COLUMBUS McKINNON CORPORATION

**Lifting. Positioning. Securing.**

**Safely and Productively**

***2016 ANNUAL REPORT***

COLUMBUS McKINNON CORPORATION

# Material Handling - Easily and Safely

Columbus McKinnon (NASDAQ: CMCO) is a leading worldwide designer, manufacturer and marketer of material handling products, systems and services, which efficiently and ergonomically move, lift, position and secure materials.

Headquartered in Getzville, New York, Columbus McKinnon's key products include hoists, cranes, actuators, rigging tools, and digital power and motion control systems. The Company is focused on commercial and industrial applications that require the safety and quality provided by its superior design and engineering know-how.

## Financial Summary

*(in thousands, except per share, margin and ratio data)*

| **Fiscal Year Ended March 31,** | **2016** | **2015** | **2014** | **2013** | **2012** |
|---|---|---|---|---|---|
| **Income Statement Data** | | | | | |
| Net sales | $ 597,103 | $ 579,643 | $ 583,290 | $ 597,263 | $ 591,945 |
| Gross profit | 187,263 | 181,607 | 181,048 | 174,231 | 157,718 |
| Gross margin | 31.4 % | 31.3 % | 31.0 % | 29.2 % | 26.6 |
| Income from operations | 40,570 | 54,648 | 54,350 | 54,371 | 45,144 |
| Operating margin | 6.8 % | 9.4 % | 9.3 % | 9.1 % | 7.6 |
| Net income | 19,579 | 27,190 | 30,421 | 78,296 | 26,967 |
| Net income per diluted share | $ 0.96 | $ 1.34 | $ 1.52 | $ 3.98 | $ 1.38 |
| Non-GAAP adjusted net income per diluted share[1] | $ 1.45 | $ 1.53 | $ 1.47 | $ 1.43 | $ 1.07 |
| **Balance Sheet Data** | | | | | |
| Total assets | $ 773,044 | $ 566,324 | $ 598,674 | $ 566,867 | $ 515,407 |
| Total liabilities | 486,735 | 297,605 | 307,388 | 326,880 | 354,941 |
| Total debt | 267,825 | 126,712 | 152,293 | 152,077 | 153,094 |
| Total debt, net of cash | 216,222 | 63,656 | 39,984 | 30,417 | 63,621 |
| Total shareholders' equity | $ 286,309 | $ 268,719 | $ 291,286 | $ 239,987 | $ 160,466 |
| Total debt/capitalization | 48.3 % | 32.0 % | 34.3 % | 38.8 % | 48.8 |
| Total debt, net of cash/net total capitalization | 43.0 % | 19.2 % | 12.1 % | 11.2 % | 28.4 |
| **Other Data** | | | | | |
| Operating cash flow | $ 52,645 | $ 38,254 | $ 29,507 | $ 42,378 | $ 23,587 |
| Depreciation and amortization | 20,531 | 14,562 | 13,380 | 12,115 | 11,862 |
| Capital expenditures | $ (22,320) | $ (17,243) | $ (20,846) | $ (14,879) | $ (13,765) |
| Working capital (excl. cash and debt)/sales [2 3] | 21.5 % | 20.8 % | 21.7 % | 18.3 % | 17.6 |
| Days sales outstanding | 49.2 | 49.2 | 52.9 | 50.5 | 50.6 |
| Inventory turns | 3.6 | 4.0 | 4.5 | 4.3 | 4.3 |

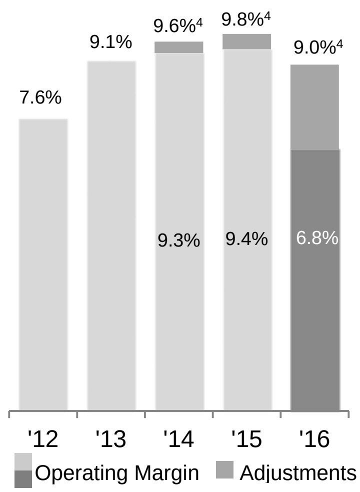
*[1] The Company believes that non-GAAP adjusted net income per diluted share is a meaningful measure of financial performance in comparing period-to-period results. Please see the table at the back of this report for a reconciliation of GAAP net income per diluted share to non-GAAP adjusted net income per diluted share. This information should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with GAAP.*

*[2] FY2015 working capital/sales excludes the impact of the Stahlhammer Bommern acquisition, which closed on December 30, 2014.*

*[3] FY2016 working capital/sales excludes the impact of the Magnetek acquisition, which closed on September 2, 2015.*

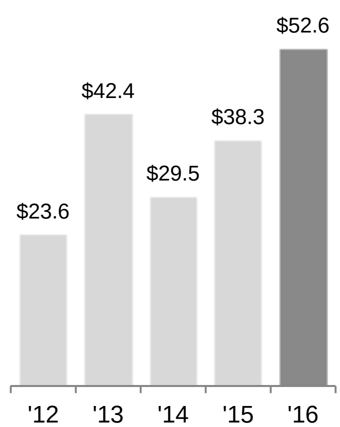
**Adjusted Operating Margin**

*(non-GAAP)*



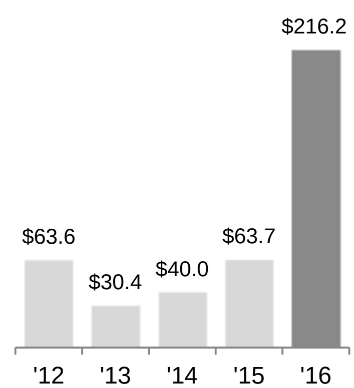

**Cash Flow from Operations**

*(in millions)*




**Total Debt, Net of Cash**

*(in millions)*




*[4] Adjusted Operating Margin of 9.6% for FY 2014, 9.8% for FY2015 and 9.0% for FY2016, are adjusted to exclude unusual items and are non-GAAP financial measures. Please see the table at the back of this report for a reconciliation of GAAP income from operations and margin to non-GAAP adjusted income from operations and margin. This information should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with GAAP.*

## Acquisition of Magnetek

*Magnetek is a leader in power and motion controls in the hoist and crane industry with several patented algorithms. We believe that the most significant benefit of our acquisition of Magnetek is the advantage of being the first to market with fully integrated "Smart Hoists and Cranes." Utilizing the variability and adaptability of the Magnetek drives and control systems, we will be able to offer higher value-added products that reduce safety infractions and down-time at our customer's facilities, generate energy savings and engage the Internet of Things (IoT) for improved information flow and operational efficiencies.*

***Dear Fellow Shareholders,***

With the acquisition of Magnetek in September 2015, we combined the U.S. leader in digital control and drive systems for industrial cranes and hoists with a global leader in hoists and rigging equipment. This has significantly advanced our strategy for Columbus McKinnon to be a global leader as a material handling technology-solutions company. The acquisition will help our customers become safer and more productive in their lifting activities. With approximately $100 million in revenue and a higher operating margin profile, the acquisition also moved us closer to our goal of $1 billion in revenue with 12% to 14% operating margins.

Fiscal 2016 also had its share of challenges. Financial results were heavily impacted by lower volume globally. We believe we navigated fairly well through the U.S. industrial recession of calendar year 2015, which has yet to demonstrate a strong recovery. In addition, we faced the measurable negative effects of foreign currency translation given the significant strengthening of the U.S. dollar during the year.

Acquisitions were the primary reason that sales were up 3% to $597 million over the prior fiscal year. However, when you exclude the impact of foreign currency exchange, revenue grew 8.1%. Nonetheless, the volume decline in our core business led to under absorption of fixed costs and resulted in lower profitability. Earnings per diluted share were $0.96, down from $1.34 in the prior year.

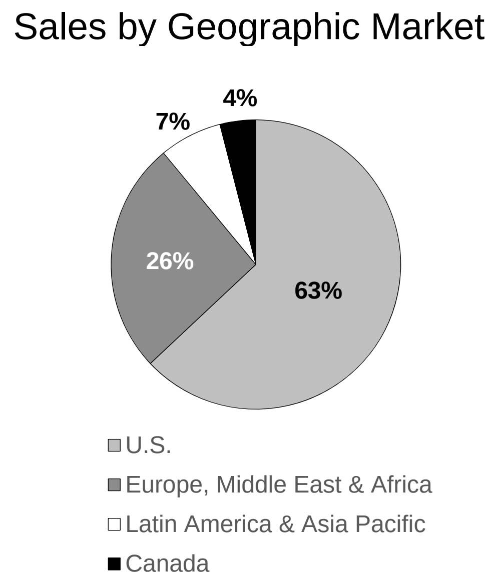
On the positive side, we realized $5 million in cost savings from the acquisition, generated $53 million in cash from operations in fiscal 2016 and reduced debt by $50 million since the close of the acquisition.

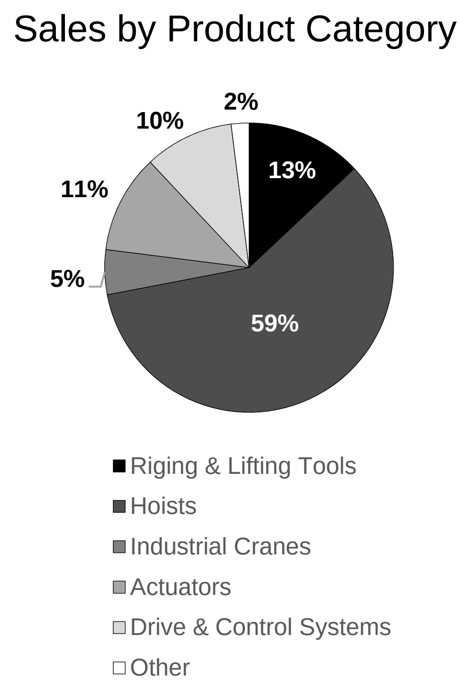
***Magnetek acquisition added power control "Brains" to complement our "Brawn" as an industry leader in material handling*****.** The acquisition gives us considerable intellectual property and engineering capability as we transform Columbus McKinnon into an industrial technology company. We expect to capitalize on our significant global infrastructure and footprint to expand Magnetek's leadership position in the U.S. to a global one.

Our goal is to create smart hoist and crane systems that improve equipment uptime (productivity) and offer safer operations. These market-leading innovations in material handling will be able to communicate with users about equipment issues before they become catastrophic and provide timely notices for scheduled maintenance. Our customers will prefer this safer, more productive and cost efficient material handling equipment in their operations.

***Global expansion remains a key component of our long-term growth strategy.*** We are consistently investing in the expansion of our global reach into emerging markets to complement our leading market position in the developed North American and European markets. In the Asia-Pacific market, we are employing our China base to move further south into Southeast Asia markets. Although Latin America, especially Brazil, is suffering economically, we are still working to build our presence and brand in these important markets. In fact, we have established a leading market position and believe we will benefit measurably when those markets turn positive. We are working to gain greater market share in Western Europe, while expanding our reach into Eastern Europe and the Middle East. On the African continent, we have a solid position in South Africa that will benefit us as the metals and mining industry improves.

***Generating cash and rapidly deleveraging the balance sheet.*** Our Company has a long history of strong cash generation. Since the recession of 2009 through the end of fiscal 2016, we have generated $159 million of free cash flow. While we borrowed approximately $195 million to fund the Magnetek acquisition, we have paid down $40 million specific to this acquisition and expect to reduce our total debt by an additional $43 million by the end of Fiscal 2017. With this debt reduction plan, we believe we have the financial flexibility to continue to invest in organic growth and future acquisitions.




***Our team is what makes Columbus McKinnon great.*** Our success is made possible by the ongoing dedication and drive of our global team of almost 3,000 associates. We have a very experienced and empowered team around the world and would like to express our gratitude for their commitment to the future of Columbus McKinnon.

As always, your interest and investment in Columbus McKinnon is greatly appreciated.

Sincerely,

Timothy T. Tevens
President and Chief Executive Officer

Ernest R. Verebelyi
Chairman of the Board of Directors

## EXECUTIVE COMMITTEE

**Timothy T. Tevens**
President and Chief Executive Officer

**Gregory P. Rustowicz**
Vice President and Chief Financial Officer

**Jeffrey S. Armfield**
Executive Director - Global Product Strategy and Development

**Benjamin AuYeung**
Vice President - Asia Pacific

**Gene P. Buer**
Vice President – Solutions Group

**Dr. Ivo Celi**
Vice President - Europe, Middle East and Africa

**Lawrence Gavin**
Executive Director and Chief Procurement Officer

**Alan S. Korman**
Vice President – Corporate Development, General Counsel and Corporate Secretary

**Peter M. McCormick**
President - Magnetek

**Mark R. Paradowski**
Vice President - Information Services

**Kurt F. Wozniak**
Vice President - Americas

## BOARD OF DIRECTORS

**Ernest R. Verebelyi**, Chairman
Terex Corporation (NYSE: TEX) (retired)

**Timothy T. Tevens**
Columbus McKinnon Corporation

**Richard H. Fleming** [1,3*]
USG Corporation (NYSE: USG) (retired)

**Linda A. Goodspeed** [2,3]
The ServiceMaster Company (NYSE: SERV) (retired)

**Liam G. McCarthy** [1,2]
Molex Inc.

**Heath A. Mitts** [1,3]
IDEX Corporation (NYSE: IEX)

**Nicholas T. Pinchuk** [2,3]
Snap-on Inc. (NYSE: SNA)

**Stephen Rabinowitz** [1,2*]
General Cable Corporation (NYSE: BGC) (retired)

**R. Scott Trumbull** [1*,2]
Franklin Electric Company (NASDAQ: FELE) (retired)

1 Audit
2 Compensation and Succession
3 Corporate Governance and Nomination
* Chairperson

In March 2016, the North American and corporate headquarters moved to a newly-constructed building in the CrossPoint Business Park in Getzville. The new headquarters building also houses a 3,700 square foot training center.

CM Lodestar Hoists are ready for liftoff at the Essence Music Festival in July 2015, at the Mercedes Benz Superdome in New Orleans, LA. At show time, these hoists safely supported several tons of lighting and sound equipment integral to the performance.

Nearly five years after Hurricane Sandy, cities along the eastern seaboard continue to discover – and repair – the damage inflicted on their infrastructure by the Category 3 storm. Magnetek, a September 2015 acquisition, was called in to repair and refurbish 16 storm-damaged 300M Mill Duty AC Thruster Shoe Brakes used to operate a four-lane drawbridge that spans a busy navigation channel in New York City. The service team at Magnetek's Menomonee Falls, WI facility completed the job in record time in order to restore traffic flow to boats and commuters in the New York City region.

# SEC FORM 10-K

COLUMBUS McKINNON
CORPORATION

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

# FORM 10-K

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

**For the fiscal year ended March 31, 2016**

**Commission file number 0-27618**

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# COLUMBUS McKINNON CORPORATION
(Exact name of Registrant as specified in its charter)

| | |
|---|---|
| **New York** | **16-0547600** |
| (State of Incorporation) | (I.R.S. Employer Identification Number) |

**205 Crosspoint Parkway**
**Getzville, New York 14068**
(Address of principal executive offices, including zip code)

**(716) 689-5400**
(Registrant's telephone number, including area code)

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Securities pursuant to section 12(b) of the Act:
**NONE**

Securities registered pursuant to Section 12(g) of the Act:
**Common Stock, $0.01 Par Value (and rights attached thereto)**

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 Exchange Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Act.

| | |
|---|---|
| Large accelerated filer ☐ | Accelerated filer ☒ |
| Non-accelerated filer ☐ | Smaller reporting company ☐ |

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of September 30, 2015 (the second fiscal quarter in which this Form 10-K relates) was approximately $362 million, based upon the closing price of the Company's common shares as quoted on the Nasdaq Stock Market on such date. The number of shares of the Registrant's common stock outstanding as of May 27, 2016 was 20,163,999 shares.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's proxy statement for its 2016 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the Registrant's fiscal year ended March 31, 2016 are incorporated by reference into Part III of this report.

**COLUMBUS McKINNON CORPORATION**

**2016 Annual Report on Form 10-K**

This annual report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from the results expressed or implied by such statements, including general economic and business conditions, conditions affecting the industries served by us and our subsidiaries, conditions affecting our customers and suppliers, competitor responses to our products and services, the overall market acceptance of such products and services, the integration of acquisitions and other factors set forth herein under “Risk Factors.” We use words like “will,” “may,” “should,” “plan,” “believe,” “expect,” “anticipate,” “intend,” “future” and other similar expressions to identify forward looking statements. These forward looking statements speak only as of their respective dates and we do not undertake and specifically decline any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated changes. Our actual operating results could differ materially from those predicted in these forward-looking statements, and any other events anticipated in the forward-looking statements may not actually occur.

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## PART I

### Item 1. Business

### General

We are a leading global designer, manufacturer and marketer of hoists, actuators, cranes, rigging tools, digital power control systems, and other material handling products serving a wide variety of commercial and industrial end-user markets. Our products are used to efficiently and ergonomically move, lift, position and secure objects and loads. We are the U.S. market leader in hoists and material handling drive systems, our principal line of products, as well as certain chain, forged fittings, and actuator products which we believe provides us with a strategic advantage in selling other products. We have achieved this leadership position through strategic acquisitions, our extensive, diverse and well-established distribution channels and our commitment to product innovation and quality. We have one of the most comprehensive product offerings in the industry and we believe we have more overhead hoists in use in North America than all of our competitors combined. Additionally, we believe we are the market leader of manual hoist and actuator products in Europe, which provides us further opportunity to sell other products through our existing distribution channels in that region. In September 2015, we significantly expanded our product offering with the acquisition of Magnetek, Inc. (Magnetek). The acquisition combines Magnetek's technology with our broad line of lifting and positioning mechanical products to create a more comprehensive solution for customers. Magnetek's digital power control systems serve the needs of selected niches of traditional and emerging markets that are becoming increasingly dependent on "smart" power. Much of Magnetek's focus is on developing and introducing innovative electronic drive solutions that both enhance our customers' productivity, safety, and energy efficiency. Our products are sold globally and our brand names, including CM, Coffing, Chester, Duff-Norton, Electromotive Systems, Enrange, IMPULSE, M-FORCE, Mondel, OmniPulse, Pfaff, Quattro, Shaw-Box, Telemotive, Unified, STB, and Yale are among the most recognized and well-respected in the marketplace.

Our business is cyclical in nature and sensitive to changes in general economic conditions, including changes in industrial capacity utilization, industrial production and general economic activity indicators, like GDP. Both U.S. and Eurozone capacity utilization are primary leading market indicators for our Company. U.S. total industrial capacity utilization has declined to 74.9% in March 2016, compared to 77.3% in March 2015 and 75.4% in December 2015. Eurozone capacity utilization was 81.9% in the quarter ended March 31, 2016, an increase from the quarter ended December 31, 2015 of 81.5% and March 31, 2015 of 81.0%. The European indicator reflects the continued slow recovery from the 2013 recession in Europe, while the U.S. indicator is indicative of a declining industrial market. This was particularly evident in the mining and oil and gas sectors. In addition we follow the Emerging Markets Purchasing Managers' Index (PMI) for other countries in which we have a strong sales and marketing presence including China, Brazil, Mexico, and South Africa.

### Our Position in the Industry

We participate predominantly in the hoist, crane, digital power control systems, elevator, and monorail sector. We believe that the demand for our products and services will be aided by several growth drivers. These drivers include:

***Productivity -*** We believe businesses respond to competitive pressures by seeking to maximize productivity and efficiency, among other actions. Our hoists and other lifting and positioning products allow loads to be lifted and placed quickly, precisely, with little effort and fewer people, thereby increasing productivity and reducing cycle time. Further, our variable frequency AC drive products and DC digital controls are highly reliable, operate at high speeds, and improve production output, while reducing labor and energy costs. In addition, emphasis on "Lean" techniques by many companies increases demand for our lifting and positioning products for use in single-piece flow workstation applications.

***Safety -*** Driven by workplace safety regulations such as the Occupational Safety and Health Act (OSHA) and the Americans with Disabilities Act in the U.S. and other safety regulations around the world, and by the general competitive need to reduce costs such as health insurance premiums and workers' compensation expenses, businesses seek safer ways to lift and position loads. Our lifting and positioning products enable these tasks to be performed with reduced risk of personal injury. Our recent acquisition of Magnetek provides us with additional opportunities to enhance workplace safety and reduce the risk of accidents and personal injury, including collision avoidance software, programmable acceleration and deceleration, and other safeguards that prevent overheating, eliminate load swing, and prevent uneven lifting.

***Consolidation of Suppliers -*** In an effort to reduce costs and increase productivity, our channel partners and end-user customers are increasingly consolidating their suppliers. We believe that our broad product offering combined with our well established brand names will enable us to benefit from this consolidation and enhance our market share.

***Modernization and Upgrade of Existing Equipment* -** Overhead cranes, elevators, and mining equipment represent significant investments in capital which in most cases operate under severe duty and in some cases, in harsh environments. Many of the structural components of these systems are manufactured to withstand significant mechanical forces, and to have useful lives in excess of 30 years. For example, it is not uncommon to find cranes that are more than 50 years old still operating today, or elevators or mining equipment operating with aging and inefficient power control equipment. Rather than scrap structurally sound but outdated equipment, it is often more cost-effective to modernize the equipment to meet current operational needs by upgrading the power control systems. Our recently acquired drive technology along with our application expertise can provide reduced energy consumption, greater reliability, improved throughput, lower operational costs, enhanced features, and prolonged equipment life over older drive technology. We believe our large installed base of product combined with our industry expertise provides us with opportunities to expand our business through modernization projects.

***Conversion to Wireless Applications* -** Many industries, including the overhead material handling, mobile hydraulic, construction, and mining markets, are rapidly adopting remote wireless control solutions. While wireless control has been available for a number of years, technology has improved significantly in recent years, enabling enhancements that have resulted in products that are safer, more reliable, ergonomically designed, versatile, and cost-effective. Our recent acquisition of Magnetek provides us with an expanded wireless control product offering, which we believe will help us to meet demand, increase market share, and enter new markets in this growing field.

***Communication and Diagnostic Features* -** In many electrical applications today, electronic devices controlled by microprocessors are increasingly being networked together, resulting in smart devices with greater productivity and user benefits. The benefits of this trend on control systems for industrial applications include lower installation costs, better monitoring of performance, improved integration with supervisory systems, and improved uptime. We believe the development of "smart" hoists with the power of embedded and connected microprocessors will provide a tremendous benefit for users at all levels from maintenance to production users to meet their productivity, uptime and safety needs today and into the future.

**Our Competitive Strengths**

***Leading North American Market Positions* -** We are a leading manufacturer and marketer of hoists, alloy and high strength carbon steel chain and forged fittings, digital power control systems, and actuators in North America. We have developed our leading market positions over our 141-year history by emphasizing safety, manufacturing excellence and superior service. Approximately 71% of our U.S. net sales for the year ended March 31, 2016 were from product categories in which we believe we hold the number one market share. We believe that the strength of our established products and brands and our leading market positions provide us with significant competitive advantages, including preferred supplier status with a majority of our largest channel partners and end user customers. Our large installed base of products also provides us with a significant competitive advantage in selling our products to existing customers as well as providing repair and replacement parts.

The following table summarizes the product categories where we believe we are the U.S. market leader:

| Product Category | U.S. Market Share | U.S. Market Position | Percentage of U.S. Net Sales |
|---|---|---|---|
| Hoist, Trolleys and Components (1) | 45% - 50% | #1 | 50 % |
| AC and DC Material Handling Drives (5) | 55% - 60% | #1 | 10 % |
| Screw Jacks (2) | 35% - 40% | #1 | 5 % |
| Tire Shredders (3) | 50% - 55% | #1 | 3 % |
| Elevator DC Drives (5) | 65% - 70% | #1 | 2 % |
| Jib Cranes (4) | 25% - 30% | #1 | 1 % |
| | | | **71%** |

(1) Market share and market position data are internal estimates derived from survey information collected and provided by our trade associations in 2015.

(2) Market share and market position data are internal estimates derived by comparison of our net sales to net sales of one of our competitors and to estimates of total market sales from a trade association in 2015.

(3) Market share and market position data are internal estimates derived by comparing the number of our tire shredders in use and their capacity to estimates of the total number of tires shredded published by a trade association in 2015.

(4) Market share and market position are internal estimates derived from both the number of bids we win as a percentage of the total projects for which we submit bids and from estimates of our competitors' net sales based on their relative position in distributor catalog's in 2015.

(5) Market share and market position are internal estimates derived from comparison of our net sales to the net sales of our competitors.

***Comprehensive Product Lines and Strong Brand Name Recognition -*** We believe we offer the most comprehensive product lines in the markets we serve. We offer training, engineering and design services to help channel partners and end users solve material handling problems. Most of our products are maintenance, repair and operating tools which work in conjunction with each other to create a complete lifting system. We complement our product offerings with training, engineering and design services to assist our channel partners and end-users in finding the optimal solution for their material handling needs. Our capability as a full-line supplier has allowed us to (i) provide our customers with "one-stop shopping" for material handling equipment, which meets some customers' desires to reduce the number of their supply relationships in order to lower their costs, (ii) leverage our engineering, product development and marketing costs over a larger sales base and (iii) achieve purchasing efficiencies on common materials used across our product lines. No single SKU comprises more than 1% of our sales, a testament to our broad and diversified product offering.

In addition, our brand names (including Budgit, Chester, CM, Coffing, Duff-Norton, Electromotive Systems, Enrange, IMPULSE, Little Mule, M-FORCE, Mondel, OmniPulse, Pfaff, Quattro, Shaw-Box, Unified, STB, Telemotive, and Yale) are among the most recognized and respected in the industry. The CM and Yale names have been synonymous with powered and manual hoists and were first developed and marketed under these brand names in the early 1900's. We believe that our strong brand name recognition and demonstrated performance have created customer loyalty and helps us maintain existing business, as well as capture additional business. We innovate and continually introduce new products to meet our changing customer needs. Products introduced or engineered for our customers during the last three fiscal years ended March 31, 2016 account for approximately 17.8% of our net sales.

***Distribution Channel Diversity and Strength -*** Our products are sold to over 15,500 general and specialty distributors, end users and OEMs globally. We enjoy long-standing relationships with, and are a preferred provider to, the majority of our distributors and industrial buying groups. There has been consolidation among distributors of material handling equipment and we have benefited from this consolidation by maintaining and enhancing our relationships with leading distributors, as well as forming new relationships. We believe our extensive distribution channels provide a significant competitive advantage and allow us to effectively market new product line extensions and promote cross-selling. Our largest customer represents approximately 2% of our total net sales and our top 10 customers represent approximately 15% of our total net sales.

***Expanding Non-U.S. Markets -*** We have significantly grown our non-U.S. sales since becoming a public company in 1996. Our non-U.S. sales have grown from $34,300,000 (representing 16% of net sales) in fiscal 1996 to $223,314,000 (representing 37% of our net sales) during the year ended March 31, 2016. This growth has occurred primarily in Europe, Latin America and Asia-Pacific. We have ten sales offices in Asia to sell into this growing industrial market. Our non-U.S. business has provided us, and we believe will continue to provide us, with significant growth opportunities and new markets for our products.

"Non-U.S. sales" as expressed throughout Items 1 and 7 of this Form 10-K, are defined as sales to customers located outside of the United States.

***Efficient Operations with Low-Cost Structure -*** We are extremely focused on optimizing our cost structure and have taken a number of steps towards reducing our costs, including: consolidating facilities, promoting a "Lean" culture, manufacturing in low cost jurisdictions, coordinating purchasing activities across the organization and selectively outsourcing non-critical functions. The actions we have taken to date have eliminated fixed costs from our operations and provided us with significant operating leverage as the economic conditions in our markets continue to improve.

— *Lean Culture* - We have been applying "Lean" techniques since 2001 and our efforts have resulted in reduced manufacturing floor space and an improvement in productivity and on-time deliveries. We have witnessed the benefits of "Lean" principles in our manufacturing operations and continue to work on developing a "Lean" culture throughout our organization—improving our processes and reducing waste in all forms in all of our business activities.

— *Expansion Outside the U.S.* - Our continued expansion of our manufacturing facilities in China and Europe provides us with a cost efficient platform to manufacture and distribute certain of our products and components. We now operate 19 principal manufacturing facilities in 7 countries, with 38 stand-alone sales and service offices in 23 countries and 9 warehouse facilities in 5 countries.

— *Consolidated Purchasing Activities* - We continue to leverage our company-wide purchasing power through our global sourcing and commodity teams that improve our supply base to help reduce our overall costs and enhance our supplier quality and delivery.

— *Selective Integration and Outsourcing* - We manufacture many of the critical parts and components used in the manufacture of our hoists and lifting systems, resulting in reduced costs. We continue to evaluate outsourcing opportunities for non-critical operations and components.

***Strong After-Market Sales and Support -*** We believe that we retain customers and attract new customers due to our ongoing commitment to customer service and satisfaction. We have a large installed base of hoists and rigging tools that drives our after-market sales for replacement units and components and repair parts. We maintain strong relationships with our distribution channel partners and provide prompt service to end-users of our products through our authorized network of 14 chain repair stations and over 250 certified hoist service and repair stations globally. We also work closely with end users to design the appropriate lifting systems using our products to help them solve their material handling problems.

We also provide a wide variety of training and certification programs to the users of our products. These training and certification programs include crane inspection and operation training and certification, hoist inspection and repair training and certification, various rigging training courses, load securement training, and CM entertainment technology equipment training and certification classes. In addition to our training classes, we offer free monthly safety webinars to Channel Partners and end-users. These webinars are designed to provide information and promote best practices on the proper use, installation, inspection and maintenance for a variety of material handling products.

***Industry Expertise and Technological Capabilities -*** We emphasize and leverage our ability to provide customized solutions for power and motion control applications through digital power technology. We have a long history of technical innovation and a highly skilled and experienced technical staff. Our technical personnel possess substantial expertise in disciplines central to digital power systems and applications. These include analog-to-digital circuit design, thermal management technology, and the application of microprocessors, digital signal processors, and software algorithms in the development of smart power products. We are widely recognized for our expertise in our served markets, regularly hosting training and technology seminars for customers and end users. We believe we are at the forefront of innovation in the industries we have traditionally served, continuously developing new products to provide cost-effective, value-added solutions to meet the changing needs of our customers.

***Consistent Free Cash Flow Generation and Access to Capital***—We have consistently generated positive free cash flow (which we define as net cash provided by operating activities less capital expenditures) through periods of economic uncertainty by continually controlling our costs, improving our working capital management and reducing the capital intensity of our manufacturing operations. During fiscal 2015, we significantly enhanced our capital structure by obtaining a $125 million term loan which replaced higher interest bearing notes and entering into a new $150 million revolving credit facility with an accordion feature allowing increases up to an additional $75 million with lender approval. This capital structure allows us to manage our liquidity in a low cost manner while maintaining flexibility to pursue attractive strategic growth opportunities. We exercised the accordion feature for $75 million and utilized the new $225 million revolving credit facility to obtain the funds necessary to acquire Magnetek in September of fiscal 2016. We borrowed $195 million under the revolving credit facility to fund the acquisition price and pay certain acquisition related fees. We have repaid $40 million of the amount borrowed for the Magnetek acquisition by March 31, 2016 and expect to repay an additional $30 million in fiscal 2017 in addition to our scheduled principal payments of $12.5 million required under our Term Loan agreement.

