit 10.1 included in the Registrant’s Form 8-K filed on February 26, 2014).
- 10.280 Restated Revolving Credit Note dated as of February 24, 2014 by Lippert Components, Inc., payable to the order of JPMorgan Chase Bank, N.A. in the principal amount of Forty-Five Million (\$45,000,000) Dollars (incorporated by reference to Exhibit 10.2 included in the Registrant’s Form 8-K filed on February 26, 2014).
- 10.281 Restated Revolving Credit Note dated as of February 24, 2014 by Lippert Components, Inc., payable to the order of Wells Fargo Bank, N.A. in the principal amount of Thirty Million (\$30,000,000) Dollars (incorporated by reference to Exhibit 10.3 included in the Registrant’s Form 8-K filed on February 26, 2014).
- 10.282 Third Amended and Restated Pledge and Security Agreement dated as of February 24, 2014, made by Drew Industries Incorporated, Lippert Components, Inc. and Lippert Components Manufacturing, Inc., in favor of JPMorgan Chase Bank, N.A. as Collateral Agent (incorporated by reference to Exhibit 10.4 included in the Registrant’s Form 8-K filed on February 26, 2014).

- 10.283 Third Amended and Restated Company Guarantee Agreement dated as of February 24, 2014, made by Drew Industries Incorporated, with and in favor of JPMorgan Chase Bank, N.A. as Administrative Agent (incorporated by reference to Exhibit 10.5 included in the Registrant's Form 8-K filed February 26, 2014).
- 10.284 Third Amended and Restated Subsidiary Guarantee Agreement dated as of February 24, 2014, made by each direct and indirect subsidiary of Drew Industries Incorporated and Lippert Components, Inc., with and in favor of JPMorgan Chase Bank, N.A. as Administrative Agent (incorporated by reference to Exhibit 10.6 included in the Registrant's Form 8-K filed on February 26, 2014).
- 10.285 Third Amended and Restated Subordination Agreement dated as of February 24, 2014, made by Drew Industries Incorporated and each direct and indirect subsidiary of Drew Industries Incorporated, with and in favor of JPMorgan Chase Bank, N.A. as Administrative Agent (incorporated by reference to Exhibit 10.7 included in the Registrant's Form 8-K filed February 26, 2014).
- 10.286 Third Amended and Restated Note Purchase and Private Shelf Agreement dated as of February 24, 2014, by and among Prudential Investment Management, Inc. and Affiliates, and Lippert Components, Inc., guaranteed by Drew Industries Incorporated (incorporated by reference to Exhibit 10.8 included in the Registrant's Form 8-K filed February 26, 2014).
- 10.287 Form of Shelf Note of Lippert Components, Inc. pursuant to the Third Amended and Restated Note Purchase and Private Shelf Agreement (incorporated by reference to Exhibit 10.9 included in the Registrant's Form 8-K filed February 26, 2014).
- 10.288 Amended and Restated Parent Guarantee Agreement dated as of February 24, 2014, made by Drew Industries Incorporated in favor of Prudential Investment Management, Inc. and the Noteholders thereto from time to time (incorporated by reference to Exhibit 10.10 included in the Registrant's Form 8-K filed February 26, 2014).
- 10.289 Amended and Restated Subsidiary Guarantee Agreement dated as of February 24, 2014, made by each direct and indirect subsidiary (other than Lippert Components, Inc.) of Drew Industries Incorporated, in favor of Prudential Investment Management, Inc. and each of the Noteholders thereto from time to time (incorporated by reference to Exhibit 10.11 included in the Registrant's Form 8-K filed February 26, 2014).
- 10.290 Amended and Restated Pledge and Security Agreement dated as of February 24, 2014, made by Drew Industries Incorporated, Lippert Components, Inc., Lippert Components Manufacturing, Inc. and the other Subsidiary Guarantors, in favor of JPMorgan Chase Bank, N.A., as Trustee for the benefit of the Noteholders (incorporated by reference to Exhibit 10.12 included in the Registrant's Form 8-K filed February 26, 2014).
- 10.291 Amended and Restated Subordination Agreement dated as of February 24, 2014, made by Lippert Components, Inc., Drew Industries Incorporated and each direct and indirect subsidiary of Drew Industries Incorporated, with and in favor of Prudential Investment Management, Inc. and each of the Noteholders thereto from time to time (incorporated by reference to Exhibit 10.13 included in the Registrant's Form 8-K filed February 26, 2014).
- 10.292 Amended and Restated Collateralized Trust Agreement dated as of February 24, 2014, by and among Lippert Components, Inc. and Prudential Investment Management, Inc. and each of the Noteholders thereto from time to time, and JPMorgan Chase Bank, N.A. as Trustee for the Noteholders (incorporated by reference to Exhibit 10.14 included in the Registrant's Form 8-K filed February 26, 2014).
- 10.293 Second Amended and Restated Intercreditor Agreement dated as of February 24, 2014 by and among Prudential Investment Management, Inc. and Affiliates, JPMorgan Chase Bank, N.A. (as Lender and Administrative Agent), Wells Fargo Bank, N.A. (as Lender), and JPMorgan Chase Bank, N.A. (as Collateral Agent and Trustee) (incorporated by reference to Exhibit 10.15 included in the Registrant's Form 8-K filed February 26, 2014).
- 10.294† Form of Executive Employment Agreement (incorporated by reference to Exhibit 10.1 included in the Registrant's Form 8-K filed March 4, 2015).