***Experienced Management Team with Equity Ownership -*** Our senior management team provides significant depth and continuity of experience in the material handling industry, supplemented by expertise in growing businesses, aggressive cost management, balance sheet management, efficient manufacturing techniques, acquiring and integrating businesses and global operations. This diverse experience has been critical to our success to date and will be instrumental to our long-term growth. Our directors and management promote the ownership of company stock by the executive officers and directors to align the interests of our leadership team with those of our shareholders.

**Our Strategy**

**Invest in New Products and Targeted Markets.** We intend to leverage our competitive advantages to increase our market shares across all of our product lines and geographies by:

— *Introducing New Products*—We continue to expand our business by developing new products and services and expanding the breadth of our products to address the material handling needs of our customers. We design our powered hoist products to meet applicable standards such as ASME, FEM, DIN and other region-specific/ application-specific standards to maximize product utility across global markets. Our product development process starts with the voice-of-the-customer and results in products that meet or exceed our customers' needs. New product sales (defined as new products introduced within the last three years and products engineered for our customers) amounted to $106,000,000 in the fiscal year ended March 31, 2016, or 17.8% of total sales.

— *Leveraging Our Distribution Channel Relationships and Vertical Market Knowledge*—Our large, diversified, global customer base, our extensive distribution channels and our close relationships with end-users and channel partners provide us with insights into customer preferences and product requirements that allow us to anticipate and address the future needs of the marketplace. We are also investing in key vertical markets that will help us increase our revenues.

— *Broadening Our Product Offering*—Developing and offering a broad range of products to our channel partners is an important element of our strategy. Industrial channel partners offer a broad array of industrial components that are used by many end-user markets. We continue to review and add new material handling products to broaden our offerings.

***Continue to Grow in Non-U.S. Markets -*** Our non-U.S. sales of $223,314,000 comprised 37% of our net sales for the year ended March 31, 2016, as compared with $244,033,000, or 42% in fiscal 2015 and as compared to 16% of our net sales in fiscal 1996, the year we became a public company. Foreign currency translation unfavorably impacted sales by $29,330,000 during fiscal 2016. Although we have made significant progress, our goal is to continue to increase our presence outside the U.S to capitalize on the higher growth opportunities and continue to diversify our business profile. We presently sell to distributors in over 50 countries and have our primary non-U.S. manufacturing facilities in China, Germany, the United Kingdom, Hungary, Mexico and France. In addition to new product introductions, we continue to expand our sales and service presence in the major and developing market areas of Asia-Pacific, Europe, and Latin America and have sales offices and warehouse facilities in Canada, various countries in Western and Eastern Europe, China, Thailand, Brazil, Uruguay, Panama and Mexico. We intend to increase our sales in Asia-Pacific by manufacturing a broader array of high quality, low-cost products and components in China. We have developed and are continuing to expand our development of hoist and other products in compliance with global standards and international designs to enhance our global distribution.

***Focus on Operational Excellence -*** Our objective is to provide the highest quality products and services at prices consistent with the value created for our customers. We continually evaluate our processes with a focus to reduce our costs. Our view is that a market-focused sales and marketing effort along with low operating costs will prove to be successful for both our customers and for the Company. We continually seek ways to reduce our operating costs and increase our manufacturing productivity, while improving our quality. Ongoing programs include our efforts to further develop our "Lean" culture throughout the organization, the expansion of our facilities in China, our continued search for new ways to leverage our purchasing power through combined sourcing and the continued focus on enhancing the efficiency of our global supply chain.

***Pursue Strategic Acquisitions and Alliances; Evaluate Existing Business Portfolio -*** We intend to pursue synergistic acquisitions to complement our organic growth. Priorities for such acquisitions include: i. increasing international geographic penetration, particularly in the Asia-Pacific region and other emerging markets, and ii. further broadening our offering with complementary products and capabilities. Additionally, we continually challenge the long-term fit of our businesses for potential divestiture and redeployment of capital. We believe we achieved a highly synergistic acquisition with our acquisition of Magnetek during fiscal 2016. The acquisition of Magnetek was very strategic as it will support the development of "smart" and integrated technology into our hoisting systems and at the same time, deliver meaningful accretion to our bottom line. We have achieved our cost synergy targets and our plans to add to our revenue streams are on target through the end of FY16.

**Our Business**

ASC Topic 280 “Segment Reporting” establishes the standards for reporting information about operating segments in financial statements. We provide our products and services through one operating and reportable segment.

We design, manufacture and distribute a broad range of material handling products for various applications. Products include a wide variety of electric, air-powered, lever, and hand hoists, hoist trolleys, winches, industrial crane systems such as steel bridge, gantry and jib cranes and aluminum work station cranes; alloy and carbon steel chain; forged attachments, such as hooks, shackles, textile slings, clamps, logging tools and load binders; mechanical and electromechanical actuators and rotary unions; below-the-hook special purpose lifters and tire shredders; power and motion control systems, such as AC and DC drive systems, radio remote controls, push button pendant stations, brakes, and collision avoidance and power delivery subsystems. These products are typically manufactured for stock or assembled to order from standard components and are sold primarily through a variety of commercial distributors and to a lesser extent, directly to end-users. The diverse end-users of our products are in a variety of industries including manufacturing, power generation and distribution, utilities, wind power, warehouses, commercial construction, oil and gas exploration and refining, petrochemical, marine, ship building, transportation and heavy duty trucking, agriculture, logging and mining. We also serve a niche market for the entertainment industry including permanent and traveling concerts, live theater and sporting venues.

***Products***

Nearly 80% of our net sales are derived from the sale of products that we sell at a unit price of less than $5,000. Of our fiscal 2016 sales, $373,789,000 or 63% were U.S. and $223,314,000, or 37% were non-U.S. The following table sets forth certain sales data for our products, expressed as a percentage of net sales for fiscal 2016 and 2015:

| | Fiscal Years Ended March 31, | |
|---|---|---|
| | **2016** | **2015** |
| Hoists | 59% | 68% |
| Chain and rigging tools | 13 | 13 |
| Industrial cranes | 5 | 5 |
| Actuators and rotary unions | 11 | 12 |
| Digital power control and delivery systems | 8 | — |
| Elevator application drive systems | 2 | — |
| Other | 2 | 2 |
| | 100% | 100% |

***Hoists -*** We manufacture a wide variety of electric chain hoists, electric wire rope hoists, hand-operated hoists, winches, lever tools and air-powered hoists. Load capacities for our hoist product lines range from one-eighth of a ton to 80 tons. These products are sold under our Budgit, Chester, CM, Coffing, Little Mule, Pfaff, Shaw-Box, Yale and other recognized brands. Our hoists are sold for use in numerous general industrial applications, as well as for use in the construction, energy, mining, food services, entertainment and other markets. We also supply hoist trolleys, driven manually or by electric motors, that are used in conjunction with hoists.

We also offer several lines of standard and custom-designed, below-the-hook tooling, clamps, and textile strappings. Below-the-hook tooling, textile and chain slings and associated forgings, and clamps are specialized lifting apparatus used in a variety of lifting activities performed in conjunction with hoisting or lifting applications.

***Chain and Rigging Tools -*** We manufacture alloy and carbon steel chain for various industrial and consumer applications. U.S. federal regulations require the use of alloy chain, which we first developed, for overhead lifting applications because of its strength and wear characteristics. A line of our alloy chain is sold under the Herc-Alloy™ brand name for use in overhead lifting, pulling and restraining applications. In addition, we also sell specialized load chain for use in hoists, as well as three grades and multiple sizes of carbon steel welded-link chain for various load securing and other non-overhead lifting applications.

We produce a broad line of alloy and carbon steel closed-die forged chain attachments, including hooks, shackles, Hammerloks™, and master links. These forged attachments are used in chain, wire rope and textile rigging applications in a variety of industries, including transportation, mining, construction, marine, logging, petrochemical and agriculture.

Our fiscal 2015 acquisition of Stahlhammer Bommern GmbH (STB) expands our rigging tool offering by adding a variety of eye, shank and ramshorn lifting hooks and deepens our exposure to targeted global vertical markets, such as Oil & Gas, Mining, Construction and Heavy Equipment industries. We plan to further extend STB's product reach through our established global sales and distribution network.

In addition, we manufacture carbon steel forged and stamped products, such as load binders, logging tools and other securing devices, for sale to the industrial and logging markets through industrial distributors, hardware distributors, mass merchandiser outlets and OEMs.

***Industrial Cranes -*** We participate in the crane industry, predominately in the US market, but also globally in certain product offerings, through our offering of overhead steel jib and gantry cranes. Our products are marketed under the Unified, CES, Abell-Howe and Washington Equipment brands. Crane builders represent a specific distribution channel for electric wire rope hoists, chain hoists and other crane components. We also manufacture and market overhead aluminum light rail workstations primarily used in automotive and other industrial applications.

***Actuators and Rotary Unions -*** Through our Duff-Norton and Pfaff divisions, we design and manufacture industrial components such as mechanical and electromechanical actuators and rotary unions. Actuators are linear motion devices used in a variety of industries, including the transportation, paper, steel, energy, aerospace and many other commercial industries. Rotary unions are devices that transfer a liquid or gas from a fixed pipe or hose to a rotating drum, cylinder or other device. Rotary unions are used in a variety of industries including pulp and paper, printing, textile and fabric manufacturing, rubber and plastic.

***Digital Power Control and Delivery Systems -*** Through our acquisition of Magnetek, we are a leading provider of innovative power control and delivery systems and solutions for overhead material handling applications used in a number of diverse industries, including aerospace, automotive, steel, aluminum, paper, logging, mining, ship loading, nuclear power plants, and heavy movable structures. We are a major supplier in North America of power and motion control systems, which include AC and DC drive systems, radio remote controls, push button pendant stations, brakes, and collision avoidance and power delivery subsystems. While we sell primarily to OEMs of overhead cranes and hoists, we spend a great deal of effort understanding the needs of end users to gain specification. We can combine our products with engineered services to provide complete customer-specific systems solutions.

We are also a leading independent supplier of AC and DC digital motion control systems for underground coal mining equipment. Our systems are used in coal hauling vehicles, shuttle cars, scoops, and other heavy mining equipment.

***Elevator Application Drive Systems -*** We design, build, sell, and support elevator application-specific drive products that efficiently deliver power used to control motion, primarily in high-rise, high-speed elevator applications. We are recognized as an industry leader for DC high-performance elevator drives, as well as for AC drives used with low- and high-performance traction elevators, due to our extensive application expertise and product reliability. Our elevator product offerings are comprised of highly integrated subsystems and drives, sold mainly to elevator OEMs. In addition, our product options include a number of regenerative controls for both new building installations and elevator modernization projects that help building owners save energy.

***Other -*** This category primarily includes tire shredders. We have developed and patented a line of heavy equipment that shred whole tires, for use in recycling the various components of a tire including rubber and steel. These recycled products are used as aggregate for playgrounds, sports surfaces, landscaping and other such applications, as well as scrap steel.

**Sales and Marketing**

Our sales and marketing efforts consist of the following programs:

***Factory-Direct Field Sales and Customer Service -*** We sell our products through our sales force of more than 167 sales people and independent sales representatives worldwide. We compensate our sales force through a combination of base salary and a commission plan based on top line sales and a pre-established sales quota, or through a commission structure for our independent sales representatives.

***Product Advertising -*** We promote our products by advertising in leading trade journals as well as producing and distributing high quality information catalogs. We place targeted advertisements for hoists, chain, forged attachments, actuators, and cranes in key industrial publications.

***Target Marketing -*** We provide marketing literature, and maintain a web presence as well as utilize social media to target specific end-user market sectors including entertainment, construction, energy, mining, and others. This literature displays our broad product offering applicable to those sectors to enhance awareness at the end-user level within those sectors. We also employ vertical market specialists to support our field sales force to assist our customers with solving their material handling application needs.

***Trade Show Participation -*** Trade shows are an effective way to promote our products to distributors and end users. Shows can range in size from distributor open houses to large, global shows such as ProMat in the United States. Through partnerships with our distributors, we have expanded our reach to the end user while strengthening our distribution network. In fiscal 2016, we focused primarily on shows related to vertical markets. Examples include: PLASA (UK), Pro Light & Sound (Germany and China), LDI and InfoComm (USA) for the entertainment industry. Liftex (UK), CeMAT (India), Préventica (France) and Expo Manufactura (México) for manufacturing and industrial. Oil & Gas (Indonesia), OTC (USA), PECOM (México), Offshore Europe (Scotland) and Brazil Offshore (Brazil) for the oil and gas industry. AMTS (China) and Expo INA (México) for the automotive industry. AISTech (USA) and CONAC (Mexico) for the steel industry. Vertikal Days (UK) for the lifting equipment industry. Every Building Conference & Expo (USA), NAEC Convention (USA), and Interlift (Germany) for the elevator industry.

***Industry Association Membership and Participation -*** As a recognized industry leader, we have a long history of work and participation in a variety of industry associations. Our management is directly involved in numerous industry associations including the following: ISA (Industrial Supply Association), AWRF (Associated Wire Rope Fabricators), PTDA (Power Transmission and Distributors Association), SCRA (Specialty Carriers and Riggers Association), WSTDA (Web Sling and Tie Down Association), MHI (Material Handling Institute), HMI (Hoist Manufacturers Institute), CMAA (Crane Manufacturers Association of America), ESTA (Entertainment Services and Technology Association), NACM (National Association of Chain Manufacturers), ASME (American Society of Mechanical Engineers), AIST (Association for Iron & Steel Technology), ECMA (Electrification & Controls Manufacturers Association), and NAEC (National Association of Elevator Contractors).

***Product Standards and Safety Training Classes -*** We conduct on-site training and certification programs worldwide for distributors and end-users to promote and reinforce the attributes of our products and their safe use and operation in various material handling applications. These training and certification programs include crane inspection and operation training and certification, hoist inspection and repair training and certification, various rigging training courses, load securement training, and entertainment technology equipment training and certification classes.

***CMCO University*** - Launched in September 2013, CMCO University consists of several training programs designed to give our Channel Partners intimate knowledge of Columbus McKinnon products. Held at the Columbus McKinnon Niagara Training Center and other locations in Latin America and Europe, this program consists of classroom and hands-on training aimed at providing the sales and product information our Channel Partners need to select the right product for their end-users application and the tools to win in the marketplace.

***Web Sites -*** Our main corporate web site www.cmworks.com supports the Company’s broad product offering providing product data, maintenance manuals and related information for the brands within our product portfolio. The sites also provide detailed search and simultaneous product comparisons, the ability to submit “Requests for Quotations” and allows users the ability to chat live with a member of our customer service department. In addition to our main site we maintain an additional 20 sites supporting various product lines, industry segments and geographies. Distributors also have access to a secure, extranet portal website allowing them to enter sales orders, search pricing information, check order status, and product serial number information.

**Distribution and Markets**

Our distribution channels include a variety of commercial distributors. In addition, we sell overhead bridge, jib and gantry cranes and aluminum light rail systems, as well as certain motion technology products directly to end-users. The following describes our global distribution channels:

***General Distribution Channels -*** Our global general distribution channels consist of:

— Industrial distributors that serve local or regional industrial markets and sell a variety of products for maintenance repair, operating and production, or MROP, applications through their own direct sales force.

— Rigging shops that are distributors with expertise in rigging, lifting, positioning and load securing. Most rigging shops assemble and distribute chain, wire rope and synthetic slings and distribute manual hoists and attachments, chain slings and other products.

— Independent crane builders that design, build, install and service overhead crane and light-rail systems for general industry and also distribute a wide variety of hoists and crane components. We sell electric wire rope hoists and chain hoists as well as crane components, such as end trucks, trolleys, drives and electrification systems to crane builders.

***Specialty Distribution Channels -*** Our global specialty distribution channels consist of:

— National and regional distributors that market a variety of MROP supplies, including material handling products, either exclusively through large, nationally distributed catalogs, or through a combination of catalog, internet and branch sales and a field sales force.

— Material handling specialists and integrators that design and assemble systems incorporating hoists, overhead rail systems, trolleys, scissor lift tables, manipulators, air balancers, jib arms and other material handling products to provide end-users with solutions to their material handling problems.

— Entertainment equipment distributors that design, supply and install a variety of material handling and rigging equipment for concerts, theaters, ice shows, sporting events, convention centers and night clubs.

***Pfaff International Direct -*** Our German-based Pfaff business markets and sells most of its actuators direct to end-users, providing an additional method to market for us in the European region.

***Crane End-Users -*** We market and sell overhead bridge, jib and gantry cranes, parts and service to end-users through our wholly owned crane builder, Crane Equipment & Service, Inc. (“CES”). CES which includes Abell-Howe and Washington Equipment brands designs, manufactures, installs and services a variety of cranes with capacities up to 100 tons.

***Service-After-Sale Distribution Channel -*** Service-after-sale distributors include our authorized network of 14 chain repair service stations and over 250 certified hoist service and repair stations globally. This service network is designed for easy parts and service access for our large installed base of hoists and related equipment in that region.

***OEM/Government Distribution Channels -*** This channel consists of:

— OEMs that supply various component parts directly to other industrial manufacturers as well as private branding and packaging of our traditional products for material handling, lifting, positioning and special purpose applications.

— Government agencies, including the U.S. and Canadian Navies and Coast Guards, that purchase primarily load securing chain and forged attachments. We also provide our products to the U.S. and other governments for a variety of military applications.

**Customer Service and Training**

We maintain customer service departments staffed by trained personnel for all of our sales divisions, and regularly schedule product and service training schools for all customer service representatives and field sales personnel. Training programs for distribution and service station personnel, as well as for end-users, are scheduled on a regular basis at most of our facilities and in the field. We have over 250 service and repair stations worldwide that provide local and regional repair, warranty and general service work for distributors and end-users. End-user trainees attending our various programs include representatives of 3M, DuPont, General Electric, and many other industrial and entertainment organizations.

We also provide, in multiple languages, a variety of related material in video, CD-ROM, slide and print format addressing relevant material handling topics such as the care, use and inspection of chains and hoists, and overhead lifting and positioning safety. In addition, we sponsor advisory boards made up of representatives of our primary distributors and service-after-sale network members who are invited to participate in discussions focused on improving products and service. These boards enable us and our primary distributors to exchange product and market information relevant to industry trends.

**Backlog**

Our backlog of orders at March 31, 2016 was approximately $98,572,000 compared to approximately $85,170,000 at March 31, 2015. Magnetek accounted for $13,403,000 of our backlog at March 31, 2016. Our orders for standard products are generally shipped within one week. Orders for products that are manufactured to customer specifications are generally shipped within four to twelve weeks. Given the short product lead times, we do not believe that the amount of our backlog of orders is a reliable indication of our future sales. Fluctuations in backlog reflect the project oriented nature of certain aspects of our business.

**Competition**

The material handling industry remains highly fragmented. We face competition from a wide range of regional, national and international manufacturers globally. In addition, we often compete with individual operating units of larger, highly diversified companies.

The principal competitive factors affecting our business include customer service and support as well as product availability, performance, functionality, brand reputation, reliability and price. Other important factors include distributor relationships and territory coverage.

Major competitors for hoists are Konecranes, Terex (acquired Demag Cranes) and Kito (and its U.S. subsidiary Harrington); for chain are Campbell Chain, Peerless Chain Company and American Chain and Cable Company; for digital power control systems are Konecranes, Terex (acquired Demag Cranes), Power Electronics International, Inc., Cattron Group International (a division of Laird Technologies), Conductix-Wampfler (a division of Delachaux Group), Control Techniques (a division of Emerson Electric), OMRON Corporation, KEB GmbH, and Fujitec; for forged attachments are The Crosby Group and Brewer Tichner Company; for cranes are Konecranes, Terex (acquired Demag Cranes) and a variety of independent crane builders; for actuators and rotary unions are Deublin, Joyce-Dayton and Nook Industries; and for tire shredders, Granutech.

**Employees**

At March 31, 2016, we had 2,896 employees; 1,655 in the U.S./Canada, 133 in Latin America, 883 in Europe and 225 in Asia. Approximately 13% of our employees are represented under three separate U.S. or Canadian collective bargaining agreements which terminate at various times between May 2017 and April 2018. We also have various labor agreements with our non-U.S. employees which we negotiate from time to time. We believe that our relationship with our employees is good and that the risk of a disruption in production related to these negotiations is remote.

**Raw Materials and Components**

Our principal raw materials and components are steel, consisting of structural steel, processed steel bar, forging bar steel, steel rod and wire, steel pipe and tubing and tool steel; electric motors; bearings; gear reducers; castings; steel and aluminum enclosures and wire harnesses; electro-mechanical components and standard variable drives. These commodities are all available from multiple sources. We purchase most of these raw materials and components from a limited number of strategic and preferred suppliers under long-term agreements which are negotiated on a company-wide basis through our global purchasing group to take advantage of volume discounts. We generally seek to pass on materials price increases to our channel partners and end-user customers. We continue to monitor our costs and reevaluate our pricing policies. Our ability to pass on these increases is determined by market conditions.

**Hedging Activities**

We use derivative instruments to manage selected foreign currency and interest rate risk exposures. The Company does not use derivative instruments for speculative trading purposes.

We use foreign currency forward agreements to i) hedge changes in the value of booked foreign currency liabilities due to changes in foreign exchange rates at the settlement date and ii) to hedge a portion of forecasted inventory purchases denominated in a foreign currency. We use interest rate swaps to maintain the Company's desired capital structure which is comprised of 50-70% of fixed rate long-term debt and 30-50% of variable rate long-term debt.

**Manufacturing**

We complement our own manufacturing by outsourcing components and finished goods from an established global network of suppliers. We regularly upgrade our global manufacturing facilities and invest in tooling, equipment and technology.

Our manufacturing operations are highly integrated. Although raw materials and some components such as motors, bearings, gear reducers, steel and aluminum enclosures and wire harnesses, castings, electro-mechanical components and standard variable drives are purchased, our vertical integration enables us to produce many of the components used in the manufacturing of our products. We manufacture hoist lifting chain, steel forged gear blanks, lift wheels, trolley wheels, overhead light rail workstations, and hooks and other attachments for incorporation into our hoist products. These products are also sold as spare parts for hoist repair. Additionally, our hoists are used as components in the manufacture of crane systems by us as well as our crane-builder customers. We also manufacture electronic systems to control cranes, hoists and various other powered equipment.

**Environmental and Other Governmental Regulation**

Like most manufacturing companies, we are subject to various federal, state and local laws relating to the protection of the environment. To address the requirements of such laws, we have adopted a corporate environmental protection policy which provides that all of our owned or leased facilities shall, and all of our employees have the duty to comply with all applicable environmental regulatory standards, and we have initiated an environmental auditing program for our facilities to ensure compliance with such regulatory standards. We have also established managerial responsibilities and internal communication channels for dealing with environmental compliance issues that may arise in the course of our business. We have made and could be required to continue to make significant expenditures to comply with environmental requirements. Because of the complexity and changing nature of environmental regulatory standards, it is possible that situations will arise from time to time requiring us to incur additional expenditures to ensure environmental regulatory compliance. However, we are not aware of any environmental condition or any operation at any of our facilities, either individually or in the aggregate, which would cause expenditures having a material adverse effect on our results of operations, financial condition or cash flows.

We notified the North Carolina Department of Environment and Natural Resources (the "DENR") in April 2006 of the presence of certain contaminants in excess of regulatory standards at our facility in Wadesboro, North Carolina. We filed an application with the DENR to enter its voluntary cleanup program and were accepted. We investigated under the supervision of a DENR Registered Environmental Consultant ("the REC") and have commenced voluntary clean-up at the facility. At this time, additional remediation costs are not expected to exceed the accrued balance of $47,000.

We have been a part of the Pendleton Site PRP Group since about 1993. Many years ago, we sent pickle liquor wastes from Tonawanda, NY to the Pendleton Site for treatment and disposal. The Pendleton Site PRP Group signed an Order on Consent with the NYS DEC in 1996 and the cleanup was concluded in the early 2000s. The Order on Consent required a post-construction operation and maintenance period of 30 years and we are required to pay our share of the costs associated with the operation and maintenance period. These annual costs are approximately $50,000 of which we pay 13.4% or $6,700. Reserves on the books are sufficient to cover these costs for the remainder of the operations and maintenance period.

Our recently acquired subsidiary Magnetek has also been identified by the United States Environmental Protection Agency and certain state agencies as a potentially responsible party for cleanup costs associated with alleged past waste disposal practices at several previously utilized, owned or leased facilities and offsite locations. Its remediation activities as a potentially responsible party were not material in fiscal year 2016. Although the materiality of future expenditures for environmental activities may be affected by the level and type of contamination, the extent and nature of cleanup activities required by governmental authorities, the nature of Magnetek's alleged connection to the contaminated sites, the number and financial resources of other potentially responsible parties, the availability of indemnification rights against third parties and the identification of additional contaminated sites, Magnetek's estimated share of liability, if any, for environmental remediation, including its indemnification obligations, is not expected to be material.

In 1986, Magnetek acquired the stock of Universal Manufacturing Corporation ("Universal") from a predecessor of Fruit of the Loom ("FOL"), and the predecessor agreed to indemnify Magnetek against certain environmental liabilities arising from pre-acquisition activities at a facility in Bridgeport, Connecticut. Environmental liabilities covered by the indemnification agreement included completion of additional cleanup activities, if any, at the Bridgeport facility and defense and indemnification against liability for potential response costs related to offsite disposal locations. Magnetek's leasehold interest in the Bridgeport facility was assigned to the buyer in connection with the sale of Magnetek's transformer business in June 2001. FOL, the successor to the indemnification obligation, filed a petition for Reorganization under Chapter 11 of the Bankruptcy Code in 1999 and Magnetek filed a proof of claim in the proceeding for obligations related to the environmental indemnification agreement. Magnetek believes that FOL had substantially completed the clean-up obligations required by the indemnification agreement prior to the bankruptcy filing. In November 2001, Magnetek and FOL entered into an agreement involving the allocation of certain potential tax benefits and Magnetek withdrew its claims in the bankruptcy proceeding. We believe that FOL's obligation to the state of Connecticut was not discharged in the reorganization proceeding.

In January 2007, the Connecticut Department of Environmental Protection ("DEP") requested parties, including Magnetek, to submit reports summarizing the investigations and remediation performed to date at the site and the proposed additional investigations and remediation necessary to complete those actions at the site. DEP requested additional information relating to site investigations and remediation. Magnetek and the DEP agreed to the scope of the work plan in November 2010. The Company has recorded a liability of $422,000, included in the amount specified above, related to the Bridgeport facility, representing the best estimate of future site investigation costs and remediation costs which are expected to be incurred in the future.

FOL's inability to satisfy its remaining obligations to the state of Connecticut related to the Bridgeport facility and any offsite disposal locations, or the discovery of additional environmental contamination at the Bridgeport facility is not expected to have a material adverse effect on the Company's financial position, cash flows or results of operations.

The Company has recorded total liabilities of $890,000 for all environmental matters related to Magnetek in the consolidated financial statements as of March 31, 2016 on an undiscounted basis.

For all of the currently known environmental matters, we have accrued as of March 31, 2016 a total of $1,153,000 which, in our opinion, is sufficient to deal with such matters. Further, we believe that the environmental matters known to, or anticipated by us should not, individually or in the aggregate, have a material adverse effect on our operating results or financial condition. However, there can be no assurance that potential liabilities and expenditures associated with unknown environmental matters, unanticipated events, or future compliance with environmental laws and regulations will not have a material adverse effect on us.

Our operations are also governed by many other laws and regulations, including those relating to workplace safety and worker health, principally OSHA in the U.S. and others outside the U.S. and regulations thereunder. We believe that we are in substantial compliance with these laws and regulations and do not believe that future compliance with such laws and regulations will have a material adverse effect on our operating results, financial condition, or liquidity.

**Available Information**

Our internet address is **www.cmworks.com**.  We make available free of charge through our website our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the Securities and Exchange Commission.

## Item 1A. Risk Factors

Columbus McKinnon is subject to a number of risk factors that could negatively affect our results from business operations or cause actual results to differ materially from those projected or indicated in any forward looking statement. Such factors include, but are not limited to, the following:

*Adverse changes in global economic conditions may negatively affect our industry, business and results of operations.*

During the last five years, financial markets in the United States, Europe and Asia have experienced substantial disruption including, among other things, extreme volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. Governments have taken unprecedented actions intended to address these market conditions and the extent to which such government actions may prove effective remains unclear. The future economic environment may worsen.

Our industry is affected by changes in economic conditions outside our control, which can result in a general decrease in product demand from our customers. Such economic developments may affect our business in a number of ways. Reduced demand may drive us and our competitors to offer products at promotional prices, which would have a negative impact on our profitability. In addition, the tightening of credit in financial markets may adversely affect the ability of our customers and suppliers to obtain financing for significant purchases and operations and could result in a decrease in, or cancellation of, orders for our products. If demand for our products slows down or decreases, we will not be able to maintain our revenues and we may run the risk of failing to satisfy the financial and other restrictive covenants to which we are subject under our existing indebtedness. Reduced revenues as a result of decreased demand may also reduce our planned growth and otherwise hinder our ability to improve our performance in connection with our long term strategy.

*Our business is cyclical and is affected by industrial economic conditions.*

Many of the end-users of our products are in highly cyclical industries, such as manufacturing, power generation and distribution, commercial construction, oil and gas exploration and refining, transportation, agriculture, logging, and mining that are sensitive to changes in general economic conditions. Their demand for our products, and thus our results of operations, is directly related to the level of production in their facilities, which changes as a result of changes in general economic conditions and other factors beyond our control. If there is deterioration in the general economy or in the industries we serve, our business, results of operations and financial condition could be materially adversely affected. In addition, the cyclical nature of our business could at times also adversely affect our liquidity and ability to borrow under our revolving credit facility.

*Our business is highly competitive and subject to consolidation of competitors. Increased competition could reduce our sales, earnings, and profitability.*

The principal markets that we serve within the material handling industry are fragmented and highly competitive. Competition is based primarily on customer service and support as well as product availability, performance, functionality, brand reputation, reliability and price. Our competition in the markets in which we participate comes from companies of various sizes, some of which have greater financial and other resources than we do. Increased competition could force us to lower our prices or to offer additional services at a higher cost to us, which could reduce our gross margins and net income.

The greater financial resources or the lower amount of debt of certain of our competitors may enable them to commit larger amounts of capital in response to changing market conditions. Certain competitors may also have the ability to develop product or service innovations that could put us at a disadvantage. In addition, through consolidation, some of our competitors have achieved substantially more market penetration in certain of the markets in which we operate. If we are unable to compete successfully against other manufacturers of material handling equipment, we could lose customers and our revenues may decline. There can also be no assurance that customers will continue to regard our products favorably, that we will be able to develop new products that appeal to customers, that we will be able to improve or maintain our profit margins on sales to our customers or that we will be able to continue to compete successfully in our core markets.

*Our operations outside the U.S. pose certain risks that may adversely impact sales and earnings.*

We have operations and assets located outside of the United States, primarily in China, Mexico, Germany, the United Kingdom, France, and Hungary. In addition, we import a portion of our hoist product line from Asia, and sell our products to distributors located in approximately 50 countries. In our fiscal year ended March 31, 2016, approximately 37% of our net sales were derived from non-U.S. markets. These non-U.S. operations are subject to a number of special risks, in addition to the risks of our U.S. business, differing protections of intellectual property, trade barriers, labor unrest, exchange controls, regional economic uncertainty, differing (and possibly more stringent) labor regulation, risk of governmental expropriation, U.S. and foreign customs and tariffs, current and changing regulatory environments, difficulty in obtaining distribution support, difficulty in staffing and managing widespread operations, differences in the availability and terms of financing, political instability and risks of increases in taxes. Also, in some foreign jurisdictions we may be subject to laws limiting the right and ability of entities organized or operating therein to pay dividends or remit earnings to affiliated companies unless specified conditions are met. These factors may adversely affect our future profits.

Part of our strategy is to expand our worldwide market share and reduce costs by strengthening our international distribution capabilities and sourcing components in lower cost countries, in particular in China, Mexico, and Hungary. Implementation of this strategy may increase the impact of the risks described above, and we cannot assure you that such risks will not have an adverse effect on our business, results of operations or financial condition.

*Our strategy depends on successful integration of acquisitions.*

Acquisitions are a key part of our growth strategy. Our historical growth has depended, and our future growth is likely to depend on our ability to successfully implement our acquisition strategy, and the successful integration of acquired businesses into our existing business. We intend to continue to seek additional acquisition opportunities in accordance with our acquisition strategy, both to expand into new markets and to enhance our position in existing markets throughout the world. If we are unable to successfully integrate acquired businesses into our existing business or expand into new markets, our sales and earnings growth could be reduced.

*Our products involve risks of personal injury and property damage, which exposes us to potential liability.*

Our business exposes us to possible claims for personal injury or death and property damage resulting from the products that we sell. We maintain insurance through a combination of self-insurance retentions and excess insurance coverage. We monitor claims and potential claims of which we become aware and establish accrued liability reserves for the self-insurance amounts based on our liability estimates for such claims. We cannot give any assurance that existing or future claims will not exceed our estimates for self-insurance or the amount of our excess insurance coverage. In addition, we cannot give any assurance that insurance will continue to be available to us on economically reasonable terms or that our insurers would not require us to increase our self-insurance amounts. Claims brought against us that are not covered by insurance or that are in excess of insurance coverage could have a material adverse effect on our results, financial condition, or liquidity.

In addition, like many industrial manufacturers, we are also involved in asbestos-related litigation. In continually evaluating costs relating to our estimated asbestos-related liability, we review, among other things, the incidence of past and recent claims, the historical case dismissal rate, the mix of the claimed illnesses and occupations of the plaintiffs, our recent and historical resolution of the cases, the number of cases pending against us, the status and results of broad-based settlement discussions, and the number of years such activity might continue. Based on this review, we estimate our share of liability to defend and resolve probable asbestos related personal injury claims. This estimate is highly uncertain due to the limitations of the available data and the difficulty of forecasting with any certainty the numerous variables that can affect the range of the liability. We continue to study the variables in light of additional information in order to identify trends that may become evident and to assess their impact on the range of liability that is probable and estimable. We believe that the potential additional costs for claims will not have a material effect on the financial condition of the Company or its liquidity, although the effect of any future liabilities recorded could be material to earnings in a future period. See Note 15 to our March 31, 2016 consolidated financial statements included in Item 8 of this form 10K.

As indicated above, our self-insurance coverage is effected through our captive insurance subsidiary. The reserves of our captive insurance subsidiary are subject to periodic adjustments based upon actuarial evaluations, which adjustments impact our overall results of operations. These periodic adjustments can be favorable or unfavorable.

*We are subject to currency fluctuations from our sales outside the U.S.*

Our products are sold in many countries around the world. Thus, a portion of our revenues (approximately $223,314,000 in our fiscal year ended March 31, 2016) are generated in foreign currencies, including principally the Euro, the British Pound, the Canadian Dollar, the South African Rand, and the Brazilian Real, and while much of the costs incurred to generate those revenues are incurred in the same currency, a portion is incurred in other currencies. Since our financial statements are denominated in U.S. dollars, changes in currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, a currency translation impact on our earnings. Currency fluctuations may impact our financial performance in the future.

*Our future operating results may be affected by fluctuations in steel or other material prices. We may not be able to pass on increases in raw material costs to our customers.*

The principal raw material used in our chain, forging and crane building operations is steel. The steel industry as a whole is highly cyclical, and at times pricing and availability can be volatile due to a number of factors beyond our control, including general economic conditions, labor costs, competition, import duties, tariffs and currency exchange rates. This volatility can significantly affect our raw material costs. In an environment of increasing raw material prices, competitive conditions will determine how much of the steel price increases we can pass on to our customers. During historical rising cost periods, we were generally successful in adding and maintaining a surcharge to the prices of our high steel content products or incorporating them into price increases, with a goal of margin neutrality. In the future, to the extent we are unable to pass on any steel price increases to our customers, our profitability could be adversely affected.

*We rely in large part on independent distributors for sales of our products.*

For the most part, we depend on independent distributors to sell our products and provide service and aftermarket support to our end-user customers. Distributors play a significant role in determining which of our products are stocked at their locations, and hence are most readily accessible to aftermarket buyers, and the price at which these products are sold. Almost all of the distributors with whom we transact business offer competitive products and services to our end-user customers. For the most part, we do not have written agreements with our distributors. The loss of a substantial number of these distributors or an increase in the distributors' sales of our competitors' products to our ultimate customers could materially reduce our sales and profits.

*We are subject to various environmental laws which may require us to expend significant capital and incur substantial cost.*

Our operations and facilities are subject to various federal, state, local and foreign requirements relating to the protection of the environment, including those governing the discharges of pollutants in the air and water, the generation, management and disposal of hazardous substances and wastes and the cleanup of contaminated sites. We have made, and will continue to make, expenditures to comply with such requirements. Violations of, or liabilities under, environmental laws and regulations, or changes in such laws and regulations (such as the imposition of more stringent standards for discharges into the environment), could result in substantial costs to us, including operating costs and capital expenditures, fines and civil and criminal sanctions, third party claims for property damage or personal injury, clean-up costs or costs relating to the temporary or permanent discontinuance of operations. Certain of our facilities have been in operation for many years, and we have remediated contamination at some of our facilities. Over time, we and other predecessor operators of such facilities have generated, used, handled and disposed of hazardous and other regulated wastes. Additional environmental liabilities could exist, including clean-up obligations at these locations or other sites at which materials from our operations were disposed, which could result in substantial future expenditures that cannot be currently quantified and which could reduce our profits or have an adverse effect on our financial condition, operations, or liquidity.

*We may face claims of infringement on the intellectual property of others, or others may infringe upon our intellectual property.*

Our future success depends in part on our ability to prevent others from infringing on our proprietary rights, as well as our ability to operate without infringing upon the proprietary rights of others. We may be required at times to take legal action to protect our proprietary rights and, despite our best efforts, we may be sued for infringing on the patent rights of others. Patent litigation is costly and, even if we prevail, the cost of such litigation could adversely affect our financial condition. In addition, we could be adversely affected financially should we be judged to have infringed upon the intellectual property of others.

*We rely on subcontractors or suppliers to perform their contractual obligations.*

Some of our contracts involve subcontracts with other companies upon which we rely to perform a portion of the services we must provide to our customers. There is a risk that we may have disputes with our subcontractors, including disputes regarding the quality and timeliness of work performed by our subcontractor or customer concerns about the subcontractor. Failure by our subcontractors to satisfactorily provide on a timely basis the agreed-upon supplies or perform the agreed upon services may materially and adversely impact our ability to perform our obligations as the prime contractor. A delay in our ability to obtain components and equipment parts from our suppliers may affect our ability to meet our customers' needs and may have an adverse effect upon our profitability.

*We are subject to debt covenant restrictions.*

Our revolving credit facility and Term Loan contain several financial and other restrictive covenants. A significant decline in our operating income or cash generating ability could cause us to violate our leverage or fixed charge coverage ratios in our bank credit facility. This could result in our being unable to borrow under our bank credit facility or being obliged to refinance and renegotiate the terms of our bank indebtedness.

*Our business operations may be adversely affected by information systems interruptions or intrusion.*

We depend on various information technologies throughout our company to administer, store, and support multiple business activities. If these systems are damaged, cease to function properly, or are subject to cyber-security attacks, such as those involving unauthorized access, malicious software and/or other intrusions, we could experience production downtimes, operational delays, other detrimental impacts on our operations or ability to provide products and services to our customers, the compromising of confidential or otherwise protected information, destruction or corruption of data, security breaches, other manipulation or improper use of our systems or networks, financial losses from remedial actions, loss of business or potential liability, and/or damage to our reputation. While we attempt to mitigate these risks by employing a number of measures, including employee training, technical security controls, and maintenance of backup and protective systems, our systems, networks, products and services remain potentially vulnerable to known or unknown threats, any of which could have a material adverse affect on our business, financial condition or results of operations.

*We depend on our senior management team and the loss of any member could adversely affect our operations.*

Our success is dependent on the management and leadership skills of our senior management team. The loss of any of these individuals or an inability to attract, retain and maintain additional personnel could prevent us from implementing our business strategy. We cannot assure you that we will be able to retain our existing senior management personnel or to attract additional qualified personnel when needed.

We continually evaluate and assess our personnel and may make additional changes to the members or assignments of our senior management team in the future.

We have not entered into employment agreements with any of our senior management personnel with the exception of Dr. Ivo Celi, our Vice President, EMEA.

*We have not completed an assessment of Magnetek's internal controls over financial reporting and therefore, significant deficiencies or material weaknesses may exist.*

Under current SEC guidelines, the period in which management may omit an assessment of an acquired business's internal control over financial reporting from its assessment of the registrant's internal control may not extend beyond one year from the date of acquisition, nor may such assessment be omitted from more than one annual management report on internal control over financial reporting.

Pursuant to this guidance, we have excluded Magnetek, which was acquired on September 2, 2015, from the scope of management's assessment of the effectiveness of the Company's internal control over financial reporting as of March 31, 2016. However, we will be required to include Magnetek in the scope of our assessment beginning in fiscal 2017. In connection with our fiscal 2017 assessment, "significant deficiencies" or "material weaknesses" in Magnetek's internal control over financial reporting may be detected. To the extent that such deficiencies are identified, we may incur costs associated with our efforts to address these deficiencies that could negatively affect our financial condition and operating results. Furthermore, if we are unable to correct such deficiencies in a timely manner, our ability to record, process, summarize and report financial data may be adversely affected, which may result in a material misstatement in our financial statements. Such failure could materially and adversely impact our business and subject us to potential investigations, liability, and penalties.

## Item 1B. Unresolved Staff Comments

None.

**Item 2. Properties**

We maintain our corporate headquarters in Getzville, New York (an owned property) and, as of March 31, 2016, conducted our principal manufacturing at the following facilities:

| | Location | Products/Operations | Square Footage | Owned or Leased |
|---|---|---|---|---|
| 1 | Wadesboro, NC | Hoists | 180,000 | Owned |
| 2 | Lexington, TN | Chain | 164,000 | Owned |
| 3 | Asia operation: | | | |
| | Hangzhou, China | Hoists | 70,000 | Owned |
| | Hangzhou, China | Hoists | 82,000 | Owned |
| 4 | Charlotte, NC | Actuators and Rotary Unions | 146,000 | Leased |
| 5 | Menomonee Falls, WI | Power control systems | 144,000 | Leased |
| 6 | Tennessee forging operation: | | | |
| | Chattanooga, TN | Forged attachments | 81,000 | Owned |
| | Chattanooga, TN | Forged attachments | 59,000 | Owned |
| 7 | Wuppertal, Germany | Hoists | 124,000 | Leased |
| 8 | Kissing, Germany | Hoists, winches, and actuators | 107,000 | Leased |
| 9 | Damascus, VA | Hoists | 97,000 | Owned |
| 10 | Eureka, IL | Cranes | 91,000 | Owned |
| 11 | Ohio hoist operation: | | | |
| | Salem, OH | Hoists | 49,000 | Leased |
| | Lisbon, OH | Hoists and below-the-hook tooling | 37,000 | Owned |
| 12 | Hamm, Germany | Lifting tools and forged parts | 82,000 | Owned |
| 13 | Chester, England | Plate clamps | 56,000 | Owned |
| 14 | Santiago Tianguistenco, Mexico | Hoists | 54,000 | Owned |
| 15 | Howell, MI | Overhead light rail workstations | 35,000 | Leased |
| 16 | Sarasota, FL | Tire shredders | 25,000 | Owned |
| 17 | Szekesfehervar, Hungary | Textiles and textile strappings | 24,000 | Leased |
| 18 | Romeny-sur-Marne, France | Rotary unions | 22,000 | Owned |
| 19 | Pittsburgh, PA | Power control systems | 11,000 | Leased |

In addition, we have a total of 47 sales offices, distribution centers and warehouses. We believe that our properties have been adequately maintained, are in generally good condition and are suitable for our business as presently conducted. We also believe our existing facilities provide sufficient production capacity for our present needs and for our anticipated needs in the foreseeable future. Upon the expiration of our current leases, we believe that either we will be able to secure renewal terms or enter into leases for alternative locations at market terms.

**Item 3. Legal Proceedings**

From time to time, we are named a defendant in legal actions arising out of the normal course of business. We are not a party to any pending legal proceeding other than ordinary, routine litigation incidental to our business. We do not believe that any of our pending litigation will have a material impact on our business. We maintain comprehensive general product liability insurance against risks arising out of the use of our products sold to customers through our wholly-owned New York State captive insurance subsidiary of which we are the sole policy holder. The per occurrence limits on the self-insurance for general and product liability coverage were $2,000,000 from inception through fiscal 2003 and $3,000,000 for fiscal 2004 and thereafter. In addition to the per occurrence limits, our coverage is also subject to an annual aggregate limit, applicable to losses only. These limits range from $2,000,000 to $6,000,000 for each policy year from inception through fiscal 2016. We obtain additional insurance coverage from independent insurers to cover potential losses in excess of these limits.

Like many industrial manufacturers, we are also involved in asbestos-related litigation. In continually evaluating costs relating to our estimated asbestos-related liability, we review, among other things, the incidence of past and recent claims, the historical case dismissal rate, the mix of the claimed illnesses and occupations of the plaintiffs, our recent and historical resolution of the cases, the number of cases pending against us, the status and results of broad-based settlement discussions, and the number of years such activity might continue. Because this liability is likely to extend over many years, management believes that the potential additional costs for claims will not have a material effect on the financial condition of the Company or its liquidity, although the effect of any future liabilities recorded could be material to earnings in a future period.

The Company believes that a share of its previously incurred asbestos-related expenses and future asbestos-related expenses are covered by pre-existing insurance policies. The Company has engaged in a legal action against the insurance carriers for those policies to recover these expenses and future costs incurred. When the Company resolves this legal action, it is expected that a gain will be recorded for previously expensed cost that is recovered.

See Note 15 to our March 31, 2016 consolidated financial statements for more information on our asbestos claims.

## Item 4. Mine Safety Disclosures.

Not Applicable.

## PART II

### Item 5. Market for the Company’s Common Stock and Related Security Holder Matters

Our common stock is traded on the Nasdaq Global Select Market under the symbol “CMCO.” As of April 30, 2016, there were 467 holders of record of our common stock.

During fiscal 2016, the Company paid a quarterly cash dividend of $0.04 per common share totaling $3,212,000. On March 31, 2016, the Company's Board of Directors declared the payment a regular quarterly dividend of $0.04 per common share. The dividend was paid on May 16, 2016 to shareholders of record on May 6, 2016 and totaled approximately $804,000.

Our current credit agreement allows, but limits our ability to pay dividends.

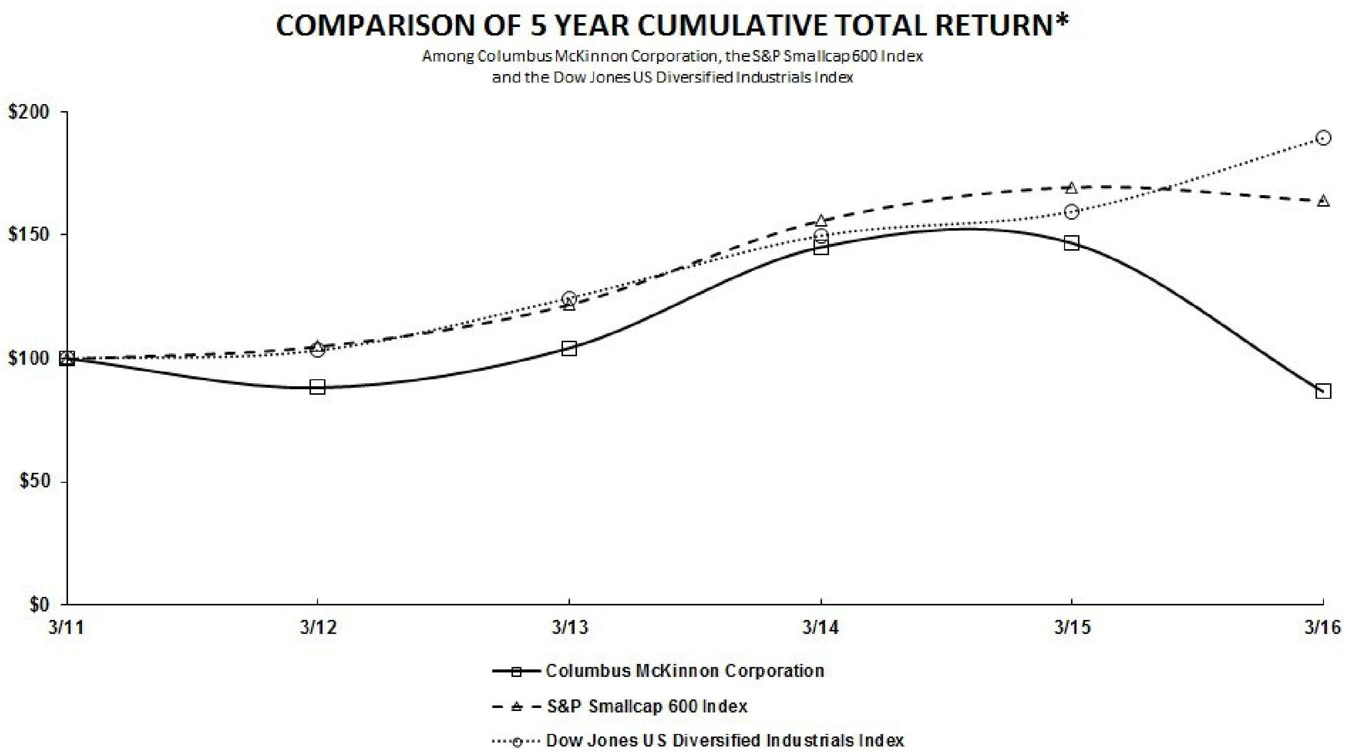
The following table sets forth, for the fiscal periods indicated, the high and low sale prices per share for our common stock as reported on the Nasdaq Global Select Market.

| | Price Range of Common Stock | |
|---|---|---|
| **Year Ended March 31, 2015** | **High** | **Low** |
| First Quarter | $ 30.98 | $ 25.69 |
| Second Quarter | 28.66 | 21.99 |
| Third Quarter | 29.56 | 20.43 |
| Fourth Quarter | 27.79 | 24.03 |
| **Year Ended March 31, 2016** | | |
| First Quarter | $ 27.13 | $ 22.40 |
| Second Quarter | 24.98 | 17.40 |
| Third Quarter | 21.28 | 17.62 |
| Fourth Quarter | 18.29 | 13.51 |

On May 27, 2016 the closing price of our common stock on the Nasdaq Global Select Market was $15.12 per share.

**PERFORMANCE GRAPH**

The Performance Graph shown below compares the cumulative total shareholder return on our common stock based on its market price, with the total return of the S&P SmallCap 600 Index, and the Dow Jones U.S. Diversified Industrials. The comparison of total return assumes that a fixed investment of $100 was invested on March 31, 2011 in our common stock and in each of the foregoing indices and further assumes the reinvestment of dividends. The stock price performance shown on the graph is not necessarily indicative of future price performance.




*$100 invested on 3/31/11 in stock or index, including reinvestment of dividends.
Fiscal year ending March 31.

**Item 6. Selected Financial Data**

The consolidated balance sheets as of March 31, 2016 and 2015, and the related statements of operations, cash flows and shareholders' equity for each of the three years ended March 31, 2016 and notes thereto appear elsewhere in this annual report. The selected consolidated financial data presented below should be read in conjunction with, and are qualified in their entirety by "Management's Discussion and Analysis of Results of Operations and Financial Condition," our consolidated financial statements and the notes thereto and other financial information included elsewhere in this annual report.

| | Year ended March 31st | | | | |
|---|---|---|---|---|---|
| | ( In millions, except for per share data) | | | | |
| | **2016** | **2015** | **2014** | **2013** | **2012** |
| Statements of Operations Data: | | | | | |
| Net sales | $ 597.1 | $ 579.6 | $ 583.3 | $ 597.3 | $ 591.9 |
| Cost of products sold | 409.8 | 398.0 | 402.2 | 423.1 | 434.2 |
| Gross profit | 187.3 | 181.6 | 181.1 | 174.2 | 157.7 |
| Selling expenses | 72.9 | 69.8 | 69.0 | 65.6 | 64.9 |
| General and administrative expenses | 68.8 | 54.9 | 55.8 | 52.2 | 46.7 |
| Restructuring charges | — | — | — | — | (1.0) |
| Amortization of intangibles | 5.0 | 2.3 | 2.0 | 2.0 | 2.0 |
| Income (loss) from operations | 40.6 | 54.6 | 54.3 | 54.4 | 45.1 |
| Interest and debt expense | 7.9 | 12.4 | 13.5 | 13.8 | 14.2 |
| Cost of bond redemption | — | 8.6 | — | — | — |
| Other (income) and expense, net | 1.1 | (2.4) | (1.9) | (2.0) | (1.9) |
| Income (loss) before income taxes | 31.6 | 36.0 | 42.7 | 42.6 | 32.8 |
| Income tax expense (benefit) (1) | 12.0 | 8.8 | 12.3 | (35.7) | 6.9 |
| Income (loss) from continuing operations | 19.6 | 27.2 | 30.4 | 78.3 | 25.9 |
| Income (loss) from discontinued operations (2) | — | — | — | — | 1.1 |
| Net income (loss) | $ 19.6 | $ 27.2 | $ 30.4 | $ 78.3 | $ 27.0 |
| Diluted earnings (loss) per share from continuing operations | $ 0.96 | $ 1.34 | $ 1.52 | $ 3.98 | $ 1.33 |
| Basic earnings (loss) per share from continuing operations | $ 0.98 | $ 1.36 | $ 1.55 | $ 4.03 | $ 1.35 |
| Weighted average shares outstanding – assuming dilution | 20.3 | 20.2 | 20.0 | 19.7 | 19.5 |
| Weighted average shares outstanding – basic | 20.1 | 19.9 | 19.7 | 19.4 | 19.3 |
| Balance Sheet Data (at end of period): | | | | | |
| Total assets | $ 773.0 | $ 566.3 | $ 598.7 | $ 566.9 | $ 515.4 |
| Total debt (3) | 267.8 | 126.7 | 152.3 | 152.1 | 153.1 |
| Total debt, net of cash and cash equivalents | 216.2 | 63.7 | 40.0 | 30.4 | 63.6 |
| Total shareholders' equity | 286.3 | 268.7 | 291.3 | 240.0 | 160.5 |
| Other Data: | | | | | |
| Net cash provided by operating activities | 52.6 | 38.3 | 29.5 | 42.4 | 23.6 |
| Net cash used in investing activities | (203.2) | (34.1) | (40.4) | (10.1) | (13.5) |
| Net cash provided by (used in) financing activities | 137.0 | (48.4) | 1.7 | (1.1) | 0.5 |
| Capital expenditures | (22.3) | (17.2) | (20.8) | (14.9) | (13.8) |

(1) The Company had a valuation allowance of $53,325,000 recorded as of March 31, 2012 due to the uncertainty of whether the Company's net operating loss carryforwards and deferred tax assets might ultimately be realized. The Company was able to utilize $14,567,000 of U.S. federal net operating loss carryforwards in fiscal 2013 which reduced the valuation allowance by $5,107,000. As a result of the increased operating performance of the Company over the past several years, the Company reevaluated the certainty as to whether the Company's remaining net operating loss carryforwards and other deferred tax assets may ultimately be realized. As a result of the determination that it was more likely than not that all of the remaining deferred tax assets will be realized with the exception of certain U.S. federal tax credit carryforwards, a significant portion of the remaining U.S. valuation allowance totaling $49,161,000 was reversed in fiscal 2013.

(2) In May 2002, the Company sold substantially all of the assets of ASI. As part of the sale of ASI, the Company received an 8% subordinated note in the principal amount of $6,800,000 which was payable over 10 years ending in May 2012. The full amount of this note had been reserved due to the uncertainty of collection. Principal payments received on the note had been recorded as income from discontinued operations at the time of receipt. As of March 31, 2013, the note was paid in full.

(3) Total debt includes all debt, including the current portion, notes payable, term loan, and subordinated debt.

## Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition

This section should be read in conjunction with our consolidated financial statements included elsewhere in this annual report. Comments on the results of operations and financial condition below refer to our continuing operations, except in the section entitled "Discontinued Operations."

EXECUTIVE OVERVIEW

We are a leading worldwide designer, manufacturer and marketer of material handling products, systems and services which efficiently and safely move, lift, position and secure materials and people. In September, we significantly expanded our product offering with the acquisition of Magnetek. Key products include hoists, actuators, cranes, rigging tools, and digital power control systems. The Company is focused on serving commercial and industrial applications that require the safety and quality provided by the Company's superior design and engineering know-how.

Founded in 1875, we have grown to our current size and leadership position through organic growth and acquisitions. We developed our leading market position over our 141-year history by emphasizing technological innovation, manufacturing excellence and superior after-sale service. In addition, acquisitions significantly broadened our product lines and services and expanded our geographic reach, end-user markets and customer base. Ongoing initiatives include growing revenue by increasing our penetration of the Asian, Latin American and European marketplaces, pursuing new products and targeted vertical markets, and by improving our productivity. In accordance with our strategy, we have been investing in our sales and marketing activities, new product development and "Lean" efforts across the Company. Shareholder value will be enhanced through continued emphasis on market expansion, customer satisfaction, new product development, manufacturing efficiency, cost containment, and efficient capital investment.

Our revenue base is geographically diverse with approximately 37% derived from customers outside the U.S. for the year ended March 31, 2016. We believe this will help balance the impact of changes that will occur in local economies, as well as, benefit the Company from growth in emerging markets. As in the past, we monitor both U.S. and Eurozone Industrial Capacity Utilization statistics as indicators of anticipated demand for our products. Since their June 2009 trough, these statistics have improved and have remained stable over the past year. In addition, we continue to monitor the potential impact of other global and U.S. trends including industrial production, energy costs, steel price fluctuations, interest rates, foreign currency exchange rates and activity of end-user markets around the globe.

From a strategic perspective, we are investing in global markets and new products as we focus on our greatest opportunities for growth. We maintain a strong North American market share with significant leading market positions in hoists, lifting and sling chain, forged attachments, actuators, and digital power and motion control systems for the material handling industry. We seek to maintain and enhance our market share by focusing our sales and marketing activities toward select North American and global market sectors including energy, automotive, heavy OEM, entertainment, and construction and infrastructure.

Regardless of the economic climate and point in the economic cycle, we constantly explore ways to increase our operating margins as well as further improve our productivity and competitiveness. We have specific initiatives related to improved customer satisfaction, reduced defects, shortened lead times, improved inventory turns and on-time deliveries, reduced warranty costs, and improved working capital utilization. The initiatives are being driven by the continued implementation of our "Lean" efforts which are fundamentally changing our manufacturing and business processes to be more responsive to customer demand and improving on-time delivery and productivity. In addition to "Lean," we are working to achieve these strategic initiatives through product simplification, the creation of centers of excellence, and improved supply chain management. We are also aggressively pursuing cost reduction opportunities to enhance future margins.

We continuously monitor market prices of steel. We purchase approximately $30,000,000 to $40,000,000 of steel annually in a variety of forms including rod, wire, bar, structural and others. Generally, as we experience fluctuations in our costs, we reflect them as price increases or surcharges to our customers with the goal of being margin neutral.

We are also looking for opportunities for growth via strategic acquisitions or joint ventures. The focus of our acquisition strategy centers on product line expansion in alignment with our existing core product offering and opportunities for non-U.S. market penetration.

We operate in a highly competitive and global business environment. We face a variety of opportunities in those markets and geographies, including trends toward increased utilization of the global labor force and the expansion of market opportunities in Asia and other emerging markets. While we continue to execute our long-term growth strategy, we are supported by our solid capital structure, including our cash position and flexible debt structure.

RESULTS OF OPERATIONS

*Fiscal 2016 Compared to 2015*

Fiscal 2016 sales were $597,103,000, an increase of 3.0%, or $17,460,000 compared with fiscal 2015 sales of $579,643,000. Sales for the year were positively impacted by $74,267,000 due to acquisitions and $5,605,000 by price increases. Sales for the year were negatively impacted $33,082,000 due to a decrease in sales volume. The decline in sales volume was due to industrial recessions caused by weakness in oil & gas, mining, heavy OEM, and commercial construction markets affecting our North American Hoist and Rigging and Latin American operations. Unfavorable foreign currency translation reduced sales by $29,330,000.

Our gross profit was $187,263,000 and $181,607,000 or 31.4% and 31.3% of net sales in fiscal 2016 and 2015, respectively. The fiscal 2016 increase in gross profit of $5,656,000 or 3.1% is the result of $24,316,000 from our recent acquisitions, $5,605,000 in price increases, $769,000 in reduced material costs, and $830,000 in reduced plant consolidation activities, offset by $11,438,000 in decreased volume, $3,337,000 in lower productivity due to reduced fixed cost absorption and inventory adjustments, net of other manufacturing costs, $2,051,000 in increased product liability costs, and $429,000 in facility impairment costs for a property held for sale. The translation of foreign currencies had an unfavorable impact on gross profit of $8,609,000.