10.295†	2015 Annual Incentive Plan (incorporated by reference to Exhibit 10.2 included in the Registrant's Form 8-K filed March 4, 2015).
10.296†	Form of Performance Stock Award (incorporated by reference to Exhibit 10.3 included in the Registrant's Form 8-K filed March 4, 2015).
10.297†	Form of Deferred Stock Award (incorporated by reference to Exhibit 10.4 included in the Registrant's Form 8-K filed March 4, 2015).
10.298	Incremental Joinder Agreement dated March 3, 2015 among Lippert Components, Inc., Drew Industries Incorporated, each subsidiary of Drew Industries Incorporated listed therein, the Lenders listed therein, and JPMorgan Chase Bank, individually and as Administrative Agent (incorporated by reference to Exhibit 10.1 included in the Registrant's Form 8-K filed March 6, 2015).
10.299	Form of 3.35% Series A Senior Notes due March 20, 2020 of Lippert Components, Inc. pursuant to the Third Amended and Restated Note Purchase and Private Shelf Agreement (incorporated by reference to Exhibit 10.2 included in the Registrant's Form 8-K filed March 23, 2015).
10.300†	Transition, Separation and General Release Agreement, dated August 14, 2015, between Drew Industries Incorporated and Joseph S. Giordano III (incorporated by reference to Exhibit 10.1 included in the Registrant's Form 8-K filed August 20, 2015).
10.301†	Transition, Separation and General Release Agreement, dated January 1, 2016, between Drew Industries Incorporated and Todd Driver (incorporated by reference to Exhibit 10.1 included in the Registrant's Form 8-K filed January 7, 2016).
10.302†	2016 Annual Incentive Plan (incorporated by reference to Exhibit 10.1 included in the Registrant's Form 8-K filed February 12, 2016).
14.1*	Code of Ethics for Senior Financial Officers.
14.2*	Guidelines for Business Conduct.
21*	Subsidiaries of the Registrant.
23*	Consent of Independent Registered Public Accounting Firm.
24*	Powers of Attorney (included on the signature page of this Report).
31.1*	Certification of Chief Executive Officer required by Rule 13a-14(a).
31.2*	Certification of Chief Financial Officer required by Rule 13a-14(a).
32.1*	Certification of Chief Executive Officer required by Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.
32.2*	Certification of Chief Financial Officer required by Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.
101	Interactive Data Files.