Selling expenses were $72,858,000 and $69,819,000 or 12.2% and 12.0% of net sales in fiscal years 2016 and 2015, respectively. The acquisitions of Magnetek and STB added an additional $7,640,000 in selling expense for the year ended March 31, 2016. The consolidation of two warehouses and the closure of another added $859,000 to selling costs. Additionally, foreign currency translation had a $5,036,000 favorable impact on selling expenses.

General and administrative expenses were $68,811,000 and $54,874,000 or 11.5% and 9.5% of net sales in fiscal 2016 and 2015, respectively. The fiscal 2016 increase was primarily the result of Magnetek acquisition transaction costs of $5,746,000 and acquisition-related severance costs of $2,300,000. In addition, Magnetek and STB added $5,774,000 in recurring general and administrated expenses. Additional increases are the result of lower information technology salaries capitalized as part of the global ERP systems project as well as general inflationary increases. Foreign currency translation had a $2,622,000 favorable impact on general and administrative expenses.

Amortization of intangibles was $5,024,000 and $2,266,000 in fiscal 2016 and 2015, respectively. The increase relates to additional amortization of intangibles related to the Magnetek and STB acquisitions.

Interest and debt expense was $7,904,000 and $12,390,000 or 1.3% and 2.1% of net sales in fiscal 2016 and 2015, respectively. The decrease in interest and debt expense relates to the redemption of the 7 7/8% Notes in the fourth quarter of fiscal 2015 with the lower interest bearing Term Loan despite the increased borrowings used to fund the Magnetek purchase beginning in the second quarter of fiscal 2016.

The fiscal 2015 cost of bond redemption of $8,567,000 relates to the call premium and write off of unamortized deferred financing costs associated with our 7 7/8% Notes which were redeemed in February 2015. This transaction is discussed in more detail in the Liquidity and Capital Resources section. There were no similar transactions in fiscal 2016.

Investment income of $796,000 and $2,725,000, in fiscal 2016 and 2015, respectively, related to earnings on marketable securities held in the Company’s wholly owned captive insurance subsidiary.

Foreign currency exchange loss (gain) was $2,215,000 and $863,000 in fiscal 2016 and 2015, respectively, as a result of foreign currency volatility related to foreign currency denominated purchases and intercompany debt.

Other income (expense), net remained relatively stable and was $377,000 and $462,000 in fiscal 2016 and 2015, respectively.

Income tax expense (benefit) as a percentage of income from continuing operations before income tax expense was 38.1% and 24.5% in fiscal 2016 and 2015, respectively. These percentages vary from the U.S. statutory rate primarily due to varying effective tax rates at the Company's foreign subsidiaries, and the jurisdictional mix of taxable income for these subsidiaries. For fiscal 2016, income tax expense as a percentage of income before income taxes was unfavorably affected due to the recording of a valuation allowance on the deferred tax assets of certain foreign subsidiaries of the Company of $2,860,000 and certain nondeductible expenses related to the acquisition of Magnetek.

*Fiscal 2015 Compared to 2014*

Fiscal 2015 sales were $579,643,000, down 0.6%, or $3,647,000 compared with fiscal 2014 sales of $583,290,000. Sales for the year were positively impacted by $6,625,000 of price increases and $16,024,000 due to acquisitions. Sales for the year were negatively impacted $13,453,000 due to a decrease in sales volume. The decline in sales volume was due to weakness in our North American Hoist and European operations. Unfavorable foreign currency translation impacted sales by $12,843,000.

Our gross profit was $181,607,000 and $181,048,000 or 31.3% and 31.0% of net sales in fiscal 2015 and 2014, respectively. The fiscal 2015 increase in gross profit of $559,000 or 0.3% is the result of $6,625,000 in price increases, $4,497,000 due to our recent acquisitions, and $573,000 in increased productivity net of other manufacturing cost increases, offset by $5,624,000 in decreased volume, $1,176,000 in costs associated with the consolidation of two European facilities, $794,000 in material inflation, and $434,000 in increased product liability costs. Foreign currency translation had a unfavorable impact on gross profit of $3,108,000.

Selling expenses were $69,819,000 and $68,963,000 or 12.0% and 11.8% of net sales in fiscal years 2015 and 2014, respectively. The incremental increase in selling expenses relates to our recent acquisitions resulting in $1,344,000 of additional selling expenses as well as additional investments to grow our business in Asia and Latin America. Additionally, foreign currency translation had a $2,270,000 favorable impact on selling expenses.

General and administrative expenses were $54,874,000 and $55,754,000 or 9.5% and 9.6% of net sales in fiscal 2015 and 2014, respectively. The fiscal 2014 general and administrative expenses included $1,657,000 of atypical professional services associated with a large acquisition that was not consummated. Foreign currency translation had a $1,096,000 favorable impact on general and administrative expenses.

Amortization of intangibles was $2,266,000 and $1,981,000 in fiscal 2015 and 2014, respectively and primarily relate to amortization of intangible assets acquired in connection with our fiscal 2009 acquisition of Pfaff. The increase in amortization of intangibles relates to our fiscal 2014 acquisition of Unified Industries, Inc. and the 2015 acquisition of Stahlhammer Bommern GmbH.

Interest and debt expense was $12,390,000 and $13,492,000 or 2.1% and 2.3% of net sales in fiscal 2015 and 2014, respectively. The decrease in interest and debt expense relates to the redemption of the 7 7/8% Notes in February with the lower interest bearing Term Loan.

The fiscal 2015 cost of bond redemption of $8,567,000 relates to the call premium and write off of unamortized deferred financing costs associated with our 7 7/8% Notes which were redeemed in February 2015. This transaction is discussed in more detail in the Liquidity and Capital Resources section.

Investment income of $2,725,000 and $1,595,000, in fiscal 2015 and 2014, respectively, related to earnings on marketable securities held in the Company's wholly owned captive insurance subsidiary.

Foreign currency exchange loss (gain) was $863,000 and $1,124,000 in fiscal 2015 and 2014, respectively, as a result of foreign currency volatility related to foreign currency denominated purchases and intercompany debt.

Other income (expense), net was $462,000 and $1,393,000 in fiscal 2015 and 2014, respectively. The fiscal 2014 balance included a gain on the sale of equity securities received in an insurance company demutualization. No similar gain was recorded in fiscal 2015.

Income tax expense (benefit) as a percentage of income from continuing operations before income tax expense was 24.5% and 28.8% in fiscal 2015 and 2014, respectively. These percentages vary from the U.S. statutory rate primarily due to varying effective tax rates at the Company's foreign subsidiaries, and the jurisdictional mix of taxable income for these subsidiaries. For fiscal 2015, income tax expense as a percentage of income before income taxes was favorably effected by the utilization of certain tax credits relating to previous fiscal years. The credits result in an income tax benefit of $1,431,000 for the year ended March 31, 2015. In addition, the cost of the bond redemption resulted in lower taxable income in the U.S., our highest statutory tax rate jurisdiction.

## LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents totaled $51,603,000, $63,056,000, and $112,309,000 at March 31, 2016, 2015 and 2014, respectively.

*Cash flow provided by operating activities*

Net cash provided by operating activities was $52,645,000, $38,254,000 and $29,507,000 in fiscal 2016, 2015 and 2014, respectively. In addition to net income and non-cash adjustments to net income, net cash provided by operating activities increased as a result of net collections of trade accounts receivable of $12,409,000 and an overall decrease in inventories of $2,483,000. This increase in cash was offset by a decrease in trade accounts payable, accrued liabilities, and non-current liabilities of $5,308,000, $5,799,000, and $6,516,000, respectively. The reduction in accrued liabilities was primarily due to reductions in employee payroll, incentive bonus accruals, and customer rebate accruals. The decrease in non-current liabilities was primarily due to $5,936,000 in contributions made to our pension plans.

In addition to net income and non-cash adjustments to net income including an $8,567,000 loss on the early retirement of bonds in fiscal 2015, net cash provided by operating activities in fiscal 2015 consisted of net collections of trade accounts receivable of $8,302,000 and an overall increase in trade accounts payable of $1,084,000. Net cash decreased primarily as a result of an increase in inventories of $9,080,000 and a decrease in non-current liabilities of $12,612,000. The reduction in non-current liabilities was primarily the result of $11,013,000 in pension contributions during the year.

*Cash flow used by investing activities*

Net cash used by investing activities was $203,229,000, $34,079,000 and $40,425,000 in fiscal 2016, 2015 and 2014, respectively. The most significant use of cash for investing activities relates to our acquisition of Magnetek which totaled $182,467,000, net of cash acquired. Capital expenditures for fiscal 2016 totaled $22,320,000, of which $5,400,000 related to the construction of the Getzville corporate headquarters and national training facility. Offsetting these uses of cash is $1,558,000 in net cash proceeds from the sale of marketable equity securities.

The most significant net cash used for investing activities in fiscal 2015 was $19,992,000 for the purchase of STB as described in Note 3 to the consolidated financial statements. Capital expenditures for fiscal 2015 were $17,243,000 (of which $1,990,000 relates to the expansion of our China operations and $3,449,000 relates to the implementation of our global ERP system). Offsetting these uses of cash is $3,230,000 in net cash proceeds from the sale of marketable equity securities by our captive insurance company. The other use of cash for investing activities of $74,000 primarily includes proceeds from an insurance settlement of $64,000 and cash received from the sale of an asset of $116,000 offset by an increase in restricted cash related to the Company's captive insurance company of $250,000.

*Cash flow provided (used) by financing activities*

Net cash provided (used) by financing activities was $137,003,000, $(48,387,000) and $1,739,000 in fiscal 2016, 2015 and 2014, respectively. The most significant source of cash was net borrowings under our revolving credit facility of $154,057,000. This borrowing was used to fund the Magnetek acquisition. Offsetting this source of cash was $13,187,000 used for the repayment of debt. The remaining net cash used for financing activities primarily relates to dividends paid of $3,212,000 and $655,000 in net outflows from stock related transactions.

The net cash used by financing activities in fiscal 2015 primarily consisted of the redemption of the 7 7/8% Notes of $150,000,000 and bond redemption tender fees of $5,907,000. Additionally the Company paid off the debt assumed in the purchase of STB of $6,487,000 and incurred $1,825,000 in financing fees associated with its New Credit Agreement. This was offset by proceeds on the Company's new Term Loan of $124,423,000. In connection with the acquisition of STB, the Company withheld $5,431,000 to be paid to the seller upon satisfaction of certain conditions. This cash was classified as other assets on the Company's balance sheet and was classified as a use of cash for financing activities. The remaining net cash used for financing activities for fiscal 2015 primarily relates to dividends paid of $3,192,000 offset by proceeds from the exercise of stock options of $1,607,000.

We believe that our cash on hand, cash flows, and borrowing capacity under our New Revolving Credit Facility will be sufficient to fund our ongoing operations and budgeted capital expenditures for at least the next twelve months. This belief is dependent upon successful execution of our current business plan and effective working capital utilization. No material restriction exists in accessing cash held by our non-U.S. subsidiaries. Additionally we expect to meet our U.S. funding needs without repatriating non-U.S. cash and incurring incremental U.S. taxes. As of March 31, 2016, $37,300,000 of cash and cash equivalents were held by foreign subsidiaries.

Through January 23, 2015 the Company had access to borrow funds under a revolving credit facility ("Replaced Revolving Credit Facility"). The Replaced Revolving Credit Facility provided availability up to a maximum of $100,000,000 and had an initial term ending October 31, 2017.

Through February 19, 2015, the Company had outstanding $150,000,000 principal amount of 7 7/8% Senior Subordinated Notes due 2019 registered under the Securities Act of 1933, as amended (7 7/8% Notes).

On January 23, 2015, the Company, Columbus McKinnon Dutch Holdings 3 B.V. (“BV 3”), and Columbus McKinnon EMEA GmbH (“EMEA GMBH”) as borrowers (collectively referred to as the "Borrowers"), entered into a new credit agreement (the "New Credit Agreement"). The Borrowers entered into a new $150,000,000 senior secured revolving credit facility ("New Revolving Credit Facility") and established a new $125,000,000 delayed draw senior secured term loan facility (“Term Loan”). The Company’s Replaced Revolving Credit Facility was terminated in connection with this transaction. Both the New Revolving Credit Facility and the Term Loan have five-year terms maturing in 2020. The New Revolving Credit Facility has an initial term ending January 23, 2020 and the Term Loan has a term ending February 19, 2020.

The terms of the New Credit Agreement include the following:

- Term Loan: An aggregate $125,000,000 secured term loan facility which requires quarterly principal amortization of 2.5% with the remaining principal due at maturity date.

- New Revolving Credit Facility: An aggregate $150,000,000 secured revolving credit facility which includes sublimits for the issuance of standby letters of credit, swingline loans and multi-currency borrowings in certain specified foreign currencies.

- Fees and Interest Rates: Commitment fees and interest rates are determined on the basis of either a Eurocurrency rate or a Base rate plus an applicable margin based upon the Company's Total Leverage Ratio (as defined in the New Credit Agreement).

- Accordion Feature: Provisions permitting a Borrower from time to time to increase the aggregate amount of the credit facility by up to $75,000,000, with a minimum increase of $20,000,000.

- Prepayments: Provisions permitting a Borrower to voluntarily prepay either the Term Loan or New Revolving Credit Facility in whole or in part at any time, and provisions requiring certain mandatory prepayments of the Term Loan or New Revolving Credit Facility on the occurrence of certain events which will permanently reduce the commitments under the New Credit Agreement, each without premium or penalty.

- Reduction of Commitment: A Borrower may irrevocably cancel, in whole or in part, the unutilized portion of the commitments under the New Credit Agreement in excess of any outstanding loans, the stated amount of all outstanding letters of credit and all unreimbursed amounts drawn under any letters of credit.

- Covenants: Provisions containing covenants required of the Company and its subsidiaries including various affirmative and negative financial and operational covenants. Key financial covenants include a minimum fixed charge coverage ratio of 1.25x; a maximum total leverage ratio, net of cash, of 3.50x (which may be temporarily increased following a material acquisition, which may be elected two times over the course of the New Credit Agreement, (i) if financed by secured debt the total leverage rate as at the end of the fiscal quarter in which such material acquisition occurs and the three fiscal quarters immediately thereafter, shall not be greater than 4.00:1.00 and as at the end of any fiscal quarter thereafter, the total leverage ratio shall not be greater than 3.50:1.00, and (ii) if financed with unsecured or subordinated indebtedness, the total leverage ratio at the end of the fiscal quarter in which such material acquisition occurs and at the end of any fiscal quarter thereafter, shall not be greater than 4.50:1.00, and permit the secured leverage ratio, to be greater than 3.25:1.00), and maximum capital expenditures of $30 million per fiscal year ($40 million following a material acquisition) with the ability to transfer any unused portion of expenditure to the immediately following fiscal year. Our actual fixed charges coverage ratio and total leverage ratio, as calculated per the terms of our New Revolving Credit Facility, were 3.20x and 2.90x, respectively, at March 31, 2016.

The New Revolving Credit Facility is secured by all U.S. inventory, receivables, equipment, real property, subsidiary stock (limited to 65% of non-U.S. subsidiaries) and intellectual property. The New Credit Agreement allows, but limits our ability to pay dividends.

On February 19, 2015, the Company borrowed $124,442,000 under the Term Loan. The Term Loan proceeds were net of fees paid to creditors of $558,000 which were accounted for as a debt discount. On February 23, 2015 the Company redeemed all of the outstanding $150,000,000 of the 7 7/8% Notes. The aggregated price paid for the redemption was $156,630,000, including a 3.938% call premium or $5,907,000, and $723,000 of accrued interest on the 7 7/8% Notes. The redemption was funded by the Term Loan and cash on hand.

The unused portion of the New Revolving Credit Facility totaled $64,341,000 net of outstanding borrowings of $155,000,000 and outstanding letters of credit of $5,659,000 as of March 31, 2016. The outstanding letters of credit at March 31, 2016 consisted of $1,136,000 in commercial letters of credit and $4,523,000 of standby letters of credit.

The gross balances of deferred financing costs were $1,825,000 as of March 31, 2016 and 2015, respectively. The accumulated amortization balances were $425,000 and $61,000 as of March 31, 2016 and 2015, respectively.

On June 22, 2007, the Company recorded a capital lease resulting from the sale and partial leaseback of its facility in Charlotte, NC under a 10 year lease agreement. The Company also has capital leases on certain production machinery and equipment. The outstanding balance on the capital lease obligations of $1,590,000 and $2,270,000 as of March 31, 2016 and 2015, respectively, are included in current portion of long-term debt and senior debt in the consolidated balance sheets.

Unsecured and uncommitted lines of credit are available to meet short-term working capital needs for certain of our subsidiaries operating outside of the U.S. The lines of credit are available on an offering basis, meaning that transactions under the line of credit will be on such terms and conditions, including interest rate, maturity, representations, covenants and events of default, as mutually agreed between our subsidiaries and the local bank at the time of each specific transaction. As of March 31, 2016, unsecured credit lines totaled approximately $7,623,000, of which $0 was drawn. In addition, unsecured lines of $8,651,000 were available for bank guarantees issued in the normal course of business of which $4,557,000 was utilized.

CONTRACTUAL OBLIGATIONS

The following table reflects a summary of our contractual obligations in millions of dollars as of March 31, 2016, by period of estimated payments due:

| | Total | Fiscal 2017 | Fiscal 2018-Fiscal 2019 | Fiscal 2020-Fiscal 2021 | More Than Five Years |
|---|---|---|---|---|---|
| Long-term debt obligations (a) | $ 269.1 | $ 13.2 | $ 25.9 | $ 230.0 | $ — |
| Operating lease obligations (b) | 32.6 | 6.3 | 9.8 | 6.9 | 9.6 |
| Purchase obligations (c) | — | — | — | — | — |
| Interest obligations (d) | 29.6 | 9.1 | 16.4 | 4.1 | |
| Letter of credit obligations | 5.7 | 5.7 | — | — | — |
| Bank guarantees | 4.6 | 4.6 | — | — | — |
| Uncertain tax positions | 1.1 | — | 1.1 | — | — |
| Other long-term liabilities reflected on the Company's balance sheet under GAAP (e) | 129.6 | — | 8.9 | 5.4 | 115.3 |
| Total | $ 472.3 | $ 38.9 | $ 62.1 | $ 246.4 | $ 124.9 |

(a) As described in Note 11 to consolidated financial statements.
(b) As described in Note 17 to consolidated financial statements.
(c) We have no purchase obligations specifying fixed or minimum quantities to be purchased. We estimate that, at any given point in time, our cancelable open purchase orders to be executed in the normal course of business approximate $50 million.
(d) Estimated for our Term Loan and Revolving Credit Facility and interest rate swaps as described in Note 9 and Note 11 to our consolidated financial statements. Calculated using a 3-month LIBOR rate of 0.63% plus an applicable margin of 2.25%.
(e) For additional details, see Note 10 to our consolidated financial statements. Excludes uncertain tax positions of $1.1 million shown separately above.

We have no additional off-balance sheet obligations that are not reflected above.

CAPITAL EXPENDITURES

In addition to keeping our current equipment and plants properly maintained, we are committed to replacing, enhancing and upgrading our property, plant and equipment to support new product development, improve productivity and customer responsiveness, reduce production costs, increase flexibility to respond effectively to market fluctuations and changes, meet environmental requirements and enhance safety. Our capital expenditures for fiscal 2016, 2015 and 2014 were $22,320,000, $17,243,000 and $20,846,000, respectively. Excluded from fiscal 2016 capital expenditures is $1,638,000 in property, plant and equipment purchases included in accounts payable at March 31, 2016. We expect capital expenditure spending in fiscal 2017 to be approximately $18,000,000, excluding acquisitions and strategic alliances.

INFLATION AND OTHER MARKET CONDITIONS

Our costs are affected by inflation in the U.S. economy and, to a lesser extent, in non-U.S. economies including those of Europe, Canada, Mexico, South America and Asia-Pacific. We do not believe that general inflation has had a material effect on our results of operations over the periods presented primarily due to overall low inflation levels over such periods and our ability to generally pass on rising costs through annual price increases and surcharges. However, increases in U.S. employee benefits costs such as health insurance and workers compensation insurance have exceeded general inflation levels. In the future, we may be further affected by inflation that we may not be able to pass on as price increases. With changes in worldwide demand for steel and fluctuating scrap steel prices over the past several years, we experienced fluctuations in our costs that we have reflected as price increases and surcharges to our customers. We believe we have been successful in instituting surcharges and price increases to pass on these material cost increases. We will continue to monitor our costs and reevaluate our pricing policies.

## SEASONALITY AND QUARTERLY RESULTS

Our quarterly results may be materially affected by the timing of large customer orders, periods of high vacation and holiday concentrations, restructuring charges and other costs attributable to plan closures as well as divestitures and acquisitions. Therefore, our operating results for any particular fiscal quarter are not necessarily indicative of results for any subsequent fiscal quarter or for the full fiscal year.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. We continually evaluate the estimates and their underlying assumptions, which form the basis for making judgments about the carrying value of our assets and liabilities. Actual results inevitably will differ from those estimates. If interpreted differently under different conditions or circumstances, changes in our estimates could result in material changes to our reported results. We have identified below the accounting policies involving estimates that are critical to our financial statements. Other accounting policies are more fully described in Note 2 of our consolidated financial statements.

*Revenue Recognition.* Sales are recorded when title passes to the customer which is generally at the time of shipment to the customer. The Company performs ongoing credit evaluations of its customers' financial condition, but generally does not require collateral to support customer receivables. The credit risk is controlled through credit approvals, limits and monitoring procedures. Accounts receivable are reported at net realizable value and do not accrue interest. Sales tax is excluded from revenue.

*Pension and Other Postretirement Benefits***.** The determination of the obligations and expense for pension and postretirement benefits is dependent on our selection of certain assumptions that are used by actuaries in calculating such amounts. Those assumptions are disclosed in Note 12 to our fiscal 2016 consolidated financial statements and include the discount rates, expected long-term rate of return on plan assets and rates of future increases in compensation and healthcare costs. Changes in these assumptions can result in the calculation of different plan expense and liability amounts. Further, actual experience can differ from the assumptions and these differences are typically accounted for as actuarial gains or losses that are amortized over future periods.

The weighted average pension discount rate assumptions of 4.03%, 3.83%, and 4.60%, as of March 31, 2016, 2015, and 2014, respectively, are based on long-term AA rated corporate and municipal bond rates. At September 2, 2015, the Company used a discount rate assumption of 4.30% in valuing the pension plan obligation acquired in the Magnetek acquisition. The change in the discount rate at March 31, 2016 did not result in a significant change in the total projected benefit obligation. The Company adopted updated mortality tables in calculating its U.S. pension obligation. The change in mortality tables resulted in a $5,700,000 increase in the projected benefit obligation. The rate of return on plan assets assumptions of 7.22% for the year ended March 31, 2016, and 7.50% for the years ended March 31, 2015 and 2014 is based on the targeted plan asset allocation (approximately 65% equities and 35% fixed income) and their long-term historical returns. Our under-funded status for all pension plans as of March 31, 2016 and 2015 was $103,279,000 and $57,339,000, or 24.5% and 21.9% of the projected benefit obligation, respectively. Our pension contributions during fiscal 2016 and 2015 were approximately $5,936,000 and $11,013,000, respectively. The under-funded status may result in future pension expense increases. Pension benefit for the March 31, 2017 fiscal year is expected to approximate $983,000, comparable to the fiscal 2016 benefit of $1,208,000. Pension funding contributions for the March 31, 2017 fiscal year are expected to approximate $5,961,000. The weighted-average compensation increase assumption of 0.44% as of March 31, 2016 and 2.30% and 2.00% as of March 31, 2015 and 2014, respectively is based on expected wage trends and historical patterns.

The healthcare costs inflation assumptions of 6.8% for fiscal 2016 and 7.0% for fiscal 2015 and 2014, respectively, are based on anticipated trends. While the healthcare inflation rate assumptions have been decreasing, healthcare costs continue to outpace inflation in the U.S.

*Insurance Reserves.* Our accrued general and product liability reserves as described in Note 15 to consolidated financial statements involve actuarial techniques including the methods selected to estimate ultimate claims, and assumptions including emergence patterns, payment patterns, initial expected losses and increased limit factors. These actuarial estimates are subject to a high degree of uncertainty due to a variety of factors, including extended lag time in the reporting and resolution of claims, trends or changes in claim settlement patterns, insurance industry practices, and legal interpretations. Changes to these estimates could result in material changes to the amount of expense and liabilities recorded in our financial statements. Further, actual costs could differ significantly from the estimated amounts. Adjustments to estimated reserves are recorded in the period in which the change in estimate occurs. Other insurance reserves such as workers compensation and group health insurance are based on actual historical and current claim data provided by third party administrators or internally maintained.

*Goodwill impairment testing.* Our goodwill balance of $170,716,000 as of March 31, 2016 is subject to impairment testing. We test goodwill for impairment at least annually, as of the end of February, and more frequently whenever events occur or circumstances change that indicate there may be impairment. These events or circumstances could include a significant long-term adverse change in the business climate, poor indicators of operating performance, or a sale or disposition of a significant portion of a reporting unit.

We test goodwill at the reporting unit level, which is one level below our operating segment. We identify our reporting units by assessing whether the components of our operating segment constitute businesses for which discrete financial information is available and segment management regularly reviews the operating results of those components. We also aggregate components that have similar economic characteristics into single reporting units (for example, similar products and / or services, similar long-term financial results, product processes, classes of customers, or in circumstances where the components share assets or other resources and have other economic interdependencies). We have four reporting units, only two of which have goodwill. Duff-Norton and Rest of Products reporting units have goodwill totaling $9,627,000, and $161,089,000, respectively, at March 31, 2016.

When we evaluate the potential for goodwill impairment, we assess a range of qualitative factors including, but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for our products and services, regulatory and political developments, entity specific factors such as strategy and changes in key personnel and overall financial performance. If, after completing this assessment, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, we proceed to a two-step impairment test. We also proceed to the two-step model when economic or other business factors indicate that the fair value of our reporting units may have declined since our last quantitative test. We performed the qualitative assessment as of February 29, 2016 and determined that the two-step goodwill impairment test should be performed for both the Rest of Products reporting unit and the Duff-Norton reporting unit due to the decline in our stock price during fiscal 2016.

In order to perform the two-step impairment test, we use the discounted cash flow method and comparable market method to estimate fair value. The discounted cash flow method incorporates various assumptions, the most significant being projected revenue growth rates, operating profit margins and cash flows, the terminal growth rate and the discount rate. Management projects revenue growth rates, operating margins and cash flows based on each reporting unit’s current business, expected developments and operational strategies over a five-year period. In estimating the terminal growth rate, we consider our historical and projected results, as well as the economic environment in which the reporting unit operates. The discount rates utilized for each reporting unit reflect management’s assumptions of marketplace participants’ cost of capital and risk assumptions, both specific to the reporting unit and overall in the economy. The comparable market method estimates fair value based on prices obtained in actual transactions. The method consists of examining selling prices for comparable assets. After studying the selling prices, value adjustments are made for any dissimilarities.

We performed step one of the two-step impairment test for the Rest of Products and Duff Norton reporting units. Testing goodwill for impairment under the two-step method requires us to estimate fair values of reporting units using significant estimates and judgmental factors. The key estimates and factors used in our discounted cash flow valuation include revenue growth rates and profit margins based on internal forecasts, terminal value, and the weighted-average cost of capital used to discount future cash flows. The compound annual growth rate for revenue during the first five years of our projections was approximately 4.6% for the Rest of Products reporting unit and 4.0% for the Duff-Norton reporting unit. The terminal value was calculated assuming a projected growth rate of 3.0% after five years for both reporting units. These rates reflect our estimate of long-term growth into perpetuity and approximate the long-term gross domestic product growth expected on a global basis as well as our normal annual price increases. The estimated weighted-average cost of capital for the reporting units was determined to be 9.9% and 10.0% for the Rest of Products and Duff-Norton reporting units, respectively based upon an analysis of similar companies and their debt to equity mix, their related volatility and the size of their market capitalization. We also consider any additional risk of the Duff-Norton and Rest of Product reporting units achieving their forecast, and adjust the weighted-average cost of capital applied when determining the reporting unit's estimated fair value. Future changes in these estimates and assumptions could materially affect the results of our goodwill impairment tests. For example, a decline in the terminal growth rate by 50 basis points would decrease fair market value by $10,210,000 and $1,775,000 and an increase in the weighted-average cost of capital by 100 basis points would result in a decrease in fair market value by $32,840,000 and $4,543,000 for the Rest of Products and Duff-Norton reporting units, respectively. Even with such changes the fair value of the reporting units would be greater than their net book values as of February 29, 2016, necessitating no Step 2 calculations.

*Purchase Price Allocations for Business Combinations.* During the fiscal year ended March 31, 2016, we completed a business combination for a total purchase price of $190,672,000. Under purchase accounting, we recorded assets and liabilities at fair value as of the acquisition dates. We identified and assigned value to trademarks and trade names, customer relationships, non-compete agreements, backlog, and patents. We estimated the useful lives over which these intangible assets would be amortized. Valuations of these assets were performed largely using discounted cash flow models and estimates of replacement cost. These valuations support the conclusion that identifiable intangible assets had a value of $105,998,000. The resulting goodwill was $49,204,000.

Assigning value to intangible assets requires estimates used in projecting relevant future cash flows and estimates of replacement costs, in addition to estimating useful lives of such assets.

*Accounts Receivable Reserves.* Allowances for doubtful accounts and credit memo reserves are also judgmentally determined based on formulas applied to historical bad debt write-offs and credit memos issued, assessing potentially uncollectible customer accounts and analyzing the accounts receivable aging. Accounts receivable are charged against the allowance for doubtful accounts once all collection efforts have been exhausted. At March 31, 2016 the allowance for doubtful accounts totaled $2,177,000.

*Impairment of depreciable and amortizable long-lived assets*. Property, plant and equipment and certain intangibles are depreciated or amortized over their assigned lives. We test long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable and exceed their fair market value. The following summarizes the value of long-lived assets subject to impairment testing when events or circumstances indicate potential impairment (amounts in millions):

| | Balance as of March 31, 2016 |
|---|---|
| Property, plant and equipment, net | $ 104.8 |
| Acquired intangibles with estimable useful lives | 93.1 |
| Other assets | 11.3 |

Impairment may exist if the carrying amount of the asset in question exceeds the sum of the undiscounted cash flows expected to result from the use of the asset. The impairment loss, if any, would be measured as the amount by which the carrying amount of a long-lived asset exceeds its fair market value as determined by appropriate valuation techniques.

*Marketable Securities.* On a quarterly basis, we review our marketable securities for declines in market value that may be considered other than temporary. We generally consider market value declines to be other than temporary if there are declines for a period longer than six months and in excess of 20% of original cost. We also consider the nature of the underlying investments and other market conditions or when other evidence indicates impairment.