---

\*Filed herewith

†Denotes a compensation plan or arrangement

## SIGNATURES

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

Date: February 29, 2016

DREW INDUSTRIES INCORPORATED

By: /s/ Jason D. Lippert  
Jason D. Lippert  
Chief Executive Officer

Pursuant to the requirements of the Securities and Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and dates indicated.

Each person whose signature appears below hereby authorizes Jason D. Lippert and David M. Smith, or either of them, to file one or more amendments to the Annual Report on Form 10-K which amendments may make such changes in such Report as either of them deems appropriate, and each such person hereby appoints Jason D. Lippert and David M. Smith, or either of them, as attorneys-in-fact to execute in the name and on behalf of each such person individually, and in each capacity stated below, such amendments to such Report.

<u>Date</u>	<u>Signature</u>	<u>Title</u>
February 29, 2016	By: <u>/s/ Jason D. Lippert</u> (Jason D. Lippert)	Chief Executive Officer and Director (principal executive officer)
February 29, 2016	By: <u>/s/ David M. Smith</u> (David M. Smith)	Chief Financial Officer (principal financial officer)
February 29, 2016	By: <u>/s/ Brian M. Hall</u> (Brian M. Hall)	Corporate Controller (principal accounting officer)
February 29, 2016	By: <u>/s/ James F. Gero</u> (James F. Gero)	Chairman of the Board of Directors
February 29, 2016	By: <u>/s/ Leigh J. Abrams</u> (Leigh J. Abrams)	Director
February 29, 2016	By: <u>/s/ Frederick B. Hegi, Jr.</u> (Frederick B. Hegi, Jr.)	Director
February 29, 2016	By: <u>/s/ David A. Reed</u> (David A. Reed)	Director
February 29, 2016	By: <u>/s/ John B. Lowe, Jr.</u> (John B. Lowe, Jr.)	Director
February 29, 2016	By: <u>/s/ Brendan J. Deely</u> (Brendan J. Deely)	Director
February 29, 2016	By: <u>/s/ Frank J. Crespo</u> (Frank J. Crespo)	Director
February 29, 2016	By: <u>/s/ Kieran M. O'Sullivan</u> (Kieran M. O'Sullivan)	Director



**Consent of Independent Registered Public Accounting Firm**

The Board of Directors  
Drew Industries Incorporated:

We consent to the incorporation by reference in the Registration Statements (Nos. 333-91174, 333-141276, 333-152873, 333-161242, 333-181272 and 333-201336) on Form S-8 of Drew Industries Incorporated of our report dated February 29, 2016, with respect to the consolidated balance sheets of Drew Industries Incorporated and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2015 and the effectiveness of internal control over financial reporting as of December 31, 2015, which report appears in the December 31, 2015 annual report on Form 10-K of Drew Industries Incorporated and subsidiaries.

*/s/ KPMG LLP*

Chicago, Illinois  
February 29, 2016

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 13a-14(a)  
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Jason D. Lippert, Chief Executive Officer, certify that:

- 1) I have reviewed this annual report on Form 10-K of Drew Industries Incorporated;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2016

By /s/ Jason D. Lippert

Jason D. Lippert, Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 13a-14(a)  
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, David M. Smith, Chief Financial Officer, certify that:

- 1) I have reviewed this annual report on Form 10-K of Drew Industries Incorporated;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2016

By /s/ David M. Smith

David M. Smith, Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C.  
SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002**

In connection with the annual report on Form 10-K of Drew Industries Incorporated (the “Company”) for the period ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Jason D. Lippert, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

*By /s/ Jason D. Lippert*  
Chief Executive Officer  
Principal Executive Officer  
February 29, 2016

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C.  
SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002**

In connection with the annual report on Form 10-K of Drew Industries Incorporated (the “Company”) for the period ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), David M. Smith, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