**Effects of New Accounting Pronouncements**

Information regarding the effects of new accounting pronouncements is included in Note 21 to the accompanying consolidated financial statements included in this March 31, 2016 10K report.

**Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995**

This report may include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from the results expressed or implied by such statements, including general economic and business conditions, conditions affecting the industries served by us and our subsidiaries, conditions affecting our customers and suppliers, competitor responses to our products and services, the overall market acceptance of such products and services, facility consolidations and other restructurings, our asbestos-related liability, the integration of acquisitions and other factors disclosed in our periodic reports filed with the Commission. Consequently such forward-looking statements should be regarded as our current plans, estimates and beliefs. We do not undertake and specifically decline any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates. We are exposed to various market risks, including commodity prices for raw materials, foreign currency exchange rates and changes in interest rates. We may enter into financial instrument transactions, which attempt to manage and reduce the impact of such changes. We do not enter into derivatives or other financial instruments for trading or speculative purposes.

Our primary commodity risk is related to changes in the price of steel. We control this risk through negotiating purchase contracts on a consolidated basis and by attempting to build changes in raw material costs into the selling prices of or surcharges on our products. We have not entered into financial instrument transactions related to raw material costs.

In fiscal 2016, 37% of our net sales were from manufacturing plants and sales offices in foreign jurisdictions. We manufacture our products in the United States, China, Germany, United Kingdom, Hungary, Mexico and France and sell our products in approximately 50 countries. Our results of operations could be affected by factors such as changes in foreign currency rates or weak economic conditions in foreign markets. Our operating results are exposed to fluctuations between the U.S. Dollar and the Canadian Dollar, European currencies, the South African Rand, the Mexican Peso, the Brazilian Real, and the Chinese Yuan. For example, when the U.S. dollar weakens against the Euro, the value of our net sales and net income denominated in Euros increases when translated into U.S. dollars for inclusion in our consolidated results. We are also exposed to foreign currency fluctuations in relation to purchases denominated in foreign currencies. Our foreign currency risk is mitigated since the majority of our foreign operations' net sales and the related expense transactions are denominated in the same currency so therefore a significant change in foreign exchange rates would likely have a very minor impact on net income. For example, a 10% change in the value of the U.S. dollar in relation to our most significant foreign currency exposures would have had an impact of approximately $800,000 on our income from operations. In addition, the majority of our export sale transactions are denominated in U.S. dollars.

The Company has foreign currency forward agreements in place to offset changes in the value of intercompany loans to foreign subsidiaries due to changes in foreign exchange rates. The notional amount of these derivatives is $2,118,000 and all of the contracts mature by June 30, 2016. These contracts are marked to market each balance sheet date and are not designated as hedges.

The Company has foreign currency forward agreements that are designated as cash flow hedges to hedge a portion of forecasted inventory purchases denominated in foreign currencies. The notional amount of those derivatives is $14,585,000 and all contracts mature within twelve months of March 31, 2016. From its March 31, 2016 balance of AOCL, the Company expects to reclassify approximately $207,000 out of AOCL during the next 12 months based on the underlying transactions of the sales of the goods purchased.

The Company's policy is to maintain a capital structure that is comprised of 50-70% of fixed rate long-term debt and 30-50% of variable rate long-term debt. The Company entered into two interest rate swap agreements in which the Company receives interest at a variable rate and pays interest at a fixed rate. These interest rate swap agreements are designated as cash flow hedges to hedge changes in interest expense due to changes in the variable interest rate of the senior secured term loan. The amortizing interest rate swaps mature on February 19, 2020 and have a total notional amount of $161,000,000 as of March 31, 2016. The effective portion of the changes in fair values of the interest rate swaps is reported in AOCL and will be reclassified to interest expense over the life of the swap agreements. The ineffective portion was not material and was recognized in the current period interest expense. From its March 31, 2016 balance of AOCL, the Company expects to reclassify approximately $700,000 out of AOCL, and into interest expense, during the next 12 months.

## Item 8. Financial Statements and Supplemental Data.

### INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

**Columbus McKinnon Corporation**

Audited Consolidated Financial Statements as of March 31, 2016:

# Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Columbus McKinnon Corporation

We have audited the accompanying consolidated balance sheets of Columbus McKinnon Corporation as of March 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Columbus McKinnon Corporation at March 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 16 to the consolidated financial statements, the Company changed its method of presenting deferred tax assets and liabilities in the consolidated balance sheet as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2015-17, “Balance Sheet Classification of Deferred Taxes,” effective March 31, 2016.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Columbus McKinnon Corporation’s internal control over financial reporting as of March 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated June 1, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Buffalo, New York
June 1, 2016

**COLUMBUS McKINNON CORPORATION**

**CONSOLIDATED BALANCE SHEETS**

| | March 31, 2016 | March 31, 2015 |
|---|---|---|
| | (In thousands, except share data) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 51,603 | $ 63,056 |
| Trade accounts receivable, less allowance for doubtful accounts ($2,177 and $2,155, respectively) | 83,812 | 80,531 |
| Inventories | 118,049 | 103,187 |
| Prepaid expenses and other | 19,265 | 27,255 |
| Total current assets | 272,729 | 274,029 |
| Net property, plant, and equipment | 104,790 | 91,127 |
| Goodwill | 170,716 | 121,461 |
| Other intangibles, net | 122,129 | 19,104 |
| Marketable securities | 18,186 | 19,867 |
| Deferred taxes on income | 73,158 | 28,695 |
| Other assets | 11,336 | 12,041 |
| Total assets | $ 773,044 | $ 566,324 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Trade accounts payable | $ 36,061 | $ 33,406 |
| Accrued liabilities | 53,210 | 50,263 |
| Current portion of long-term debt | 43,246 | 13,292 |
| Total current liabilities | 132,517 | 96,961 |
| Senior debt, less current portion | 844 | 1,478 |
| Term loan and revolving credit facility | 223,735 | 111,942 |
| Other non-current liabilities | 129,639 | 87,224 |
| Total liabilities | 486,735 | 297,605 |
| Shareholders' equity: | | |
| Voting common stock: 50,000,000 shares authorized; 20,109,868 and 19,989,548 shares issued and outstanding | 201 | 200 |
| Additional paid-in capital | 206,682 | 203,156 |
| Retained earnings | 174,173 | 157,811 |
| Accumulated other comprehensive loss | (94,747) | (92,448) |
| Total shareholders' equity | 286,309 | 268,719 |
| Total liabilities and shareholders' equity | $ 773,044 | $ 566,324 |

*See accompanying notes.*

**COLUMBUS McKINNON CORPORATION**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| | (In thousands, except per share data) | | |
| Net sales | $ 597,103 | $ 579,643 | $ 583,290 |
| Cost of products sold | 409,840 | 398,036 | 402,242 |
| Gross profit | 187,263 | 181,607 | 181,048 |
| Selling expenses | 72,858 | 69,819 | 68,963 |
| General and administrative expenses | 68,811 | 54,874 | 55,754 |
| Amortization of intangibles | 5,024 | 2,266 | 1,981 |
| Income from operations | 40,570 | 54,648 | 54,350 |
| Interest and debt expense | 7,904 | 12,390 | 13,492 |
| Cost of bond redemption | — | 8,567 | — |
| Investment (income) loss | (796) | (2,725) | (1,595) |
| Foreign currency exchange loss (gain) | 2,215 | 863 | 1,124 |
| Other income, net | (377) | (462) | (1,393) |
| Income from continuing operations before income tax expense | 31,624 | 36,015 | 42,722 |
| Income tax expense | 12,045 | 8,825 | 12,301 |
| Net income | $ 19,579 | $ 27,190 | $ 30,421 |
| | | | |
| Average basic shares outstanding | 20,079 | 19,939 | 19,655 |
| Average diluted shares outstanding | 20,315 | 20,224 | 19,950 |
| | | | |
| Basic income per share | $ 0.98 | $ 1.36 | $ 1.55 |
| | | | |
| Diluted income per share | $ 0.96 | $ 1.34 | $ 1.52 |
| | | | |
| Dividends declared per common share | $ 0.16 | $ 0.16 | $ 0.04 |

*See accompanying notes.*

**COLUMBUS McKINNON CORPORATION**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

| | March 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| | (In thousands) | | |
| Net income | $ 19,579 | $ 27,190 | $ 30,421 |
| Other comprehensive income (loss), net of tax: | | | |
| Foreign currency translation adjustments | 3,650 | (29,907) | 3,067 |
| Pension liability adjustments, net of taxes of $4,635, $12,409, and $(8,086) | (5,394) | (19,724) | 12,595 |
| Other post retirement obligations adjustments, net of taxes of $(372), $233, and $(49) | 604 | (371) | 75 |
| Split-dollar life insurance arrangement adjustments, net of taxes of $(66), $42, and $(43) | 105 | (67) | 68 |
| Change in derivatives qualifying as hedges, net of taxes of $430, $233, and $(119) | (1,031) | (334) | 254 |
| Change in investments: | | | |
| Unrealized holding (loss) gain arising during the period, net of taxes of $43, $(234), and $(35) | (79) | 433 | 395 |
| Reclassification adjustment for gain included in net income, net of taxes of $83, $723, and $773 | (154) | (1,342) | (1,435) |
| Net change in unrealized gain (loss) on investments | (233) | (909) | (1,040) |
| Total other comprehensive income (loss) | (2,299) | (51,312) | 15,019 |
| Comprehensive income (loss) | $ 17,280 | $ (24,122) | $ 45,440 |

*See accompanying notes.*

# COLUMBUS McKINNON CORPORATION
## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
## (In thousands, except share data)

| | Common Stock ($0.01 par value) | Additional Paid-in Capital | Retained Earnings | ESOP Debt Guarantee | Accumulated Other Comprehensive Loss | Total Shareholders' Equity |
|---|---|---|---|---|---|---|
| Balance at April 1, 2013 | $ 195 | $ 192,308 | $ 104,191 | $ (552) | $ (56,155) | $ 239,987 |
| Net income 2014 | — | — | 30,421 | — | — | 30,421 |
| Dividends declared | — | — | (792) | — | — | (792) |
| Change in foreign currency translation adjustment | — | — | — | — | 3,067 | 3,067 |
| Change in net unrealized gain on investments, net of tax of $695 | — | — | — | — | (1,040) | (1,040) |
| Change in derivatives qualifying as hedges, net of tax of $119 | — | — | — | — | 254 | 254 |
| Change in pension liability and postretirement obligations, net of tax of $8,178 | — | — | — | — | 12,738 | 12,738 |
| Stock compensation - directors | — | 315 | — | — | — | 315 |
| Stock options exercised, 229,516 shares | 2 | 2,192 | — | — | — | 2,194 |
| Stock compensation expense | — | 3,318 | — | — | — | 3,318 |
| Tax effect of exercise of stock options | | 613 | | | | 613 |
| Earned 25,611 ESOP shares | — | 195 | — | 410 | — | 605 |
| Restricted stock units released, 56,203 shares, net of shares withheld for minimum statutory tax obligation | 1 | (395) | — | — | — | (394) |
| Balance at March 31, 2014 | $ 198 | $ 198,546 | $ 133,820 | $ (142) | $ (41,136) | $ 291,286 |
| Net income 2015 | — | — | 27,190 | — | — | 27,190 |
| Dividends declared | — | — | (3,199) | — | — | (3,199) |
| Change in foreign currency translation adjustment | — | — | — | — | (29,907) | (29,907) |
| Change in net unrealized gain on investments, net of tax of $489 | — | — | — | — | (909) | (909) |
| Change in derivatives qualifying as hedges, net of tax of $233 | — | — | — | — | (334) | (334) |
| Change in pension liability and postretirement obligations, net of tax of $12,684 | — | — | — | — | (20,162) | (20,162) |
| Stock compensation - directors | — | 440 | — | — | — | 440 |
| Stock options exercised, 87,210 shares | 2 | 1,605 | — | — | — | 1,607 |
| Stock compensation expense | — | 3,455 | — | — | — | 3,455 |
| Tax effect of exercise of stock options | — | (65) | — | — | — | (65) |
| Earned 8,369 ESOP shares | — | 109 | — | 142 | — | 251 |
| Restricted stock units released,78,734 shares, net of shares withheld for minimum statutory tax obligation | — | (934) | — | — | — | (934) |
| Balance at March 31, 2015 | $ 200 | $ 203,156 | $ 157,811 | $ — | $ (92,448) | $ 268,719 |
| Net income 2016 | — | — | 19,579 | — | — | 19,579 |
| Dividends declared | — | — | (3,217) | — | — | (3,217) |
| Change in foreign currency translation adjustment | — | — | — | — | 3,650 | 3,650 |
| Change in net unrealized gain on investments, net of tax of $126 | — | — | — | — | (233) | (233) |
| Change in derivatives qualifying as hedges, net of tax of $430 | — | — | — | — | (1,031) | (1,031) |
| Change in pension liability and postretirement obligations, net of tax of $4,197 | — | — | — | — | (4,685) | (4,685) |
| Stock compensation - directors | — | 440 | — | — | — | 440 |
| Stock options exercised, 16,033 shares | 1 | 242 | — | — | — | 243 |
| Stock compensation expense | — | 3,623 | — | — | — | 3,623 |
| Tax effect of exercise of stock options | — | 118 | — | — | — | 118 |
| Shares retired | — | (10) | — | | — | (10) |
| Restricted stock units released, 75,370 shares, net of shares withheld for minimum statutory tax obligation | — | (887) | — | — | — | (887) |
| Balance at March 31, 2016 | $ 201 | $ 206,682 | $ 174,173 | $ — | $ (94,747) | $ 286,309 |

*See accompanying notes.*

## COLUMBUS McKINNON CORPORATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year ended March 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| **Operating activities:** | | (In thousands) | |
| Net income | $ 19,579 | $ 27,190 | $ 30,421 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 20,531 | 14,562 | 13,380 |
| Deferred income taxes | 7,336 | 2,074 | 5,031 |
| Gain on sale of real estate/investments and other | 34 | (1,897) | (2,332) |
| Cost of bond redemption | — | 8,567 | — |
| Impairment of assets | 429 | — | — |
| Amortization of deferred financing costs and discount on debt | 600 | 805 | 870 |
| Stock-based compensation | 4,063 | 3,895 | 3,633 |
| Changes in operating assets and liabilities, net of effects of business acquisitions and divestitures: | | | |
| Trade accounts receivable | 12,409 | 8,302 | (9,318) |
| Inventories | 2,483 | (9,080) | 1,312 |
| Prepaid expenses and other | (375) | (3,192) | (3,750) |
| Other assets | 3,179 | (572) | (273) |
| Trade accounts payable | (5,308) | 1,084 | (2,821) |
| Accrued liabilities | (5,799) | (872) | 1,081 |
| Non-current liabilities | (6,516) | (12,612) | (7,727) |
| Net cash provided by operating activities | 52,645 | 38,254 | 29,507 |
| **Investing activities:** | | | |
| Proceeds from sale of marketable securities | 5,869 | 6,919 | 6,689 |
| Purchases of marketable securities | (4,311) | (3,689) | (4,099) |
| Capital expenditures | (22,320) | (17,243) | (20,846) |
| Other | — | (74) | — |
| Purchases of businesses, net of cash acquired | (182,467) | (19,992) | (22,169) |
| Net cash used for investing activities | (203,229) | (34,079) | (40,425) |
| **Financing activities:** | | | |
| Proceeds from exercise of stock options | 242 | 1,607 | 2,194 |
| Payment of dividends | (3,212) | (3,192) | — |
| Payment of bond redemption tender fees | — | (5,907) | — |
| Restricted cash related to purchase of business | — | (5,431) | — |
| Net borrowings under lines of credit | 154,057 | — | (7) |
| Repayment of debt | (13,187) | (157,203) | (858) |
| Proceeds from issuance of long term debt | — | 124,423 | — |
| Payment of deferred financing costs | | (1,825) | — |
| Change in ESOP debt guarantee and other | (897) | (859) | 410 |
| Net cash provided by (used for) financing activities | 137,003 | (48,387) | 1,739 |
| **Effect of exchange rate changes on cash** | 2,128 | (5,041) | (172) |
| Net change in cash and cash equivalents | (11,453) | (49,253) | (9,351) |
| Cash and cash equivalents at beginning of year | 63,056 | 112,309 | 121,660 |
| Cash and cash equivalents at end of year | $ 51,603 | $ 63,056 | $ 112,309 |
| Supplementary cash flows data: | | | |
| Interest paid | $ 7,649 | $ 13,750 | $ 13,003 |
| Income taxes paid, net of refunds | $ 4,175 | $ 10,215 | $ 11,769 |
| Property, plant and equipment purchases included in trade accounts payable | $ 1,638 | $ 1,216 | 2,624 |
| Non cash release of restricted cash | $ 822 | $ — | — |

*See accompanying notes.*

**COLUMBUS McKINNON CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(tabular amounts in thousands, except share data)**

## 1. Description of Business

Columbus McKinnon Corporation (the Company) is a leading global designer, manufacturer and marketer of hoists, actuators, cranes, rigging tools, digital power control systems, and other material handling products, which efficiently and safely move, lift, position, and secure materials and people. Key products include hoists, rigging tools, cranes, actuators, digital power control and delivery systems, and elevator application drive systems. On September 2, 2015, the Company acquired 100% of the shares of Magnetek, Inc. ("Magnetek"), which is a global provider of digital power control systems that are used to control motion and power primarily in material handling, elevator, and mining applications. The Company's material handling products are sold globally, principally to third party distributors through diverse distribution channels, and to a lesser extent directly to end-users. During fiscal 2016, approximately 63% of sales were to customers in the United States.

## 2. Accounting Principles and Practices

*Advertising*

Costs associated with advertising are expensed as incurred and are included in selling expense in the consolidated statements of operations. Advertising expenses were $1,690,000, $2,147,000, and $2,492,000 in fiscal 2016, 2015, and 2014, respectively.

*Cash and Cash Equivalents*

The Company considers as cash equivalents all highly liquid investments with an original maturity of three months or less.

*Concentrations of Labor*

In the U.S., approximately 13% of the Company's employees are represented by three separate collective bargaining agreements which terminate at various times between May 2017 and April 2018. None of the collective bargaining agreements expire within 12 months.

*Consolidation*

These consolidated financial statements include the accounts of the Company and its global subsidiaries; all significant intercompany accounts and transactions have been eliminated.

*Foreign Currency Translations*

The Company translates foreign currency financial statements as described in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 830, "Foreign Currency Matters." Under this method, all items of income and expense are translated to U.S. dollars at average exchange rates during the year. All assets and liabilities are translated to U.S. dollars at the year-end exchange rate. Gains or losses on translations are recorded in accumulated other comprehensive loss in the shareholders' equity section of the balance sheet. The functional currency is the foreign currency in which the foreign subsidiaries conduct their business. Gains and losses from foreign currency transactions are reported in foreign currency exchange loss (gain). There were losses/(gains), including changes in the fair value of derivatives, on foreign currency transactions of approximately $2,215,000, $863,000, and $1,124,000 in fiscal 2016, 2015, and 2014, respectively.

*Goodwill*

Goodwill is not amortized but is tested for impairment at least annually, or more frequently if indicators of impairment exist, in accordance with the provisions of ASC Topic 350-20-35-1. Goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. The fair value of a reporting unit is determined using a discounted cash flow methodology. The Company's reporting units are determined based upon whether discrete financial information is available and reviewed regularly, whether those units constitute a business, and the extent of economic similarities and interdependencies between those reporting units for purposes of aggregation. The Company's reporting units identified under ASC Topic 350-20-35-33 are at the component level, or one level below the reporting segment level as defined under ASC Topic 280-10-50-10 "Segment Reporting – Disclosure." The Company's one segment is subdivided into four reporting units.

When the Company evaluates the potential for goodwill impairment, it assesses a range of qualitative factors including, but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for its products and services, regulatory and political developments, entity specific factors such as strategy and changes in key personnel and overall financial performance. If, after completing this assessment, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value or if economic or other business factors indicate that the fair value of our reporting units may have declined since our last quantitative test, the Company proceeds to a two-step impairment test.

To perform the two-step impairment test, the Company uses the discounted cash flow method to estimate the fair value of the reporting units. The discounted cash flow method incorporates various assumptions, the most significant being projected revenue growth rates, operating profit margins and cash flows, the terminal growth rate and the discount rate. The Company projects revenue growth rates, operating margins and cash flows based on each reporting unit's current business, expected developments and operational strategies over a five-year period. In estimating the terminal growth rate, the Company considers its historical and projected results, as well as the economic environment in which its reporting units operate. The discount rates utilized for each reporting unit reflect the Company's assumptions of marketplace participants' cost of capital and risk assumptions, both specific to the reporting unit and overall in the economy.

The Company performed its qualitative assessment as of February 29, 2016 and determined that the two-step goodwill impairment test should be performed for both the Rest of Products reporting unit and the Duff-Norton reporting unit. Based on the results of step one of the two-step impairment test, the Company determined that the Rest of Products and Duff Norton reporting units' fair value was not less than its applicable carrying value. See Note 8 for further discussion of goodwill and intangible assets.

*Impairment of Long-Lived Assets*

The Company assesses impairment of its long-lived assets in accordance with the provisions of ASC Topic 360 "Property, Plant, and Equipment." This statement requires long-lived assets, such as property and equipment and purchased intangibles subject to amortization to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated by the asset group over its remaining useful life. If the carrying amount of an asset group exceeds its estimated future cash flows, an impairment charge is recognized equal to the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. The fair values are determined in accordance with ASC 820.

In assessing long-lived assets for an impairment loss, assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Asset grouping requires a significant amount of judgment. Accordingly, facts and circumstances will influence how asset groups are determined for impairment testing. In assessing long-lived assets for impairment, management considered the Company's product line portfolio, customers and related commercial agreements, labor agreements and other factors in grouping assets and liabilities at the lowest level for which identifiable cash flows are independent. The Company considers projected future undiscounted cash flows, trends and other factors in its assessment of whether impairment conditions exist. While the Company believes that its estimates of future cash flows are reasonable, different assumptions regarding such factors as future production volumes, customer pricing, economics and productivity and cost initiatives, could significantly affect its estimates. In determining fair value of long-lived assets, management uses management estimates, discounted cash flow calculations, and appraisals where necessary.

*Intangible Assets*

At acquisition, the Company estimates and records the fair value of purchased intangible assets which primarily consist of trade names, customer relationships and technology. The fair values are estimated based on management's assessment as well as independent third party appraisals. Such valuations may include a discounted cash flow of anticipated revenues resulting from the acquired intangible asset.

Amortization of intangible assets with finite lives is recognized over their estimated useful lives using an amortization method that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise realized. The straight line method is used for customer relationships. As a result of the negligible attrition rate in our customer base, the difference between the straight line method and attrition method is not considered significant. The estimated useful lives for our intangible assets range from 2 to 25 years.

*Inventories*

Inventories are valued at the lower of cost or market. Cost of approximately 34% and 35% of inventories at March 31, 2016 and March 31, 2015, respectively, have been determined using the LIFO (last-in, first-out) method. Costs of other inventories have been determined using the FIFO (first-in, first-out) or average cost method. FIFO cost approximates replacement cost. Costs in inventory include components for direct labor and overhead costs. The decrease in the percentage of LIFO inventory is due to the acquisition of Magnetek which determines the cost of its inventory using the FIFO method.

*Marketable Securities*

All of the Company's marketable securities, which consist of equity securities, have been classified as available-for-sale securities and are therefore recorded at their fair values with the unrealized gains and losses, net of tax, reported in accumulated other comprehensive loss in the shareholders' equity section of the consolidated balance sheet unless unrealized losses are deemed to be other than temporary. In such instance, the unrealized losses are reported in the consolidated statements of operations within investment income. Estimated fair value is based on published trading values at the balance sheet dates. The cost of securities sold is based on the specific identification method. Interest and dividend income are included in investment income in the consolidated statements of operations.

The marketable securities are carried as long-term assets since they are held for the settlement of the Company's general and products liability insurance claims filed through CM Insurance Company, Inc., a wholly owned captive insurance subsidiary. The marketable securities are not available for general working capital purposes.

*Property, Plant, and Equipment*

Property, plant, and equipment are stated at cost and depreciated principally using the straight-line method over their respective estimated useful lives (buildings and building equipment—15 to 40 years; machinery and equipment—3 to 18 years). When depreciable assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operating results. Included within other assets is a building that is held for sale in the amount of $425,000 and $854,000 at March 31, 2016 and 2015, respectively. The building was closed as part of the Company's fiscal 2010 restructuring activities. During the year ended March 31, 2016 the Company reduced the asset held for sale to its current fair value less costs to sell resulting in additional expense of $429,000 in cost of products sold on the consolidated statement of operations.

*Research and Development*

Research and development (R&D) costs as defined in ASC Topic 730, "Research and Development," were $7,393,000, $5,242,000, and $5,470,000 for the years ended March 31, 2016, 2015 and 2014, respectively, and are classified as general and administrative expense in the consolidated statements of operations. The acquisition of Magnetek added $1,964,000 to R&D costs for the year ended March 31, 2016.

*Revenue Recognition, Accounts Receivable and Concentration of Credit Risk*

Sales are recorded when title passes to the customer which is generally at time of shipment to the customer. The Company performs ongoing credit evaluations of its customers' financial condition, but generally does not require collateral to support customer receivables. The credit risk is controlled through credit approvals, limits and monitoring procedures. Accounts receivable are reported at net realizable value and do not accrue interest. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other factors. Accounts receivable are charged against the allowance for doubtful accounts once all collection efforts have been exhausted. The Company does not routinely permit customers to return product. However, sales returns are permitted in specific situations and typically include a restocking charge or the purchase of additional product. Sales tax is excluded from revenue.

*Shipping and Handling Costs*

Shipping and handling costs are a component of cost of products sold.

*Stock-Based Compensation*

The Company records stock-based compensation in accordance with ASC Topic 718, "Compensation – Stock Compensation." This Statement requires all equity-based payments to employees, including grants of employee stock options, to be recognized in the consolidated statements of operations based on the grant date fair value of the award. Stock compensation expense is included in cost of goods sold, selling, and general and administrative expense. The Company uses a straight-line method of attributing the value of stock-based compensation expense, subject to minimum levels of expense, based on vesting. See Note 14 for further discussion of stock-based compensation.

*Leases*

All leases are reviewed for capital or operating classification at their inception. Rent expense for leases that contain scheduled rent increases is recognized on a straight-line basis over the lease term, including any option periods included in the determination of the lease term.

*Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(tabular amounts in thousands, except share data)

*Warranties*

The Company offers warranties for certain products it sells. The specific terms and conditions of those warranties vary depending upon the product sold and the country in which the Company sold the product. The Company generally provides a basic limited warranty, including parts and labor for any product deemed to be defective for a period of one year and for certain products a lifetime warranty. The Company estimates the costs that may be incurred under its basic limited warranty, based largely upon actual warranty repair costs history, and records a liability in the amount of such costs in the month that the product revenue is recognized. The resulting accrual balance is reviewed during the year. Factors that affect the Company's warranty liability include the number of units sold, historical and anticipated rate of warranty claims, and cost per claim. Changes in the Company's product warranty accrual are as follows:

| | March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Balance at beginning of year | $ 655 | $ 759 |
| Accrual for warranties issued | 2,618 | 1,388 |
| Warranties settled | (2,420) | (1,492) |
| Warranties assumed in Magnetek acquisition | 376 | — |
| Balance at end of year | $ 1,229 | $ 655 |

## 3. Acquisitions

On December 30, 2014 the Company acquired 100% of the outstanding common shares of Stahlhammer Bommern GmbH ("STB") located in Hamm, Germany, a privately-owned company with annual sales of approximately $16,000,000. STB manufactures a large range of lifting tools and forged parts that are able to withstand particularly heavy, static and dynamic loads, including single and ramshorn lifting hooks. The Company believes STB is a strong strategic fit allowing further expansion of the rigging business globally. The results of STB are included in the Company's consolidated financial statements from the date of acquisition. The acquisition of STB is not considered significant to the Company's consolidated financial position and results of operations.

The acquisition of STB was funded with existing cash. The purchase price has been allocated to the assets acquired and liabilities assumed as of the date of the acquisition. The excess consideration of $7,818,000 has been recorded as goodwill. The identifiable intangible assets acquired include customer relationships of $2,957,000, trademark and trade names of $1,301,000, non-compete agreements of $221,000, backlog of $74,000, and patents of $82,000. During the fiscal year ended March 31, 2016, the Company increased the value of its customer relationships by $1,227,000 and decreased the liability for contingent consideration by $810,000 due to modifications made during the measurement period. Both of these adjustments have reduced goodwill at March 31, 2016 by $1,669,000 and increased long term deferred tax liabilities by $368,000 as of the opening balance sheet date.

The weighted average life of the acquired identifiable intangible assets subject to amortization was estimated at 9 years at the time of acquisition. Goodwill recorded in connection with the acquisition is not deductible for income tax purposes. The terms of the acquisition require the Company to pay additional consideration to the seller if certain performance measures are met by STB. The potential additional consideration ranges from $0 to $3,681,000. The Company had preliminarily estimated the fair value of the liability related to this contingent consideration to be $982,000 at March 31, 2015. The Company then adjusted this estimate to $172,000 during the first quarter of fiscal 2016. This liability is included in the Company's consolidated balance sheet within other non-current liabilities as of the opening balance sheet date. The value has been estimated by simulating the future performance of STB in a Geometric Brownian Motion model. Key assumptions used in this model include a volatility factor of 45% and a credit risk adjusted discount rate of 3%. During fiscal year 2016 the Company revalued the contingent consideration based on updated performance forecasts. Based on this revaluation, the liability related to the contingent consideration has been reduced to no value with the resulting gain recorded in cost of products sold on the Company's Consolidated Statements of Operations. External acquisition related costs totaling $150,000 have been expensed.

(tabular amounts in thousands, except share data)

The assignment of purchase consideration to the assets acquired and liabilities assumed is as follows:

| | |
|---|---|
| Working capital | $ 9,444 |
| Property, plant and equipment | 13,616 |
| Intangible assets | 4,561 |
| Other long term assets | 67 |
| Debt | (6,487) |
| Other liabilities | (3,596) |
| Goodwill | 7,818 |
| Total purchase consideration | $ 25,423 |

In connection with the acquisition of STB, the Company withheld $5,431,000 to be paid to the seller upon satisfaction of certain conditions, of which $822,000 related to a working capital adjustment which was paid during fiscal 2016. Of this amount, $4,609,000 and $822,000 is expected to be paid to the seller within one year of the periods ending March 31, 2016 and March 31, 2015, respectively. At March 31, 2015, $4,609,000 was expected to be paid to the seller in a time period exceeding one year. The Company has recorded current assets on its condensed consolidated balance sheets of $4,609,000 and $822,000 within prepaid expenses and other at March 31, 2016 and March 31, 2015, respectively. Long term restricted cash of $4,609,000 is recorded in other assets at March 31, 2015. Further, the Company has recorded a short term liability to the seller of $4,609,000 and $822,000 within accrued liabilities at March 31, 2016 and March 31, 2015, respectively. A long term liability to the seller of $4,609,000 was recorded within other non current liabilities at March 31, 2015. During the first quarter of fiscal 2017 the remaining amounts withheld have been paid to the seller.

On September 2, 2015, the Company completed its acquisition of Magnetek, a designer and manufacturer of digital power and motion control solutions for material handling, elevators, and mining applications with annual sales of approximately $112,000,000. The transaction combines Magnetek's technology with the Company's broad line of lifting and positioning mechanical products to create a more comprehensive solution for customers. In connection with the acquisition, the Company completed a tender offer to acquire all of the outstanding shares of common stock of Magnetek at a purchase price of $50.00 per share in cash for a total acquisition value of $182,467,000, net of cash acquired. The results of Magnetek included in the Company’s consolidated financial statements from the date of acquisition are net sales and income from operations of $65,662,000 and $6,395,000, respectively for the year ended March 31, 2016. Magnetek's income from operations for the year ended March 31, 2016 includes acquisition related severance costs of $2,300,000. These costs have been included in general and administrative expenses. Acquisition expenses incurred by the Company total $5,746,000 through March 31, 2016 and have been recorded in general and administrative expenses.

In preparation for the Magnetek acquisition, on July 26, 2015 the Company, JPMorgan Chase Bank, N.A. (“JP Morgan Chase Bank”) and J.P. Morgan Securities LLC entered into a commitment letter in which JPMorgan Chase Bank committed to extend $75,000,000 of incremental revolving commitments to the Company’s existing credit agreement dated as of January 23, 2015. The incremental revolving commitment are on terms and conditions consistent with the Company’s existing revolving credit facility under the Credit Agreement. The Company drew upon its revolving credit facilities to fund the purchase price and fees associated with the acquisition of Magnetek. Revolver borrowings totaled $195,000,000 of which $40,000,000 had been repaid by March 31, 2016.

The purchase price has been preliminarily allocated to the assets acquired and liabilities assumed as of the date of acquisition. The excess consideration of $49,204,000 has preliminarily been recorded as goodwill. The identifiable intangible assets acquired include customer relationships of $41,000,000, engineered drawings of $28,488,000, trademark and trade names of $26,600,000, patents and technology of $9,750,000, and in-process research and development of $160,000. The weighted average life of the acquired identifiable intangible assets subject to amortization was estimated at 18 years at the time of acquisition. Goodwill recorded in connection with the acquisition is not deductible for income tax purposes. The allocation of the purchase price to the assets acquired and liabilities assumed of Magnetek is not complete as of March 31, 2016 as the Company is continuing to gather information regarding Magnetek's contingent liabilities and intangible assets.

The preliminary assignment of purchase consideration to the assets acquired and liabilities assumed is as follows:

| | |
|---|---|
| Cash | $ 8,205 |
| Working capital | 19,660 |
| Property, plant and equipment | 5,660 |
| Intangible assets | 105,998 |
| Other long term assets | 3,921 |
| Other long term liabilities | (44,052) |
| Deferred taxes, net | 42,076 |
| Goodwill | 49,204 |
| Total | $ 190,672 |

For each of the Company's acquisitions disclosed, goodwill represents future economic benefits arising from other assets acquired that do not meet the criteria for separate recognition apart from goodwill, including assembled workforce, growth opportunities and increased presence in the markets served by the acquired companies.

See Note 4 for assumptions used in valuing of the intangible assets acquired.

The following unaudited pro forma financial information presents the combined results of operations as if the acquisition of Magnetek had occurred as of April 1, 2013. The pro forma information includes certain adjustments, including depreciation and amortization expense, interest expense and certain other adjustments, together with related income tax effects. The pro forma amounts may not be indicative of the results that actually would have been achieved had the acquisitions occurred as of April 1, 2013 and are not necessarily indicative of future results of the combined companies (in thousands, except per share data):

| | March 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Net sales | $ 641,937 | $ 688,251 | $ 685,101 |
| Net income | $ 22,520 | $ (6,592) | $ 27,154 |
| Net income per share - Basic | $ 1.12 | $ (0.33) | $ 1.38 |
| Net income per share - Diluted | $ 1.11 | $ (0.33) | $ 1.36 |

## 4. Fair Value Measurements

ASC Topic 820 “Fair Value Measurements and Disclosures” establishes the standards for reporting financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value on a recurring basis (at least annually). Under these standards, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date.

ASC Topic 820-10-35-37 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the valuation techniques that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is separated into three levels based on the reliability of inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, involving some degree of judgment.

(tabular amounts in thousands, except share data)

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The availability of observable inputs can vary and is affected by a wide variety of factors, including the type of asset/liability, whether the asset/liability is established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, assumptions are required to reflect those that market participants would use in pricing the asset or liability at the measurement date.

The Company primarily uses readily observable market data in conjunction with internally developed discounted cash flow valuation models when valuing its derivative portfolio and, consequently, the fair value of the Company's derivatives is based on Level 2 inputs. The carrying amount of the Company's annuity contract acquired in connection with the acquisition of Magnetek is recorded at net asset value of the contract and, consequently, it's fair value is based on Level 2 inputs and is included in other assets on the Company's consolidated balance sheet. The carrying value of the Company's term loan, revolving credit facility, and senior debt approximate fair value based on current market interest rates for debt instruments of similar credit standing and, consequently, their fair values are based on Level 2 inputs.

The following table provides information regarding financial assets and liabilities measured or disclosed at fair value on a recurring basis:

| | | Fair value measurements at reporting date using | | |
|---|---|---|---|---|
| Description | At March 31, 2016 | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Assets/(Liabilities) Measured at fair value: | | | | |
| Marketable securities | $ 18,186 | $ 18,186 | $ — | $ — |
| Annuity contract | 3,267 | | 3,267 | |
| Derivative liabilities: | | | | |
| Foreign exchange contracts | (131) | — | (131) | — |
| Interest rate swap | (2,211) | | (2,211) | |
| | | | | |
| Disclosed at fair value: | | | | |
| Term loan and revolving credit facility | $ (266,235) | $ — | $ (266,235) | $ — |
| Senior debt | (1,590) | — | (1,590) | — |

(tabular amounts in thousands, except share data)

| | | Fair value measurements at reporting date using | | |
|---|---|---|---|---|
| Description | At March 31, 2015 | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Assets/(Liabilities) Measured at fair value: | | | | |
| Marketable securities | $ 19,867 | $ 19,867 | $ — | $ — |
| Derivative assets (liabilities) | | | | |
| Foreign exchange contracts | 82 | — | 82 | — |
| Interest rate swap | (955) | | (955) | |
| Contingent purchase consideration | (982) | | | (982) |
| | | | | |
| Disclosed at fair value: | | | | |
| Term loan | (124,442) | — | (124,442) | — |
| Senior debt | (2,270) | — | (2,270) | — |

The Company did not have any non-financial assets and liabilities that are recognized at fair value on a recurring basis.

At March 31, 2016, the term loan, revolving credit facility, and senior debt have been recorded at carrying value which approximates fair value.

Interest and dividend income on marketable securities are recorded in investment (income) loss. Changes in the fair value of derivatives are recorded in foreign currency exchange (gain) loss or other comprehensive income (loss), to the extent that the derivative qualifies as a hedge under the provisions of ASC Topic 815. Interest and dividend income on marketable securities are measured based upon amounts earned on their respective declaration dates.

Assets and liabilities that were measured on a non-recurring basis during fiscal 2016 and 2015 include assets and liabilities acquired in connection with the acquisition of Magnetek and STB described in Note 3. The estimated fair values allocated to the assets acquired and liabilities assumed relied upon fair value measurements based primarily on Level 3 inputs. The long term debt of STB was measured at fair value and subsequently repaid prior to March 31, 2015. The valuation techniques used to allocate fair values to working capital items; property, plant, and equipment; and identifiable intangible assets included the cost approach, market approach, and other income approaches. The valuation techniques relied on a number of inputs which included the cost and condition of property, plant, and equipment and forecasted net sales and income. For STB significant valuation inputs included an attrition rate of 10.0% for customer relationships, a royalty rate of 1.0% for trademarks and domain names.

For Magnetek, the valuation techniques used to allocate fair values to working capital items; property, plant, and equipment; and identifiable intangible assets included the excess earnings approach, cost approach, relief from royalty approach, and other income approaches. Significant valuation inputs included an attrition rate of 5.0% for customer relationships, an engineering cost per hour of $70.00 and obsolescence factors ranging from 0% to 80% for engineered drawings, a royalty rate of 2.5% for trademark and trade names, royalty rates ranging from 3.5% to 5.0% for patented technology, and a weighted average cost of capital of 11.6%.

Additional assets and liabilities that were measured on a non-recurring basis during fiscal 2016 and 2015 include the net assets of the Company's Rest of Products and Duff-Norton reporting units. These measurements have been used to test goodwill for impairment on an annual basis under the provisions of ASC Topic 350-20-35-1 "Intangibles, Goodwill and Other – Goodwill Subsequent Measurement."

During fiscal 2016, Step 1 of the goodwill impairment test consisted of determining a fair value of the Company's Rest of Products and Duff-Norton reporting units. The fair value for the Company's Rest of Products and Duff-Norton reporting units cannot be determined using readily available quoted Level 1 inputs or Level 2 inputs that are observable in active markets. Therefore, the Company used a blended discounted cash flow and market-based valuation model to estimate the fair value of its Rest of Products and Duff-Norton reporting units, using Level 3 inputs. To estimate the fair value of the Rest of Products and Duff-Norton reporting units, the Company used significant estimates and judgmental factors. The key estimates and factors used in the discounted cash flow valuation include revenue growth rates and profit margins based on internal forecasts, terminal value, and the weighted-average cost of capital used to discount future cash flows.

For Rest of Products the compound annual growth rate for revenue during the first five years of the projections was approximately 4.6%. The terminal value was calculated assuming a projected growth rate of 3.0% after five years. The estimated weighted-average cost of capital for the reporting unit was determined to be 9.9% based upon an analysis of similar companies and their debt to equity mix, their related volatility and the size of their market capitalization.

For the Duff-Norton reporting unit the compound annual growth rate for revenue during the first five years of the projections was approximately 4.0%. The terminal value was calculated assuming a projected growth rate of 3.0% after five years. The estimated weighted-average cost of capital for the reporting units was determined to be 10.0% based upon an analysis of similar companies and their debt to equity mix, their related volatility and the size of their market capitalization.

The Company also measured indefinite-lived intangible assets from the Magnetek, STB, and Unified Industries acquisitions on a non-recurring basis. The fair value measurements were calculated using discounted cash flow analyses which rely upon unobservable inputs classified as Level 3 inputs. In performing these analyses, royalty rates of 2.5%, 1.0% and 1.5% were used for the indefinitely-lived intangible assets of Magnetek, STB, and Unified Industries, respectively. A discount rate of 11.3% was used for each analysis.

During fiscal 2015, Step 1 of the goodwill impairment test consisted of determining a fair value of the Company's Rest of Products reporting unit. The fair value for the Company's Rest of Products reporting unit cannot be determined using readily available quoted Level 1 inputs or Level 2 inputs that are observable in active markets. Therefore, the Company used a blended discounted cash flow and market-based valuation model to estimate the fair value of its Rest of Products reporting unit, using Level 3 inputs. To estimate the fair value of the Rest of Products reporting unit, the Company used significant estimates and judgmental factors. The key estimates and factors used in the discounted cash flow valuation include revenue growth rates and profit margins based on internal forecasts, terminal value, and the weighted-average cost of capital used to discount future cash flows. The compound annual growth rate for revenue during the first five years of the projections was approximately 3.8%. The terminal value was calculated assuming a projected growth rate of 3.0% after five years. The estimated weighted-average cost of capital for the reporting units was determined to be 10.1% based upon an analysis of similar companies and their debt to equity mix, their related volatility and the size of their market capitalization.

See Note 8 for additional discussion on the Company's goodwill impairment assessment and the conclusions reached.

(tabular amounts in thousands, except share data)

## 5. Inventories

Inventories consisted of the following:

| | March 31, 2016 | 2015 |
|---|---|---|
| At cost—FIFO basis: | | |
| Raw materials | $ 74,968 | $ 62,513 |
| Work-in-process | 18,877 | 16,893 |
| Finished goods | 41,517 | 41,807 |
| | 135,362 | 121,213 |
| LIFO cost less than FIFO cost | (17,313) | (18,026) |
| Net inventories | $ 118,049 | $ 103,187 |

The acquisition of Magnetek contributed $16,659,000 to the increase in inventory since March 31, 2015.

There were LIFO liquidations resulting in $384,000, $6,000 and $830,000 of additional income in fiscal 2016, 2015 and 2014 income, respectively.

## 6. Marketable Securities

All of the Company's marketable securities, which consist of equity securities and fixed income securities, have been classified as available-for-sale securities and are therefore recorded at their fair values with the unrealized gains and losses, net of tax, reported in accumulated other comprehensive loss in the shareholders' equity section of the consolidated balance sheet unless unrealized losses are deemed to be other-than-temporary. In such instances, the unrealized losses are reported in the consolidated statements of operations within investment income. Estimated fair value is based on quoted market prices at the balance sheet dates. The cost of securities sold is based on the specific identification method. Interest and dividend income are included in investment income in the consolidated statements of operations.

Marketable securities are carried as long-term assets since they are held for the settlement of the Company's general and products liability insurance claims filed through CM Insurance Company, Inc., a wholly owned captive insurance subsidiary. The marketable securities are not available for general working capital purposes.

In accordance with ASC Topic 320-10-35-30 "Investments – Debt & Equity Securities – Subsequent Measurement," the Company reviews its marketable securities for declines in market value that may be considered other-than-temporary. The Company generally considers market value declines to be other-than-temporary if they are declines for a period longer than six months and in excess of 20% of original cost, or when other evidence indicates impairment. We also consider the nature of the underlying investments, our intent and ability to hold the investments until their market values recover, and other market conditions in making this assessment. Based on this assessment, no other-than-temporary impairment charge has been recorded during fiscal 2016, 2015, or 2014.

During the year ended March 31, 2009, because of uncertain market conditions and the duration at which certain securities had been trading below cost, the Company reduced the cost basis of certain equity securities since it was determined that the unrealized losses on those securities were other than temporary in nature. This determination resulted in the recognition of a pre-tax charge to earnings of $4,014,000 for the year ended March 31, 2009, classified within investment (income) loss. There were no other than temporary impairments for the years ended March 31, 2016, 2015, and 2014. Since fiscal 2009, the Company has sold all of these previously written down investments, which resulted in the recognition of gains of approximately $27,000, and $350,000 in fiscal 2015 and 2014, respectively. There were no such gains recorded in fiscal 2016.

The following is a summary of available-for-sale securities at March 31, 2016 (In thousands):

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|
| Marketable securities | $ 18,080 | $ 253 | $ 147 | $ 18,186 |

The aggregate fair value of investments and unrealized losses on available-for-sale securities in an unrealized loss position at March 31, 2016 are as follows (In thousands):

| | Aggregate Fair Value | Unrealized Losses |
|---|---|---|
| Securities in a continuous loss position for less than 12 months | $ 1,138 | $ 58 |
| Securities in a continuous loss position for more than 12 months | 4,871 | 89 |
| | $ 6,009 | $ 147 |

The Company considered the nature of the investments, causes of previous impairments, the severity and duration of unrealized losses and other factors and determined that the unrealized losses at March 31, 2016 were temporary in nature.

Net realized gains related to sales of marketable securities are included in investment (income) loss in the consolidated statements of operations and were $235,000, $2,065,000, and $854,000, in fiscal 2016, 2015 and 2014, respectively.

The following is a summary of available-for-sale securities at March 31, 2015 (In thousands):

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|
| Marketable securities | $ 19,402 | $ 525 | $ 60 | $ 19,867 |

The aggregate fair value of investments and unrealized losses on available-for-sale securities in an unrealized loss position at March 31, 2015 are as follows (In thousands):

| | Aggregate Fair Value | Unrealized Losses |
|---|---|---|
| Securities in a continuous loss position for less than 12 months | $ 45 | $ 26 |
| Securities in a continuous loss position for more than 12 months | 4,155 | 34 |
| | $ 4,200 | $ 60 |

In addition to the above, during the year ended March 31, 2014 the Company sold certain equity securities previously recorded on the consolidated statement of operations in prepaid expenses and other resulting in a gain of $1,354,000. This gain has been recorded within other income, net in the consolidated statement of operations.

Net unrealized gains included in the balance sheet amounted to $106,000 at March 31, 2016 and $465,000 at March 31, 2015. The amounts, net of related deferred tax liabilities of $37,000 and $163,000 at March 31, 2016 and 2015, respectively, are reflected as a component of accumulated other comprehensive loss within shareholders' equity.

(tabular amounts in thousands, except share data)

## 7. Property, Plant, and Equipment

Consolidated property, plant, and equipment of the Company consisted of the following:

| | March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Land and land improvements | $ 4,583 | $ 3,238 |
| Buildings | 42,864 | 35,633 |
| Machinery, equipment, and leasehold improvements | 204,043 | 164,843 |
| Construction in progress | 10,463 | 13,342 |
| | 261,953 | 217,056 |
| Less accumulated depreciation | 157,163 | 125,929 |
| Net property, plant, and equipment | $ 104,790 | $ 91,127 |

Buildings include assets recorded under capital leases amounting to $4,838,000 as of March 31, 2016 and 2015. Machinery, equipment, and leasehold improvements include assets recorded under capital leases amounting to $694,000 and $737,000 as of March 31, 2016 and 2015, respectively. Accumulated depreciation includes accumulated amortization of the assets recorded under capital leases amounting to $3,673,000 and $4,379,000 at March 31, 2016 and 2015, respectively.

Depreciation expense, including amortization of assets recorded under capital leases, was $15,507,000, $12,296,000, and $11,399,000, for the years ended March 31, 2016, 2015 and 2014, respectively.

Gross property, plant, and equipment includes capitalized software costs of $29,470,000 and $22,892,000 at March 31, 2016 and 2015, respectively. Accumulated depreciation includes accumulated amortization on capitalized software costs of $10,732,000 and $6,276,000 at March 31, 2016 and 2015 respectively. Amortization expense on capitalized software costs was $2,085,000, $1,514,000, and $932,000 during the years ended March 31, 2016, 2015, and 2014, respectively.

## 8. Goodwill and Intangible Assets

As discussed in Note 2, goodwill is not amortized but is tested for impairment at least annually, in accordance with the provisions of ASC Topic 350-20-35-1. Goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. The fair value of a reporting unit is determined using a discounted cash flow methodology. The Company's reporting units are determined based upon whether discrete financial information is available and reviewed regularly, whether those units constitute a business, and the extent of economic similarities and interdependencies between those reporting units for purposes of aggregation. The Company's reporting units identified under ASC Topic 350-20-35-33 are at the component level, or one level below the operating segment level as defined under ASC Topic 280-10-50-10 "Segment Reporting – Disclosure." The Company has four reporting units as of March 31, 2016 and 2015. Only two of the four reporting units carried goodwill at March 31, 2016 and only two of the four reporting units carried goodwill at March 31, 2015. The Duff-Norton reporting unit (which designs, manufactures and sources mechanical and electromechanical actuators and rotary unions) had goodwill of $9,627,000 and $9,563,000 at March 31, 2016 and 2015, respectively, and the Rest of Products reporting unit (representing the hoist, chain, and forgings design, manufacturing, digital power control systems, and distribution businesses) had goodwill of $161,089,000 and $111,898,000 at March 31, 2016 and 2015, respectively. Both STB and Magnetek have been determined to be part of the Rest of Products reporting unit.

(tabular amounts in thousands, except share data)

When we evaluate the potential for goodwill impairment, we assess a range of qualitative factors including, but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for our products and services, regulatory and political developments, entity specific factors such as strategy and changes in key personnel and overall financial performance. If, after completing this assessment, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value or if economic or other business factors indicate that the fair value of our reporting units may have declined since our last quantitative test, we proceed to a two-step impairment test. The Company performed its qualitative assessment as of February 29, 2016 and determined that the two-step goodwill impairment test should be performed for both the Rest of Products reporting unit and the Duff-Norton reporting unit.

In accordance with ASC Topic 350-20-35-3, the measurement of impairment of goodwill consists of two steps. In the first step, the Company compares the fair value of each reporting unit to its carrying value. As part of the impairment analysis, the Company determines the fair value of each of its reporting units with goodwill using the income approach and market approach. The income approach uses a discounted cash flow methodology to determine fair value. This methodology recognizes value based on the expected receipt of future economic benefits. Key assumptions in the income approach include a free cash flow projection, an estimated discount rate, a long-term growth rate and a terminal value. These assumptions are based upon the Company's historical experience, current market trends and future expectations.

The Company performed step one of the two-step impairment test for the Rest of Products and Duff-Norton reporting units as of February 29, 2016. Based on the results of the two-step impairment test, the Company determined that the Rest of Products and Duff-Norton reporting units' fair values were not less than their applicable carrying values.

Future impairment indicators, such as declines in forecasted cash flows, may cause additional significant impairment charges. Impairment charges could be based on such factors as the Company's stock price, forecasted cash flows, assumptions used, control premiums or other variables.

Identifiable intangible assets acquired in a business combination are amortized over their estimated useful lives.

A summary of changes in goodwill during the years ended March 31, 2016 and 2015 is as follows:

| | |
|---|---|
| Balance at April 1, 2014 | $ 119,303 |
| Acquisition of STB (See Note 3) | 9,487 |
| Currency translation | (7,329) |
| Balance at March 31, 2015 | 121,461 |
| STB purchase accounting adjustment (See Note 3) | (1,669) |
| Acquisition of Magnetek (See Note 3) | 49,204 |
| Currency translation | 1,720 |
| Balance at March 31, 2016 | $ 170,716 |

Goodwill is recognized net of accumulated impairment losses of $107,000,000 as of March 31, 2016 and 2015, respectively. There were no goodwill impairment losses recorded in fiscal 2016, 2015, or 2014.

(tabular amounts in thousands, except share data)

Intangible assets at March 31, 2016 are as follows:

| | Gross Carrying Amount | Accumulated Amortization | Net |
|---|---|---|---|
| Trademark | $ 5,467 | $ (2,431) | $ 3,036 |
| Indefinite lived trademark | 29,006 | — | 29,006 |
| Customer relationships | 58,535 | (10,688) | 47,847 |
| Acquired technology | 43,198 | (1,873) | 41,325 |
| Other | 1,481 | (566) | 915 |
| Balance at March 31, 2016 | $ 137,687 | $ (15,558) | $ 122,129 |

Intangible assets at March 31, 2015 were as follows:

| | Gross Carrying Amount | Accumulated Amortization | Net |
|---|---|---|---|
| Trademark | $ 4,656 | $ (1,657) | $ 2,999 |
| Indefinite lived trademark | 2,338 | — | 2,338 |
| Customer relationships | 15,653 | (7,442) | 8,211 |
| Acquired technology | 4,960 | (218) | 4,742 |
| Other | 1,251 | (437) | 814 |
| Balance at March 31, 2015 | $ 28,858 | $ (9,754) | $ 19,104 |

The Company's intangible assets that are considered to have finite lives are amortized over the period in which the assets are expected to generate future cash flows. The weighted-average amortization periods are 18 years for trademarks, 17 years for customer relationships, 18 years for acquired technology, 11 years for other, and 17 years in total. Trademarks with a book value of $29,006,000 have an indefinite useful life and are therefore not being amortized. Total amortization expense was $5,024,000, $2,266,000, and $1,981,000 for fiscal 2016, 2015, and 2014, respectively. Based on the current amount of intangible assets, the estimated amortization expense for each of the succeeding five years is expected to be approximately $7,000,000.

## 9. Derivative Instruments

The Company uses derivative instruments to manage selected foreign currency and interest rate exposures. The Company does not use derivative instruments for speculative trading purposes. All derivative instruments must be recorded on the balance sheet at fair value. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is recorded as accumulated other comprehensive gain (loss), or "AOCL," and is reclassified to earnings when the underlying transaction has an impact on earnings. The ineffective portion of changes in the fair value of the foreign currency forward agreements is reported in foreign currency exchange loss (gain) in the Company's consolidated statement of operations. The ineffective portion of changes in the fair value of the interest rate swap agreements is reported in interest expense. For derivatives not designated as cash flow hedges, all changes in market value are recorded as a foreign currency exchange (gain) loss in the Company's consolidated statements of operations. The cash flow effects of derivatives are reported within net cash provided by operating activities.

The Company is exposed to credit losses in the event of non-performance by the counterparties on its financial instruments. The counterparties have investment grade credit ratings. The Company anticipates that these counterparties will be able to fully satisfy their obligations under the contracts. The Company has derivative contracts with two counterparties as of March 31, 2016.

The Company's agreements with its counterparties contain provisions pursuant to which the Company could be declared in default of its derivative obligations. As of March 31, 2016, the Company had not posted any collateral related to these agreements. If the Company had breached any of these provisions as of March 31, 2016, it could have been required to settle its obligations under these agreements at amounts which approximate the March 31, 2016 fair values reflected in the table below. During the year ended March 31, 2016, the Company was not in default of any of its derivative obligations.

As of March 31, 2016 and 2015, the Company had no derivatives designated as net investments or fair value hedges in accordance with ASC Topic 815, "Derivatives and Hedging."

The Company has foreign currency forward agreements in place to offset changes in the value of intercompany loans to foreign subsidiaries due to changes in foreign exchange rates. The notional amount of these derivatives is $2,118,000 and all of the contracts mature by June 30, 2016. These contracts are marked to market each balance sheet date and are not designated as hedges.

The Company has foreign currency forward agreements that are designated as cash flow hedges to hedge a portion of forecasted inventory purchases denominated in foreign currencies. The notional amount of those derivatives is $14,585,000 and all contracts mature within twelve months of March 31, 2016. From its March 31, 2016 balance of AOCL, the Company expects to reclassify approximately $207,000 out of AOCL during the next 12 months based on the underlying transactions of the sales of the goods purchased.

The Company's policy is to maintain a capital structure that is comprised of 50-70% of fixed rate long-term debt and 30-50% of variable rate long-term debt. The Company entered into two interest rate swap agreements in which the Company receives interest at a variable rate and pays interest at a fixed rate. These interest rate swap agreements are designated as cash flow hedges to hedge changes in interest expense due to changes in the variable interest rate of the senior secured term loan. The amortizing interest rate swaps mature on February 19, 2020 and have a total notional amount of $161,000,000 as of March 31, 2016. The effective portion of the changes in fair values of the interest rate swaps is reported in AOCL and will be reclassified to interest expense over the life of the swap agreements. The ineffective portion was not material and was recognized in the current period interest expense. From its March 31, 2016 balance of AOCL, the Company expects to reclassify approximately $700,000 out of AOCL, and into interest expense, during the next 12 months.

The following is the effect of derivative instruments on the consolidated statements of operations for the years ended March 31, 2016, 2015, and 2014 (in thousands):

| Derivatives Designated as Cash Flow Hedges | Type of Instrument | | Amount of Gain or (Loss) Recognized in Other Comprehensive Income (Loss) on Derivatives (Effective Portion) | Location of Gain or (Loss) Recognized in Income on Derivatives | | Amount of Gain or (Loss) Reclassified from AOCL into Income (Effective Portion) |
|---|---|---|---|---|---|---|
| March 31, | | | | | | |
| 2016 | Foreign exchange contracts | $ | (186) | Cost of products sold | $ | 74 |
| 2016 | Interest rate swap | $ | (2,025) | Interest expense | $ | (1,254) |
| | | | | | | |
| 2015 | Foreign exchange contracts | $ | 81 | Cost of products sold | $ | (171) |
| 2015 | Interest rate swap | $ | (586) | Interest expense | $ | — |
| | | | | | | |
| 2014 | Foreign exchange contracts | $ | 70 | Cost of products sold | $ | (184) |

| Derivatives Not Designated as Hedging Instruments (Foreign Exchange Contracts) | Location of Gain or (Loss) Recognized in Income on Derivatives | Amount of Gain or (Loss) Recognized in Income on Derivatives |
|---|---|---|
| March 31, | | |
| 2016 | Foreign currency exchange loss (gain) | $ 32 |
| 2015 | Foreign currency exchange loss (gain) | (122) |
| 2014 | Foreign currency exchange loss (gain) | (55) |

The following is information relative to the Company’s derivative instruments in the consolidated balance sheets as of March 31, 2016 and 2015 (in thousands):

| Derivatives Designated as Hedging Instruments | Balance Sheet Location | Fair Value of Asset (Liability) March 31, 2016 | 2015 |
|---|---|---|---|
| Foreign exchange contracts | Prepaid expenses and other | $ 200 | $ 58 |
| Foreign exchange contracts | Accrued Liabilities | (420) | (34) |
| Interest rate swap | Other Assets | — | 71 |
| Interest rate swap | Accrued Liabilities | (1,129) | (1,026) |
| Interest rate swap | Other non current liabilities | (1,082) | — |

| Derivatives Not Designated as Hedging Instruments | Balance Sheet Location | Fair Value of Asset (Liability) March 31, 2016 | 2015 |
|---|---|---|---|
| Foreign exchange contracts | Prepaid expenses and other | $ 96 | $ 61 |
| Foreign exchange contracts | Accrued Liabilities | (7) | (3) |

(tabular amounts in thousands, except share data)

## 10. Accrued Liabilities and Other Non-current Liabilities

Consolidated accrued liabilities of the Company consisted of the following:

| | March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Accrued payroll | $ 18,597 | $ 20,041 |
| Interest payable | 13 | 73 |
| Accrued workers compensation | 965 | 944 |
| Accrued income taxes payable | 819 | 2,325 |
| Accrued health insurance | 2,498 | 2,491 |
| Accrued general and product liability costs | 3,895 | 3,500 |
| Customer advances, deposits, and rebates | 10,370 | 8,246 |
| Other accrued liabilities | 16,053 | 12,643 |
| | $ 53,210 | $ 50,263 |

Magnetek contributed $5,309,000 to accrued liabilities at March 31, 2016.

Consolidated other non-current liabilities of the Company consisted of the following:

| | March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Accumulated postretirement benefit obligation | $ 4,540 | $ 5,559 |
| Accrued general and product liability costs | 10,640 | 9,030 |
| Accrued pension cost | 102,467 | 56,601 |
| Accrued workers compensation | 2,307 | 1,162 |
| Deferred income tax | 59 | 2,786 |
| Other non-current liabilities | 9,626 | 12,086 |
| | $ 129,639 | $ 87,224 |

Magnetek contributed $46,824,000 to other non-current liabilities at March 31, 2016.