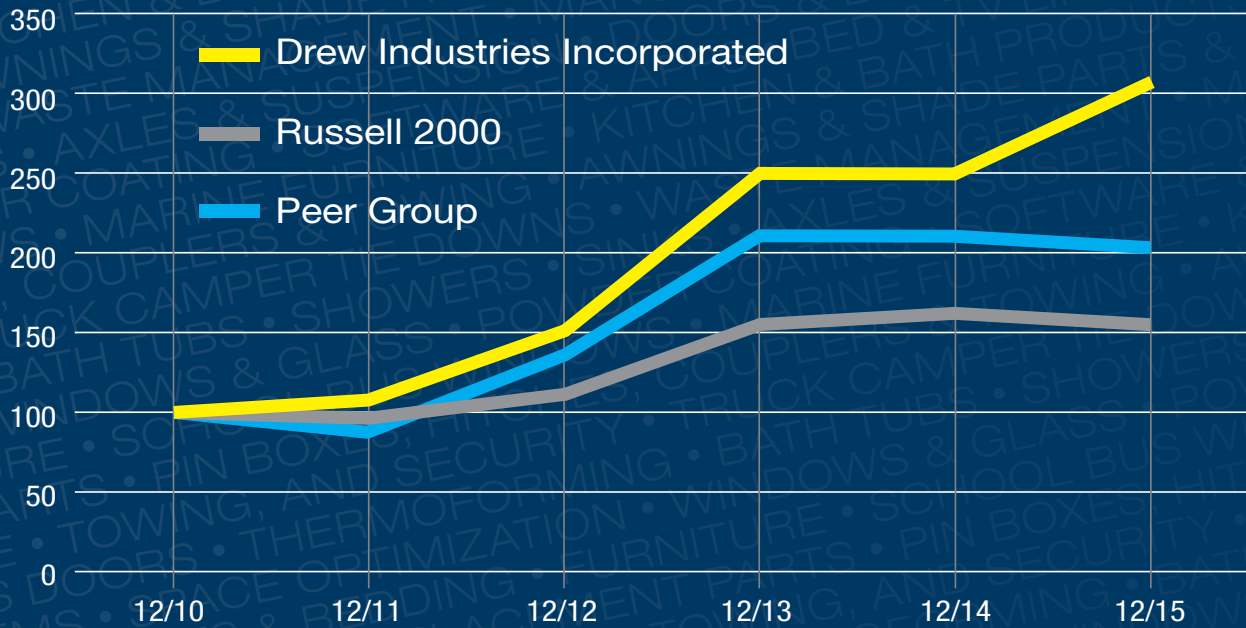
By /s/ David M. Smith  
Chief Financial Officer  
Principal Financial Officer  
February 29, 2016



The graph below compares the cumulative 5-Year total return of holders of the Company's common stock with the cumulative total returns of the Russell 2000 index and a customized peer group of eight companies that includes: Arctic CAT Inc., Brunswick Corporation, Cavco Industries, Inc., Patrick Industries, Inc., Spartan Motors, Inc., Thor Industries, Inc., Trimas Corporation and Winnebago Industries, Inc. An investment of \$100 (with reinvestment of all dividends) is assumed to have been made in our common stock, in the index, and in the peer group on December 31, 2010 and its relative performance is tracked through December 31, 2015.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\***

Among Drew Industries Incorporated, the Russell 2000 Index, and a Peer Group



\* \$100 invested on 12/31/10 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

Copyright© 2016 Russell Investment Group. All rights reserved.

	12/10	12/11	12/12	12/13	12/14	12/15
Drew Industries Incorporated	100.00	107.97	151.58	250.17	249.54	307.28
Russell 2000	100.00	95.82	111.49	154.78	162.35	155.18
Peer Group	100.00	87.60	136.33	210.84	210.64	203.30

The stock price performance included in this graph is not necessarily indicative of future stock price performance.



**DREW**  
INDUSTRIES INCORPORATED

[drewindustries.com](http://drewindustries.com)