## 11. Debt

Consolidated long-term debt of the Company consisted of the following:

| | March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Capital lease obligations | $ 1,590 | $ 2,270 |
| Total senior debt | 1,590 | 2,270 |
| Term loan (net of the unamortized discount of $444 and $558 respectively) | 112,056 | 124,442 |
| Revolving Credit Facility (net of unamortized discount of $821) | 154,179 | — |
| Total debt | 267,825 | 126,712 |
| Less: current portion | 43,246 | 13,292 |
| Total debt, less current portion | $ 224,579 | $ 113,420 |

Through January 23, 2015 the Company had access to borrow funds under a revolving credit facility ("Replaced Revolving Credit Facility"). The Replaced Revolving Credit Facility provided availability up to a maximum of $100,000,000 and had an initial term ending October 31, 2017.

Through February 19, 2015 the Company had outstanding $150,000,000 principal amount of 7 7/8% Senior Subordinated Notes due 2019 registered under the Securities Act of 1933, as amended (7 7/8% Notes). The offering price of the notes was 98.545% of par after adjustment for original issue discount.

Provisions of the 7 7/8% Notes included, without limitation, restrictions on indebtedness, asset sales, and dividends and other restricted payments. On or after February 1, 2015, the 7 7/8% Notes were redeemable at the option of the Company, in whole or in part, at a redemption price of 103.938%, reducing to 101.969% and 100% on February 1, 2016 and February 1, 2017, respectively and were due February 1, 2019. In the event of a Change of Control (as defined in the indenture for such notes), each holder of the 7 7/8% Notes could require the Company to repurchase all or a portion of such holder’s 7 7/8% Notes at a purchase price equal to 101% of the principal amount thereof. The 7 7/8% Notes were guaranteed by certain existing and future U.S. subsidiaries and were not subject to any sinking fund requirements.

On January 23, 2015, the Company, Columbus McKinnon Dutch Holdings 3 B.V. (“BV 3”), and Columbus McKinnon EMEA GmbH (“EMEA GMBH”) as borrowers (collectively referred to as the "Borrowers"), entered into a new credit agreement (the "New Credit Agreement"). The Borrowers entered into a new $150,000,000 New Revolving Credit Facility and established a new $125,000,000 delayed draw senior secured Term Loan. The Company’s Replaced Revolving Credit Facility was terminated in connection with this transaction. Both the New Revolving Credit Facility and the Term Loan have five-year terms maturing in 2020. The New Revolving Credit Facility has an initial term ending January 23, 2020 and the Term Loan has a term ending February 19, 2020.

The terms of the New Credit Agreement include the following:

- Term Loan: An aggregate $125,000,000 secured term loan facility which requires quarterly principal amortization of 2.5% with the remaining principal due at maturity date.

- New Revolving Credit Facility: An aggregate $150,000,000 secured revolving credit facility which includes sublimits for the issuance of standby letters of credit, swingline loans and multi-currency borrowings in certain specified foreign currencies.

- Fees and Interest Rates: Commitment fees and interest rates are determined on the basis of either a Eurocurrency rate or a Base rate plus an applicable margin based upon the Company's Total Leverage Ratio (as defined in the New Credit Agreement).

- Accordion Feature: Provisions permitting a Borrower from time to time to increase the aggregate amount of the credit facility by up to $75,000,000, with a minimum increase of $20,000,000 and with additional commitments from the Lenders, as they may agree, or new commitments from financial institutions acceptable to the Administrative Agent and the Company.

- Prepayments: Provisions permitting a Borrower to voluntarily prepay either the Term Loan or New Revolving Credit Facility in whole or in part at any time, and provisions requiring certain mandatory prepayments of the Term Loan or New Revolving Credit Facility on the occurrence of certain events which will permanently reduce the commitments under the New Credit Agreement, each without premium or penalty, subject to reimbursement of certain costs of the Lenders.

- Reduction of Commitment: A Borrower may irrevocably cancel, in whole or in part, the unutilized portion of the commitments under the New Credit Agreement in excess of any outstanding loans, the stated amount of all outstanding letters of credit and all unreimbursed amounts drawn under any letters of credit.

- Covenants: Provisions containing covenants required of the Company and its subsidiaries including various affirmative and negative financial and operational covenants. Key financial covenants include a minimum fixed charge coverage ratio of 1.25x; a maximum total leverage ratio, net of cash, of 3.50x (which may be temporarily increased following a material acquisition, which may be elected two times over the course of the New Credit Agreement, (i) if financed by secured debt the total leverage rate as at the end of the fiscal quarter in which such material acquisition occurs and the three fiscal quarters immediately thereafter, shall not be greater than 4.00:1.00 and as at the end of any fiscal quarter thereafter, the total leverage ratio shall not be greater than 3.50:1.00, and (ii) if financed with unsecured or subordinated indebtedness, the total leverage ratio at the end of the fiscal quarter in which such material acquisition occurs and at the end of any fiscal quarter thereafter, shall not be greater than 4.50:1.00, and permit the secured leverage ratio, to be greater than 3.25:1.00), and maximum capital expenditures of $30 million per fiscal year ($40 million following a material acquisition) with the ability to transfer any unused portion of expenditure to the immediately following fiscal year.

The New Revolving Credit Facility is secured by all U.S. inventory, receivables, equipment, real property, subsidiary stock (limited to 65% of non-U.S. subsidiaries) and intellectual property. The New Credit Agreement allows, but limits our ability to pay dividends.

On February 19, 2015, the Company borrowed $124,442,000 under the Term Loan. The Term Loan proceeds were net of fees paid to the lenders of $558,000 which were accounted for as a debt discount. On February 23, 2015 the Company redeemed all of the outstanding $150 million of the 7 7/8% Notes. The aggregated price paid for the redemption was $156,630,000, including a 3.938% call premium or $5,907,000, and $723,000 of accrued interest on the Notes. The redemption was funded by the Term Loan and cash on hand. The cost of bond redemption on the Company's consolidated statements of operations includes the call premium, write-off of previously unamortized deferred financing costs, and other expenses.

On September 2, 2015 the Company entered into the first Amendment of the New Credit Agreement (Amended Credit Agreement) exercising the Accordion Feature. The existing Lenders provided additional commitments for the incremental $75,000,000, bringing the total available borrowing capacity under the Amended Credit Agreement facility to an aggregate of $225,000,000.

Additionally on September 2, 2015, the Company borrowed $195,000,000 under the New Revolving Credit facility. The proceeds were net of fees paid to the lenders of $943,000 which were accounted for as a debt discount. The company used $188,900,000 of the proceeds to purchase 100% of the stock of Magnetek as described in Note 2. The Company repaid $40,000,000 of the amount borrowed by March 31, 2016. The Company expects to repay an additional $30,000,000 of the amounts borrowed under the New Revolving Credit Facility over the next 12 months. This amount has been recorded within the current portion of long term debt on the Company's consolidated balance sheet with the remaining balance recorded as long term debt.

The outstanding balance of the Term Loan was $112,056,000 and $124,442,000 as of March 31, 2016 and 2015 respectively net of the unamortized discount. The company made $12,500,000 of scheduled principal payments during fiscal 2016. The Company is obligated to pay $12,500,000 over the next 12 months. This amount has been recorded within the current portion of long term debt on the Company's condensed consolidated balance sheet with the remaining balance recorded as long term debt.

The unused portion of the New Revolving Credit Facility totaled $64,341,000 net of outstanding borrowings of $155,000,000 and outstanding letters of credit of $5,659,000 as of March 31, 2016. The outstanding letters of credit at March 31, 2016 consisted of $1,136,000 in commercial letters of credit and $4,523,000 of standby letters of credit.

The gross balances of deferred financing costs were $1,825,000 as of March 31, 2016 and 2015, respectively. The accumulated amortization balances were $425,000 and $61,000 as of March 31, 2016 and 2015, respectively. The balance at March 31, 2016 is related to the New Credit Agreement.

On June 22, 2007, the Company recorded a capital lease resulting from the sale and partial leaseback of its facility in Charlotte, NC under a 10 year lease agreement. The Company also has capital leases on certain production machinery and equipment. The outstanding balance on the capital lease obligations of $1,590,000 and $2,270,000 as of March 31, 2016 and 2015, respectively, are included in current portion of long-term debt and senior debt in the consolidated balance sheets.

(tabular amounts in thousands, except share data)

The principal payments obligated to be made as of March 31, 2016 on the above debt are as follows:

| | |
|---|---|
| FY 2017 | $ 13,246 |
| FY 2018 | 13,256 |
| FY 2019 | 12,588 |
| FY 2020 | 230,000 |
| FY 2021 | — |
| Thereafter | — |
| | $ 269,090 |

*Non-U.S. Lines of Credit and Loans*

Unsecured and uncommitted lines of credit are available to meet short-term working capital needs for certain of our subsidiaries operating outside of the U.S. The lines of credit are available on an offering basis, meaning that transactions under the line of credit will be on such terms and conditions, including interest rate, maturity, representations, covenants and events of default, as mutually agreed between our subsidiaries and the local bank at the time of each specific transaction. As of March 31, 2016, unsecured credit lines totaled approximately $7,623,000, of which $0 was drawn. In addition, unsecured lines of $8,651,000 were available for bank guarantees issued in the normal course of business of which $4,557,000 was utilized.

**12. Pensions and Other Benefit Plans**

The Company provides retirement plans, including defined benefit and defined contribution plans, and other postretirement benefit plans to certain employees. The Company applies ASC Topic 715 “Compensation – Retirement Benefits,” which required the recognition in pension and other postretirement benefits obligations and accumulated other comprehensive income of actuarial gains or losses, prior service costs or credits and transition assets or obligations that had previously been deferred. This statement also requires an entity to measure a defined benefit postretirement plan’s assets and obligations that determine its funded status as of the end of the fiscal year.

(tabular amounts in thousands, except share data)

*Pension Plans*

The Company provides defined benefit pension plans to certain employees. The Company uses March 31 as the measurement date. The following provides a reconciliation of benefit obligation, plan assets, and funded status of the plans:

| | March 31, 2016 | March 31, 2015 |
|---|---|---|
| Change in benefit obligation: | | |
| Benefit obligation at beginning of year | $ 261,540 | $ 225,685 |
| Benefit obligation assumed in Magnetek acquisition | 168,855 | — |
| Service cost | 2,187 | 2,153 |
| Interest cost | 13,926 | 9,850 |
| Actuarial (gain) loss | (6,979) | 39,131 |
| Benefits paid | (19,196) | (10,219) |
| Foreign exchange rate changes | 814 | (5,060) |
| Benefit obligation at end of year | $ 421,147 | $ 261,540 |
| | | |
| Change in plan assets: | | |
| Fair value of plan assets at beginning of year | $ 204,201 | $ 188,228 |
| Plan assets acquired in Magnetek acquisition | 127,726 | — |
| Actual gain (loss) on plan assets | (691) | 15,799 |
| Employer contribution | 5,936 | 11,013 |
| Benefits paid | (19,196) | (10,219) |
| Foreign exchange rate changes | (108) | (620) |
| Fair value of plan assets at end of year | $ 317,868 | $ 204,201 |
| | | |
| Funded status | $ (103,279) | $ (57,339) |
| Unrecognized actuarial loss | 98,630 | 88,477 |
| Unrecognized prior service cost | 15 | 42 |
| Net amount recognized | $ (4,634) | $ 31,180 |

(tabular amounts in thousands, except share data)

Amounts recognized in the consolidated balance sheets are as follows:

| | March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Accrued liabilities | $ (812) | $ (738) |
| Other non-current liabilities | (102,467) | (56,601) |
| Deferred tax effect of accumulated other comprehensive loss | 27,256 | 22,524 |
| Accumulated other comprehensive loss | 71,389 | 65,995 |
| Net amount recognized | $ (4,634) | $ 31,180 |

In fiscal 2017, an estimated net loss of $3,201,000 and prior service cost of $7,000 for the defined benefit pension plans will be amortized from accumulated other comprehensive loss to net periodic benefit cost.

Net periodic pension cost included the following components:

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Service costs—benefits earned during the period | $ 2,187 | $ 2,153 | $ 2,481 |
| Interest cost on projected benefit obligation | 13,926 | 9,850 | 9,716 |
| Expected return on plan assets | (19,783) | (14,241) | (12,618) |
| Net amortization | 10 | 3,517 | 6,259 |
| Other | 2,452 | 82 | — |
| Net periodic pension cost (benefit) | $ (1,208) | $ 1,361 | $ 5,838 |

As part of the acquisition of Magnetek, the Company became the sponsor of Magnetek's pension plan ("Magnetek's Plan"), a single-employer defined benefit plan. Magnetek's Plan provides benefits to certain current and former employees of Magnetek. Future benefits under Magnetek's Plan have been frozen since 2003. As of the date of acquisition, the benefit obligation was actuarially determined to be $168,855,000 and the fair value of the Magnetek's Plan assets were $127,726,000.

Information for pension plans with a projected benefit obligation in excess of plan assets is as follows:

| | March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Projected benefit obligation | $ 421,147 | $ 261,540 |
| Fair value of plan assets | 317,868 | 204,201 |

Information for pension plans with an accumulated benefit obligation in excess of plan assets is as follows:

| | March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Accumulated benefit obligation | $ 415,772 | $ 255,295 |
| Fair value of plan assets | 317,868 | 204,201 |

Unrecognized gains and losses are amortized through March 31, 2016 on a straight-line basis over the average remaining service period of active participants. Starting in fiscal 2016, the Company changed the amortization period of its largest plan to the average remaining lifetime of inactive participants, as a significant portion of the plan population is now inactive. This change increases the amortization period of the unrecognized gains and losses.

(tabular amounts in thousands, except share data)

The weighted-average assumptions in the following table represent the rates used to develop the actuarial present value of the projected benefit obligation for the year listed and also net periodic pension cost for the following year:

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Discount rate | 4.03% | 3.83% | 4.60% |
| Expected long-term rate of return on plan assets | 7.22% | 7.50% | 7.50% |
| Rate of compensation increase | 0.44% | 2.30% | 2.00% |

The expected rates of return on plan asset assumptions are determined considering long-term historical averages and real returns on each asset class.

The Company's retirement plan target and actual asset allocations are as follows:

| | Target | Actual | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Equity securities | 65% | 67% | 65% |
| Fixed income | 35% | 33% | 35% |
| Total plan assets | 100% | 100% | 100% |

The Company has an investment objective for domestic pension plans to adequately provide for both the growth and liquidity needed to support all current and future benefit payment obligations. The investment strategy is to invest in a diversified portfolio of assets which are expected to satisfy the aforementioned objective and produce both absolute and risk adjusted returns competitive with a benchmark that is a blend of major U.S. and international equity indexes and an aggregate bond fund.

The Company's funding policy with respect to the defined benefit pension plans is to contribute annually at least the minimum amount required by the Employee Retirement Income Security Act of 1974 (ERISA). Additional contributions may be made to minimize PBGC premiums. The Company expects to contribute approximately $5,961,000 to its pension plans in fiscal 2017.

Information about the expected benefit payments for the Company's defined benefit plans is as follows:

| | |
|---|---|
| 2017 | $ 8,218 |
| 2018 | 8,435 |
| 2019 | 8,935 |
| 2020 | 9,447 |
| 2021 | 9,932 |
| 2022-2026 | 55,310 |

*Postretirement Benefit Plans*

The Company sponsors a defined benefit other postretirement health care plan that provide medical and life insurance coverage to certain U.S. retirees and their dependents of one of its subsidiaries. Prior to the acquisition of this subsidiary, the Company did not sponsor any postretirement benefit plans. The Company pays the majority of the medical costs for certain retirees and their spouses who are under age 65. For retirees and dependents of retirees who retired prior to January 1, 1989, and are age 65 or over, the Company contributes 100% toward the American Association of Retired Persons ("AARP") premium frozen at the 1992 level. For retirees and dependents of retirees who retired after January 1, 1989, the Company contributes $35 per month toward the AARP premium. The life insurance plan is noncontributory.

(tabular amounts in thousands, except share data)

The Company's postretirement health benefit plans are not funded. The following sets forth a reconciliation of benefit obligation and the funded status of the plan:

| | March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Change in benefit obligation: | | |
| Benefit obligation at beginning of year | $ 6,234 | $ 5,873 |
| Interest cost | 189 | 209 |
| Actuarial gain | (887) | 660 |
| Benefits paid | (392) | (508) |
| Benefit obligation at end of year | $ 5,144 | $ 6,234 |
| | | |
| Funded status | $ (5,144) | $ (6,234) |
| Unrecognized actuarial loss | 818 | 1,794 |
| Net amount recognized | $ (4,326) | $ (4,440) |

Amounts recognized in the consolidated balance sheets are as follows:

| | March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Accrued liabilities | $ (604) | $ (675) |
| Other non-current liabilities | (4,540) | (5,559) |
| Deferred tax effect of accumulated other comprehensive loss | 1,182 | 1,554 |
| Accumulated other comprehensive loss | (364) | 240 |
| Net amount recognized | $ (4,326) | $ (4,440) |

In fiscal 2017, an estimated net loss of $37,000 for the defined benefit postretirement health care plans will be amortized from accumulated other comprehensive loss to net periodic benefit cost. In fiscal 2016, net periodic postretirement benefit cost included the following:

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Interest cost | $ 189 | $ 209 | $ 254 |
| Net amortization | 89 | 60 | 101 |
| Net periodic postretirement benefit cost | $ 278 | $ 269 | $ 355 |

For measurement purposes, healthcare costs are assumed to increase 6.75% in fiscal 2017, grading down over time to 5.0% in five years. The discount rate used in determining the accumulated postretirement benefit obligation was 3.45% as of March 31, 2016 and 2015.

(tabular amounts in thousands, except share data)

Information about the expected benefit payments for the Company's postretirement health benefit plans is as follows:

| | |
|---|---|
| 2017 | $ 604 |
| 2018 | 563 |
| 2019 | 547 |
| 2020 | 510 |
| 2021 | 460 |
| 2022-2026 | 1,859 |

Assumed medical claims cost trend rates have an effect on the amounts reported for the health care plans. A one-percentage point change in assumed health care cost trend rates would have the following effects

| | One Percentage Point Increase | One Percentage Point Decrease |
|---|---|---|
| Effect on total of service and interest cost components | $ 11 | $ (10) |
| Effect on postretirement obligation | 303 | (273) |

The Company has collateralized split-dollar life insurance arrangements with two of its former officers. Under these arrangements, the Company pays certain premium costs on life insurance policies for the former officers. Upon the later of the death of the former officer or their spouse, the Company will receive all of the premiums paid to-date. The net periodic pension cost for fiscal 2016 was $232,000 and the liability at March 31, 2016 is $4,467,000 with $4,327,000 included in other non-current liabilities and $140,000 included in accrued liabilities in the consolidated balance sheet. The cash surrender value of the policies is $2,754,000 and $2,528,000 at March 31, 2016 and 2015, respectively. The balance is included in other assets in the consolidated balance sheet.

*Other Benefit Plans*

The Company also sponsors defined contribution plans covering substantially all domestic employees. Participants may elect to contribute basic contributions. These plans provide for employer contributions based on employee eligibility and participation. The Company recorded a charge for such contributions of approximately $3,485,000, $2,998,000, and $2,658,000 for the years ended March 31, 2016, 2015 and 2014, respectively. The Company expects its contributions for the defined contribution plans in future years to remain comparable to its fiscal 2016 contributions.

*Fair Values of Plan Assets*

The Company classified its investments within the categories of equity securities, fixed income securities, and cash equivalents, as the Company's management bases its investment objectives and decisions from these three categories. The Company's investment policy as it relates to its pension assets is to invest in broad-based mutual funds, with an investment objective of being diversified. Further the Company's investment objective of its equity securities is long-term growth, its objective of the fixed income securities is long-term growth, consistency of income and preservation of capital, and its objective of cash equivalents is preservation of capital. It is the Company's position that its investment policy and investment objectives as defined above reduce the risk of concentrations within its investments.

(tabular amounts in thousands, except share data)

The fair values of the Company's defined benefit plans' consolidated assets by asset category as of March 31 were as follows:

| | March 31, 2016 | March 31, 2015 |
|---|---|---|
| Asset categories: | | |
| Equity securities | $ 212,301 | $ 132,743 |
| Fixed income securities | 104,622 | 70,493 |
| Cash equivalents | 945 | 965 |
| Total | $ 317,868 | $ 204,201 |

The fair values of our defined benefit plans' consolidated assets were determined using the fair value hierarchy of inputs described in Note 4. The fair values by category of inputs as of March 31, 2016 and March 31, 2015 were as follows:

| As of March 31, 2016: | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant other observable Inputs (Level 2) | Significant unobservable Inputs (Level 3) | Total |
|---|---|---|---|---|
| Asset categories: | | | | |
| Equity securities | $ 142,947 | $ 69,354 | $ — | $ 212,301 |
| Fixed income securities | 34,326 | 52,438 | 17,858 | 104,622 |
| Cash equivalents | 945 | — | — | 945 |
| Total | $ 178,218 | $ 121,792 | $ 17,858 | $ 317,868 |

| As of March 31, 2015: | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant other observable Inputs (Level 2) | Significant unobservable Inputs (Level 3) | Total |
|---|---|---|---|---|
| Asset categories: | | | | |
| Equity securities | $ 73,853 | $ 58,890 | $ — | $ 132,743 |
| Fixed income securities | 53,022 | — | 17,471 | 70,493 |
| Cash equivalents | 965 | — | — | 965 |
| Total | $ 127,840 | $ 58,890 | $ 17,471 | $ 204,201 |

Level 1 fixed income securities consist of fixed income mutual funds with quoted market prices.

The Level 2 securities are investments in common collective trust funds and certain debt securities. The fair values of the common collective trust fund securities are determined based on the net asset value of these funds. Each of these investment funds has a stated performance objective to approximate as closely as practicable, before expenses, the performance of the stated benchmark to which the funds are indexed, over the long term. Redemptions of the units held in these funds may be made on the last business day of each month and on at least one other business day during the month, based on the net asset value per unit of the funds. We are not aware of any significant restrictions on the issuances or redemptions of units of participation in these funds. Debt securities categorized as level 2 assets are generally valued based on independent broker/dealer bids, or by comparison to other debt securities having similar durations, yields, and credit ratings.

Fair value of Level 3 fixed income securities at the beginning of the year was $17,471,000. During fiscal 2016 fixed income securities earned investment return of $767,000 and had disbursements of $380,000 resulting in an ending balance of $17,858,000. These fixed income securities consist primarily of insurance contracts which are carried at their liquidation value based on actuarial calculations and the terms of the contracts. Significant inputs in determining the fair value for these contracts include company contributions, contract disbursements and stated interest rates. Gains and losses on these contracts are recognized as part of net periodic pension cost and recorded as part of cost of sales, selling, or general and administrative expense.

## 13. Employee Stock Ownership Plan (ESOP)

The guidance in ASC Topic 718 "Compensation - Stock Compensation" and covered in sub-topic 718-40 "Employee Stock Ownership Plans" requires that compensation expense for ESOP shares be measured based on the fair value of those shares when committed to be released to employees, rather than based on their original cost. Also, dividends on those ESOP shares that have not been allocated or committed to be released to ESOP participants are not reflected as a reduction of retained earnings. Rather, since those dividends are used for debt service, a charge to compensation expense is recorded. Furthermore, ESOP shares that have not been allocated or committed to be released are not considered outstanding for purposes of calculating earnings per share.

The obligation of the ESOP to repay borrowings incurred to purchase shares of the Company's common stock is guaranteed by the Company; the unpaid balance of such borrowings, if any, would be reflected in the consolidated balance sheet as a liability. An amount equivalent to the cost of the collateralized common stock and representing deferred employee benefits has been recorded as a deduction from shareholders' equity.

Effective January 1, 2012 the ESOP was closed to new hires. Prior to this date, substantially all of the Company's U.S. non-union employees were participants in the ESOP. Additionally, during the year ended March 31, 2015 the final loan payment was made by the ESOP to the Company.

Contributions to the plan result from the release of collateralized shares as debt service payments are made. Compensation expense was $0, $251,000, and $608,000 recorded in fiscal 2016, 2015, and 2014, respectively, based on the guaranteed release of the ESOP shares at their fair market value. Dividends on allocated ESOP shares, if any, are recorded as a reduction of retained earnings and are applied toward debt service.

At March 31, 2016 and 2015, 398,000 and 423,000 of ESOP shares, respectively, were allocated or available to be allocated to participants' accounts. There are no shares of collateralized common stock related to the ESOP loan outstanding at March 31, 2016 and no ESOP shares were pledged as collateral to guarantee the ESOP term loans.

## 14. Earnings per Share and Stock Plans

### *Earnings per Share*

The Company calculates earnings per share in accordance with ASC Topic 260, "Earnings per Share." Basic earnings per share exclude any dilutive effects of options, warrants, and convertible securities. Diluted earnings per share include any dilutive effects of stock options, unvested restricted stock units, unvested performance shares, and unvested restricted stock. Stock options and performance shares with respect to 282,000, 114,000, and 16,000 common shares were not included in the computation of diluted earnings per share for fiscal 2016, 2015 and 2014, respectively, because they were antidilutive. For the year ended March 31, 2016 an additional 77,000 in contingently issuable shares were not included in the computation of diluted earnings per share because a performance condition had not yet been met.

The following table sets forth the computation of basic and diluted earnings per share (share data presented in thousands):

| | Year Ended March 31, | | |
|---|---|---|---|
| Numerator for basic and diluted earnings per share: | 2016 | 2015 | 2014 |
| Net income (loss) | $ 19,579 | $ 27,190 | $ 30,421 |
| Denominators: | | | |
| Weighted-average common stock outstanding— denominator for basic EPS | 20,079 | 19,939 | 19,655 |
| Effect of dilutive employee stock options, RSU's and performance shares | 236 | 285 | 295 |
| Adjusted weighted-average common stock outstanding and assumed conversions— denominator for diluted EPS | 20,315 | 20,224 | 19,950 |

The weighted-average common stock outstanding shown above is net of unallocated ESOP shares (see Note 13).

### *Stock Plans*

The Company records stock-based compensation in accordance with ASC Topic 718, "Compensation – Stock Compensation," applying the modified prospective method. This Statement requires all equity-based payments to employees, including grants of employee stock options, to be recognized in the statement of earnings based on the grant date fair value of the award. Under the modified prospective method, the Company is required to record equity-based compensation expense for all awards granted after the date of adoption and for the unvested portion of previously granted awards outstanding as of the date of adoption.

Prior to the adoptions of the 2010 Long Term Incentive Plan, the Company maintained several different stock plans, specifically: 1995 Incentive Stock Option Plan, Non-Qualified Stock Option Plan, Restricted Stock Plan and 2006 Long Term Incentive Plan, collectively referred to as the "Prior Stock Plans". The specifics of each of these plans are discussed below.

Stock based compensation expense was $4,063,000, $3,895,000, and $3,633,000 for fiscal 2016, 2015 and 2014, respectively. Stock compensation expense is included in cost of goods sold, selling, and general and administrative expenses. The Company recognizes expense for all share–based awards over the service period, which is the shorter of the period until the employees' retirement eligibility dates or the service period for the award, for awards expected to vest. Accordingly, expense is generally reduced for estimated forfeitures. ASC Topic 718 requires forfeitures to be estimated at the time of grant and revised if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The Company recognized compensation expense for stock option awards and unvested restricted share awards that vest based on time or market parameters straight-line over the requisite service period for vesting of the award.

(tabular amounts in thousands, except share data)

*Long Term Incentive Plan*

On July 26, 2010, the shareholders of the Company approved the 2010 Long Term Incentive Plan (“LTIP” or the "Plan"). The Company grants share based compensation to eligible participants under the LTIP. The total number of shares of common stock with respect to which awards may be granted under the plan is 1,250,000 including shares not previously authorized for issuance under any of the Prior Stock Plans and any shares not issued or subject to outstanding awards under the Prior Stock Plans. As of March 31, 2016, 291,817 shares remain for future grants. The LTIP was designed as an omnibus plan and awards may consist of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, or stock bonuses.

Under the Plan, the granting of awards to employees may take the form of options, restricted shares, and performance shares. The Compensation Committee of our Board of Directors determines the number of shares, the term, the frequency and date, the type, the exercise periods, any performance criteria pursuant to which awards may be granted and the restriction and other terms and conditions of each grant in accordance with terms of the Plan.

In connection with the acquisition of Magnetek, the Company agreed to continue the 2014 Stock Incentive Plan of Magnetek, Inc. (the "Magnetek Stock Plan"). In doing so, the Company has available under the Magnetek Stock Plan 205,602 of the Company's shares which can be granted to certain employees as stock based compensation.

*Stock Option Plans*

Existing prior to the adoption of the LTIP, the Company maintained two stock option plans, a Non-Qualified Stock Option Plan ("Non-Qualified Plan") and an Incentive Stock Option Plan ("Incentive Plan"). Effective with adoption of the LTIP no new grants can be made from the Non-Qualified Plan or the Incentive Stock Plan. Options outstanding under the Non-Qualified Plan or the Incentive Stock Plan generally become exercisable over a four-year period at a rate of 25% per year commencing one year from the date of grant and exercise price of not less than 100% of the fair market value of the common stock on the date of grant. Options granted under the Non-Qualified Plan or the Incentive Stock Plan are exercisable not earlier than one year and not later than ten years from the date such option was granted.

A summary of option transactions during each of the three fiscal years in the period ended March 31, 2016 is as follows:

| | Shares | Weighted-average Exercise Price | Weighted-average Remaining Contractual Life (in years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding at April 1, 2013 | 736,301 | 14.46 | | |
| Granted | 136,793 | 18.95 | | |
| Exercised | (230,619) | 9.51 | | |
| Cancelled | (29,969) | 20.00 | | |
| Outstanding at March 31, 2014 | 612,506 | 17.05 | | |
| Granted | 118,060 | 27.08 | | |
| Exercised | (87,210) | 18.41 | | |
| Cancelled | (31,207) | 15.71 | | |
| Outstanding at March 31, 2015 | 612,149 | 18.86 | | |
| Granted | 157,999 | 24.94 | | |
| Exercised | (16,033) | 15.07 | | |
| Cancelled | (35,314) | 21.90 | | |
| Outstanding at March 31, 2016 | 718,801 | 20.13 | 6.64 | $ 465 |
| Exercisable at March 31, 2016 | 383,631 | $ 17.47 | 5.30 | $ 378 |

(tabular amounts in thousands, except share data)

The Company calculated intrinsic value for those options that had an exercise price lower than the market price of our common shares as of March 31, 2016. The aggregate intrinsic value of outstanding options as of March 31, 2016 is calculated as the difference between the exercise price of the underlying options and the market price of our common shares for the 201,498 options that were in-the-money at that date. The aggregate intrinsic value of exercisable options as of March 31, 2016 is calculated as the difference between the exercise price of the underlying options and the market price of our common shares for the 164,391 exercisable options that were in-the-money at that date. The Company's closing stock price was $15.76 as of March 31, 2016. The total intrinsic value of stock options exercised was $81,000, $839,000, and $3,251,000 during fiscal 2016, 2015 and 2014, respectively. As of March 31, 2016, there are no options available for future grants under the two stock option plans.

The grant date fair value of options that vested was $8.85, $8.52, and $8.11 during fiscal 2016, 2015 and 2014, respectively.

Cash received from option exercises under all share-based payment arrangements during fiscal 2016 and 2015 was approximately $242,000 and $1,607,000, respectively. Proceeds from the exercise of stock options under stock option plans are credited to common stock at par value and the excess is credited to additional paid-in capital.

As of March 31, 2016, $2,045,000 of unrecognized compensation cost related to non-vested stock options is expected to be recognized over a weighted-average period of approximately 2.5 years.

Exercise prices for options outstanding as of March 31, 2016, ranged from $13.10 to $28.45. The following table provides certain information with respect to stock options outstanding at March 31, 2016:

| Range of Exercise Prices | Stock Options Outstanding | Weighted-average Exercise Price | Weighted-average Remaining Contractual Life |
|---|---|---|---|
| $10.01 to 20.00 | 436,886 | $ 16.37 | 5.52 |
| $20.01 to 30.00 | 281,915 | 25.96 | 8.37 |
| | 718,801 | $ 20.13 | 6.64 |

The following table provides certain information with respect to stock options exercisable at March 31, 2016:

| Range of Exercise Prices | Stock Options Exercisable | Weighted- average Exercise Price |
|---|---|---|
| $10.01 to $20.00 | 342,174 | $ 16.25 |
| $20.01 to $30.00 | 41,457 | 27.52 |
| | 383,631 | $ 17.47 |

(tabular amounts in thousands, except share data)

The fair value of stock options granted was estimated on the date of grant using a Black-Scholes option pricing model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. The weighted-average grant date fair value of the options was $8.58, $10.67, and $8.98 for options granted during fiscal 2016, 2015 and 2014, respectively. The following table provides the weighted-average assumptions used to value stock options granted during fiscal 2016, 2015 and 2014:

| | Year Ended March 31, 2016 | Year Ended March 31, 2015 | Year Ended March 31, 2014 |
|---|---|---|---|
| Assumptions: | | | |
| Risk-free interest rate | 0.82% | 0.70% | 0.41% |
| Dividend yield | 0.60% | 0.60% | —% |
| Volatility factor | 0.391 | 0.453 | 0.533 |
| Expected life | 5.5 years | 5.5 years | 5.5 years |

To determine expected volatility, the Company uses historical volatility based on daily closing prices of its Common Stock over periods that correlate with the expected terms of the options granted. The risk-free rate is based on the United States Treasury yield curve at the time of grant for the appropriate term of the options granted. Expected dividends are based on the Company's history and expectation of dividend payouts. The expected term of stock options is based on vesting schedules, expected exercise patterns and contractual terms.

*Restricted Stock Units*

The Company granted restricted stock units under the LTIP during fiscal 2016, 2015 and 2014 to employees as well as to the Company's non-executive directors as part of their annual compensation. Restricted stock units for employees prior to fiscal 2016 vest ratably based on service one-third after each of years three, four, and five. Beginning in fiscal 2016 restricted stock units for employees vest ratably based on service one-quarter after each of years one, two, three, and four.

A summary of the restricted stock unit awards granted under the Company's LTIP plan as of March 31, 2016 is as follows:

| | Shares | Weighted-average Grant Date Fair Value |
|---|---|---|
| Unvested at April 1, 2013 | 203,644 | $ 15.95 |
| Granted | 97,095 | 20.70 |
| Vested | (89,729) | 17.51 |
| Forfeited | (10,416) | 16.37 |
| Unvested at March 31, 2014 | 200,594 | $ 17.53 |
| Granted | 85,821 | 26.38 |
| Vested | (91,439) | 19.03 |
| Forfeited | (13,961) | 17.16 |
| Unvested at March 31, 2015 | 181,015 | $ 20.99 |
| Granted | 287,585 | 19.86 |
| Vested | (87,380) | 20.20 |
| Forfeited | (9,718) | 22.65 |
| Unvested at March 31, 2016 | 371,502 | $ 20.26 |

(tabular amounts in thousands, except share data)

Total unrecognized compensation cost related to unvested restricted stock units as of March 31, 2016 is $5,267,000 and is expected to be recognized over a weighted average period of 2.6 years. The fair value of restricted stock units that vested during the year ended March 31, 2016 and 2015 was $2,049,000 and $1,740,000, respectively.

*Performance Shares*

The Company granted performance shares under the LTIP during fiscal 2016, 2015, and 2014. Fiscal year 2016 and 2015 performance shares granted are based upon the Company's Consolidated Net Revenue for the two year period ended March 31, 2017 and March 31, 2016, respectively. Fiscal 2014 performance shares granted are based upon the Company's adjusted earnings before interest and taxes (EBIT) for the one year period ended March 31, 2014. Fiscal year 2016, 2015, and 2014 performance based nonvested shares are recognized as compensation expense based upon their grant date fair value. This expense is recognized ratably over the three year period that these shares are restricted. During fiscal 2016, the Company determined that the fiscal year 2015 performance shares would not vest due to the performance condition not being met. The Company reversed $260,000 in stock compensation expense related to these performance shares that was previously recorded in fiscal 2015

A summary of the performance shares transactions during each of the three fiscal years in the period ended March 31, 2016 is as follows:

| | Shares | Weighted-average Grant Date Fair Value |
|---|---|---|
| Unvested at April 1, 2013 | 103,864 | $ 21.47 |
| Granted | 46,327 | 26.79 |
| Unvested at March 31, 2014 | 150,191 | $ 23.11 |
| Granted | 35,001 | 27.12 |
| Vested | (37,627) | 24.65 |
| Forfeited | (34,118) | 24.74 |
| Unvested at March 31, 2015 | 113,447 | $ 23.35 |
| Granted | 41,504 | 24.94 |
| Vested | (53,298) | 19.25 |
| Unvested at March 31, 2016 | 101,653 | $ 26.15 |

Total unrecognized compensation costs related to the unvested performance share awards as of March 31, 2016 was $760,000 and is expected be recognized over a weighted average period of 2.1 years. The fair value of performance shares that vested during the year ended March 31, 2016 was $1,026,000 and $928,000 both years ended March 31, 2015 and 2014.

*Directors Stock*

During fiscal 2016, 2015 and 2014, a total of 19,384, 17,304, and 12,642 shares of stock, respectively, were granted under the LTIP to the Company's non-executive directors as part of their annual compensation. The weighted average fair value grant price of those shares was $22.70, $25.43, and $24.92 for fiscal 2016, 2015 and 2014, respectively. The expense related to the shares for fiscal 2016, 2015 and 2014 was $440,000, $440,000, and $315,000, respectively.

*Shareholder Rights Plan*

On May 19, 2009 the Company announced that its Board of Directors had adopted a Shareholder Rights Plan, pursuant to which a dividend distribution was declared of one preferred share purchase right to each outstanding common share of the Company. Subject to limited exceptions, the rights will be exercisable if a person or group acquires 20% or more of the Company's common shares or announces a tender offer for 20% or more of the common shares. Under certain circumstances, each right will entitle shareholders to buy one one-thousandth of a share of the newly created series A junior participating preferred shares of the Company at an exercise price of $80.00 per share.

(tabular amounts in thousands, except share data)

*Dividends*

On March 31, 2016 the Company's Board of Directors approved payment of a quarterly dividend of $0.04 per common share, representing an annual dividend rate of $0.16 per share. The dividend was paid on May 16, 2016 to shareholders of record on May 6, 2016 and totaled approximately $804,000.

## 15. Loss Contingencies

From time to time, the Company is named a defendant in legal actions arising out of the normal course of business. The Company is not a party to any pending legal proceeding other than ordinary, routine litigation incidental to our business. The Company does not believe that any of our pending litigation will have a material impact on its business.

Accrued general and product liability costs are the actuarially estimated reserves based on amounts determined from loss reports, individual cases filed with the Company, and an amount for losses incurred but not reported. The aggregate amounts of reserves were $14,535,000 and $12,530,000 as of March 31, 2016 and 2015, respectively. The liability for accrued general and product liability costs are funded by investments in marketable securities (see Notes 2 and 6).

The following table provides a reconciliation of the beginning and ending balances for accrued general and product liability:

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Accrued general and product liability, beginning of year | $ 12,530 | $ 14,480 | $ 17,119 |
| Add provision for claims | 5,277 | 3,726 | 3,292 |
| Additional product liability assumed from Magnetek | 1,523 | — | — |
| Deduct payments for claims | (4,795) | (5,676) | (5,931) |
| Accrued general and product liability, end of year | $ 14,535 | $ 12,530 | $ 14,480 |

The per occurrence limits on the self-insurance for general and product liability coverage to Columbus McKinnon through its wholly-owned captive insurance company were $2,000,000 from inception through fiscal 2003 and $3,000,000 for fiscal 2004 and thereafter. In addition to the per occurrence limits, the Company's coverage is also subject to an annual aggregate limit, applicable to losses only. These limits range from $2,000,000 to $6,000,000 for each policy year from inception through fiscal 2016.

Along with other manufacturing companies, the Company is subject to various federal, state and local laws relating to the protection of the environment. To address the requirements of such laws, the Company has adopted a corporate environmental protection policy which provides that all of its owned or leased facilities shall, and all of its employees have the duty to, comply with all applicable environmental regulatory standards, and the Company has initiated an environmental auditing program for its facilities to ensure compliance with such regulatory standards. The Company has also established managerial responsibilities and internal communication channels for dealing with environmental compliance issues that may arise in the course of its business. Because of the complexity and changing nature of environmental regulatory standards, it is possible that situations will arise from time to time requiring the Company to incur expenditures in order to ensure environmental regulatory compliance. However, the Company is not aware of any environmental condition or any operation at any of its facilities, either individually or in the aggregate, which would cause expenditures having a material adverse effect on its results of operations, financial condition or cash flows and, accordingly, has not budgeted any material capital expenditures for environmental compliance for fiscal 2017.

Like many industrial manufacturers, the Company is involved in asbestos-related litigation. In continually evaluating costs relating to its estimated asbestos-related liability, the Company reviews, among other things, the incidence of past and recent claims, the historical case dismissal rate, the mix of the claimed illnesses and occupations of the plaintiffs, its recent and historical resolution of the cases, the number of cases pending against it, the status and results of broad-based settlement discussions, and the number of years such activity might continue. Based on this review, the Company has estimated its share of liability to defend and resolve probable asbestos-related personal injury claims. This estimate is highly uncertain due to the limitations of the available data and the difficulty of forecasting with any certainty the numerous variables that can affect the range of the liability. The Company will continue to study the variables in light of additional information in order to identify trends that may become evident and to assess their impact on the range of liability that is probable and estimable.

Based on actuarial information, the Company has estimated its asbestos-related aggregate liability including related legal costs to range between $5,400,000 and $8,300,000 using actuarial parameters of continued claims for a period of 37 years from March 31, 2016. The Company's estimation of its asbestos-related aggregate liability that is probable and estimable, in accordance with U.S. generally accepted accounting principles approximates $7,198,000, which has been reflected as a liability in the consolidated financial statements as of March 31, 2016. The recorded liability does not consider the impact of any potential favorable federal legislation. This liability will fluctuate based on the uncertainty in the number of future claims that will be filed and the cost to resolve those claims, which may be influenced by a number of factors, including the outcome of the ongoing broad-based settlement negotiations, defensive strategies, and the cost to resolve claims outside the broad-based settlement program. Of this amount, management expects to incur asbestos liability payments of approximately $2,000,000 over the next 12 months. Because payment of the liability is likely to extend over many years, management believes that the potential additional costs for claims will not have a material effect on the financial condition of the Company or its liquidity, although the effect of any future liabilities recorded could be material to earnings in a future period.

The Company believes that a share of its previously incurred asbestos-related expenses and future asbestos-related expenses are covered by pre-existing insurance policies. The Company has engaged in a legal action against the insurance carriers for those policies to recover these expenses and future costs incurred. When the Company resolves this legal action, it is expected that a gain will be recorded for previously expensed cost that is recovered.

The Company is also involved in other unresolved legal actions that arise in the normal course of business. The most prevalent of these unresolved actions involve disputes related to product design, manufacture and performance liability. The Company's estimation of its product-related aggregate liability that is probable and estimable, in accordance with U.S. generally accepted accounting principles approximates $5,966,000, which has been reflected as a liability in the consolidated financial statements as of March 31, 2016. In some cases, we cannot reasonably estimate a range of loss because there is insufficient information regarding the matter. Management believes that the potential additional costs for claims will not have a material effect on the financial condition of the Company or its liquidity, although the effect of any future liabilities recorded could be material to earnings in a future period.

In connection with the acquisition of Magnetek, the following loss contingencies have been assumed by the Company:

*Product Liability*
Magnetek has been named, along with multiple other defendants, in asbestos-related lawsuits associated with business operations previously acquired but which are no longer owned. During Magnetek's ownership, none of the businesses produced or sold asbestos-containing products. For such claims, Magnetek is uninsured and either contractually indemnified against liability, or contractually obligated to defend and indemnify the purchaser of these former business operations. The Company aggressively seeks dismissal from these proceedings. Based on actuarial information, the asbestos related liability including legal costs is estimated to be approximately $1,371,000 which has been reflected as a liability in the consolidated financial statements at March 31, 2016.

*Litigation-Other*

In October 2010, Magnetek received a request for indemnification from Power-One, Inc. ("Power-One") for an Italian tax matter arising out of the sale of Magnetek's power electronics business to Power-One in October 2006. With a reservation of rights, Magnetek affirmed its obligation to indemnify Power-One for certain pre-closing taxes. The sale included an Italian company, Magnetek, S.p.A., and its wholly owned subsidiary, Magnetek Electronics (Shenzhen) Co. Ltd. (the "Power-One China Subsidiary"). The tax authority in Arezzo, Italy, issued a notice of audit report in September 2010 wherein it asserted that the Power-One China Subsidiary had its administrative headquarters in Italy with fiscal residence in Italy and, therefore, is subject to taxation in Italy. In November 2010, the tax authority issued a notice of tax assessment for the period of July 2003 to June 2004, alleging that taxes of approximately $2,200,000 (Euro 1,900,000) were due in Italy on taxable income earned by the Power-One China Subsidiary during this period. In addition, the assessment alleges potential penalties together with interest in the amount of approximately $3,000,000 (Euro 2,600,000) for the alleged failure of the Power-One China Subsidiary to file its Italian tax return. The Power-One China Subsidiary filed its response with the provincial tax commission of Arezzo, Italy in January 2011. The tax authority in Arezzo, Italy issued a tax inspection report in January 2011 for the periods July 2002 to June 2003 and July 2004 to December 2006 claiming that the Power-One China Subsidiary failed to file Italian tax returns for the reported periods. A hearing before the Tax Court was held in July 2012 on the tax assessment for the period of July 2003 to June 2004. In September 2012, the Tax Court ruled in favor of the Power-One China Subsidiary dismissing the tax assessment for the period of July 2003 to June 2004. In February 2013, the tax authority filed an appeal of the Tax Court's September 2012 ruling. The Regional Tax Commission of Florence heard the appeal of the tax assessment dismissal for the period of July 2003 to June 2004 and thereafter issued its ruling finding in favor of the tax authority. Magnetek believes the court's decision was based upon erroneous interpretations of the applicable law and appealed the ruling to the Italian Supreme Court in April 2015.

In August 2012, the tax authority in Arezzo, Italy issued notices of tax assessment for the periods July 2002 to June 2003 and July 2004 to December 2006, alleging that taxes of approximately $7,600,000 (Euro 6,700,000) were due in Italy on taxable income earned by the Power-One China Subsidiary together with an allegation of potential penalties in the amount of approximately $3,200,000 (Euro 2,800,000) for the alleged failure of the Power-One China Subsidiary to file its Italian tax returns. On June 3, 2015, the Tax Court ruled in favor of the Power-One China Subsidiary dismissing the tax assessments for the periods of July 2002 to June 2003 and July 2004 to December 2006. On July 27, 2015, the tax authority filed an appeal of the Tax Court's ruling of June 3, 2015. In May 2016 the Regional Tax Court of Florence rejected the appeal of the tax authority and at the same time canceled the notices of assessment for the fiscal years of 2004/2005 and 2005/2006. The tax authority has up to six months to appeal the decision. The Company believes it will be successful and does not expect to incur a liability related to these tax assessments.

*Environmental Matters*

From time to time, Magnetek has taken action to bring certain facilities associated with previously owned businesses into compliance with applicable environmental laws and regulations. Upon the subsequent sale of certain businesses, Magnetek agreed to indemnify the buyers against environmental claims associated with the divested operations, subject to certain conditions and limitations. Remediation activities, including those related to indemnification obligations, did not involve material expenditures during the first nine months of fiscal year 2016.

Magnetek has also been identified by the United States Environmental Protection Agency and certain state agencies as a potentially responsible party for cleanup costs associated with alleged past waste disposal practices at several previously utilized, owned or leased facilities and offsite locations. Its remediation activities as a potentially responsible party were not material in the first nine months of fiscal year 2016. Although the materiality of future expenditures for environmental activities may be affected by the level and type of contamination, the extent and nature of cleanup activities required by governmental authorities, the nature of Magnetek's alleged connection to the contaminated sites, the number and financial resources of other potentially responsible parties, the availability of indemnification rights against third parties and the identification of additional contaminated sites, Magnetek's estimated share of liability, if any, for environmental remediation, including its indemnification obligations, is not expected to be material.

In 1986, Magnetek acquired the stock of Universal Manufacturing Corporation (“Universal”) from a predecessor of Fruit of the Loom (“FOL”), and the predecessor agreed to indemnify Magnetek against certain environmental liabilities arising from pre-acquisition activities at a facility in Bridgeport, Connecticut. Environmental liabilities covered by the indemnification agreement included completion of additional cleanup activities, if any, at the Bridgeport facility and defense and indemnification against liability for potential response costs related to offsite disposal locations. Magnetek's leasehold interest in the Bridgeport facility was assigned to the buyer in connection with the sale of Magnetek's transformer business in June 2001. FOL, the successor to the indemnification obligation, filed a petition for Reorganization under Chapter 11 of the Bankruptcy Code in 1999 and Magnetek filed a proof of claim in the proceeding for obligations related to the environmental indemnification agreement. Magnetek believes that FOL had substantially completed the clean-up obligations required by the indemnification agreement prior to the bankruptcy filing. In November 2001, Magnetek and FOL entered into an agreement involving the allocation of certain potential tax benefits and Magnetek withdrew its claims in the bankruptcy proceeding. Magnetek further believes that FOL's obligation to the state of Connecticut was not discharged in the reorganization proceeding.

In January 2007, the Connecticut Department of Environmental Protection (“DEP”) requested parties, including Magnetek, to submit reports summarizing the investigations and remediation performed to date at the site and the proposed additional investigations and remediation necessary to complete those actions at the site. DEP requested additional information relating to site investigations and remediation. Magnetek and the DEP agreed to the scope of the work plan in November 2010. The Company has recorded a liability of $422,000, included in the amount specified above, related to the Bridgeport facility, representing the best estimate of future site investigation costs and remediation costs which are expected to be incurred in the future.

FOL's inability to satisfy its remaining obligations to the state of Connecticut related to the Bridgeport facility and any offsite disposal locations, or the discovery of additional environmental contamination at the Bridgeport facility is not expected to have a material adverse effect on the Company's financial position, cash flows or results of operations.

The Company has recorded total liabilities of $890,000 for all environmental matters related to Magnetek in the consolidated financial statements as of March 31, 2016 on an undiscounted basis.

(tabular amounts in thousands, except share data)

## 16. Income Taxes

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income from continuing operations before income tax expense. The sources and tax effects of the differences were as follows:

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Expected tax at 35% | $ 11,068 | $ 12,605 | $ 14,953 |
| State income taxes net of federal benefit | 717 | 721 | 1,119 |
| Foreign taxes less than statutory federal rate | (2,370) | (2,471) | (2,284) |
| Permanent items | 1,187 | (264) | (384) |
| Valuation allowance | 2,860 | (18) | (1,563) |
| (Utilization)/Expiration of foreign tax credits | (945) | — | 1,440 |
| Research and development credits | (200) | (1,641) | (521) |
| Other | (272) | (107) | (459) |
| Actual tax provision expense (benefit) | $ 12,045 | $ 8,825 | $ 12,301 |

The provision for income tax expense (benefit) consisted of the following:

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Current income tax expense (benefit): | | | |
| United States Federal | $ 1,905 | $ 2,853 | $ 2,585 |
| State taxes | 441 | 257 | 701 |
| Foreign | 2,363 | 3,641 | 3,984 |
| Deferred income tax expense (benefit): | | | |
| United States | 7,235 | 5,098 | 6,587 |
| Foreign | 101 | (3,024) | (1,556) |
| | $ 12,045 | $ 8,825 | $ 12,301 |

(tabular amounts in thousands, except share data)

The Company applies the liability method of accounting for income taxes as required by ASC Topic 740, "Income Taxes." The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

| | March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Deferred tax assets: | | |
| Federal net operating loss carryforwards | $ 56,142 | $ — |
| State and foreign net operating loss carryforwards | 11,797 | 6,283 |
| Employee benefit plans | 38,146 | 21,641 |
| Insurance reserves | 6,144 | 5,661 |
| Accrued vacation and incentive costs | 3,038 | 3,516 |
| Federal tax credit carryforwards | 517 | 2,134 |
| Equity compensation | 3,213 | 2,496 |
| Other | 5,637 | 3,814 |
| Valuation allowance | (4,131) | (1,977) |
| Deferred tax assets after valuation allowance | 120,503 | 43,568 |
| Deferred tax liabilities: | | |
| Property, plant, and equipment | (3,448) | (3,568) |
| Intangible assets | (43,956) | (5,949) |
| Total deferred tax liabilities | (47,404) | (9,517) |
| Net deferred tax assets (liabilities) | $ 73,099 | $ 34,051 |

The Company early adopted the Financial Accounting Standards Boards Accounting Standards Update 2015-17, "Income Taxes (Topic 740)" effective March 31, 2016. The Update requires deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The Company adopted this Update on a prospective basis. Therefore, the Company reclassified its current deferred tax assets included in prepaid expenses and other to deferred income taxes (noncurrent asset/ noncurrent liability) on its Balance Sheet at March 31, 2016. Net current deferred tax assets of $8,300,000 are included in prepaid expenses and other in the consolidated balance sheet at March 31, 2015. Net current deferred tax liabilities of $158,000 are included in accrued liabilities in the consolidated balance sheet at March 31, 2015.

The gross amount of the Company's deferred tax assets were $124,634,000 and $45,545,000 at March 31, 2016 and 2015, respectively.

The valuation allowance includes $3,426,000, $1,207,000 and $1,976,000 related to foreign net operating losses at March 31, 2016, 2015 and 2014, respectively. The increase in the foreign valuation allowance is primarily due to recording a valuation allowance on the deferred tax assets of certain foreign subsidiaries of the Company. The Company's foreign subsidiaries have net operating loss carryforwards that expire in periods ranging from five years to indefinite.

The federal net operating losses arose from the acquisition of Magnetek and have expiration dates ranging from 2020 through 2035. The state net operating losses have expiration dates ranging from 2021 through 2035. The federal tax credits have indefinite expiration dates.

(tabular amounts in thousands, except share data)

Deferred income taxes are classified within the consolidated balance sheets based on the following breakdown:

| | March 31, 2016 | March 31, 2015 |
|---|---|---|
| Net current deferred tax assets | $ — | $ 8,300 |
| Net current deferred tax liabilities | — | (158) |
| Net non-current deferred tax assets | 73,158 | 28,695 |
| Net non-current deferred tax liabilities | (59) | (2,786) |
| Net deferred tax assets (liabilities) | $ 73,099 | $ 34,051 |

The net current deferred tax assets are included in prepaid expenses. The net current deferred tax liabilities are included in accrued liabilities. Net non-current deferred tax liabilities are included in other non-current liabilities.

Income from continuing operations before income tax expense includes foreign subsidiary income of $5,448,000, $10,570,000, and $11,459,000 for the years ended March 31, 2016, 2015, and 2014, respectively. As of March 31, 2016, the Company had unrecognized deferred tax liabilities related to approximately $95,000,000 of cumulative undistributed earnings of foreign subsidiaries. These earnings are considered to be permanently invested in operations outside the United States. Determination of the amount of unrecognized deferred U.S. income tax liability with respect to such earnings is not practicable.

There were shares of common stock issued through restricted stock units, the exercise of non-qualified stock options, or through the disqualifying disposition of incentive stock options in the years ended March 31, 2016 and 2015. The tax effects to the Company from these transactions, recorded in additional paid-in capital rather than recognized as an increase in (reduction to) income tax expense, were $118,000 and $(65,000) in fiscal 2016 and 2015, respectively. The fiscal 2016 and 2015 tax windfall (shortfall) was also recognized in the consolidated balance sheet as an increase (decrease) in deferred tax assets.

Changes in the Company's uncertain income tax positions, excluding the related accrual for interest and penalties, are as follows:

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Beginning balance | $ 1,833 | $ 2,357 | $ 1,986 |
| Additions for prior year tax positions | — | — | 754 |
| Additions for current year tax positions | — | — | 828 |
| Reductions for prior year tax positions | — | (198) | — |
| Settlements | (771) | (50) | — |
| Foreign currency translation | 30 | (276) | 42 |
| Lapses in statutes of limitation | — | — | (1,253) |
| Ending balance | $ 1,092 | $ 1,833 | $ 2,357 |

The Company had $14,000 and $200,000 accrued for the payment of interest and penalties at March 31, 2016 and 2015, respectively. The Company recognizes interest expense or penalties related to uncertain tax positions as a part of income tax expense in its consolidated statements of operations.

All of the unrecognized tax benefits as of March 31, 2016 would impact the effective tax rate if recognized.

The Company and its subsidiaries file income tax returns in the U.S., various state, local, and foreign jurisdictions. The Internal Revenue Service has completed an examination of the Company's U.S. income tax returns for fiscal 2009 and 2010 resulting in no adjustments. Current examinations include an IRS audit for the fiscal year 2015 U.S. income tax return and various state audits.

(tabular amounts in thousands, except share data)

The Company's major tax jurisdictions are the United States and Germany. With few exceptions, the Company is no longer subject to tax examinations by tax authorities in the United States for tax years prior to March 31, 2013 and in Germany for tax years prior to March 31, 2010.

The Company does not anticipate that total unrecognized tax benefits will change significantly due to the settlement of audits or the expiration of statutes of limitation prior to March 31, 2017.

## 17. Rental Expense and Lease Commitments

Rental expense for the years ended March 31, 2016, 2015, and 2014 was $7,532,000, $5,229,000, and $5,397,000, respectively. The following amounts represent future minimum payment commitments as of March 31, 2016 under non-cancelable operating leases extending beyond one year:

| Year Ended March 31, | Real Property | Vehicles/ Equipment | Total |
|---|---|---|---|
| 2017 | 5,228 | 1,091 | 6,319 |
| 2018 | 4,643 | 727 | 5,370 |
| 2019 | 3,940 | 437 | 4,377 |
| 2020 | 3,501 | 244 | 3,745 |
| 2021 | 3,068 | 178 | 3,246 |
| Thereafter | 9,551 | — | 9,551 |
| Total | $ 29,931 | $ 2,677 | $ 32,608 |

## 18. Business Segment Information

ASC Topic 280, "Segment Reporting," establishes the standards for reporting information about operating segments in financial statements. The Company has one operating and reportable segment for both internal and external reporting purposes.

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

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| **Net sales:** | | | |
| United States | $ 382,923 | $ 345,244 | $ 338,744 |
| Europe | 151,702 | 161,620 | 171,605 |
| Canada | 20,750 | 21,731 | 21,723 |
| Other | 41,728 | 51,048 | 51,218 |
| Total | $ 597,103 | $ 579,643 | $ 583,290 |

Note: Net sales to external customers are attributed to geographic areas based upon the location from which the product was shipped from the Company to the customer.

(tabular amounts in thousands, except share data)

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| **Total assets:** | | | |
| United States | $ 519,361 | $ 304,888 | $ 374,033 |
| Europe | 199,385 | 208,015 | 156,101 |
| Canada | 9,665 | 8,055 | 15,635 |
| Other | 44,633 | 45,366 | 52,905 |
| Total | $ 773,044 | $ 566,324 | $ 598,674 |

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| **Long-lived assets:** | | | |
| United States | $ 308,504 | $ 142,241 | $ 142,409 |
| Europe | 78,831 | 79,496 | 65,994 |
| Other | 10,300 | 9,955 | 10,429 |
| Total | $ 397,635 | $ 231,692 | $ 218,832 |

Note: Long-lived assets include net property, plant, and equipment, goodwill, and other intangibles, net.

| Sales by major product group are as follows: | Year Ended March 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Hoists | $ 351,965 | $ 393,571 | $ 400,565 |
| Chain and rigging tools | 75,432 | 76,604 | 76,112 |
| Industrial cranes | 30,526 | 26,595 | 18,502 |
| Actuators and rotary unions | 63,923 | 72,021 | 78,642 |
| Digital power control and delivery systems | 50,361 | — | — |
| Elevator application drive systems | 14,554 | — | — |
| Other | 10,342 | 10,852 | 9,469 |
| Total | $ 597,103 | $ 579,643 | $ 583,290 |

(tabular amounts in thousands, except share data)

## 19. Selected Quarterly Financial Data (Unaudited)

Below is selected quarterly financial data for fiscal 2016 and 2015:

| | Three Months Ended | | | |
|---|---|---|---|---|
| | June 30, 2015 | September 30, 2015 | December 31, 2015 | March 31, 2016 |
| Net sales | $ 136,236 | $ 146,041 | $ 159,738 | $ 155,088 |
| Gross profit | 43,584 | 46,945 | 48,341 | 48,393 |
| Income from operations | 11,291 | 6,512 | 10,958 | 11,809 |
| Net income | $ 6,911 | $ (448) | $ 7,227 | $ 5,889 |
| | | | | |
| Net income per share – basic | $ 0.35 | $ (0.02) | $ 0.36 | $ 0.29 |
| Net income per share – diluted | $ 0.34 | $ (0.02) | $ 0.36 | $ 0.29 |

| | Three Months Ended | | | |
|---|---|---|---|---|
| | June 30, 2014 | September 30, 2014 | December 31, 2014 | March 31, 2015 |
| Net sales | $ 142,932 | $ 146,991 | $ 140,791 | $ 148,929 |
| Gross profit | 45,565 | 47,156 | 43,409 | 45,477 |
| Income from operations | 13,006 | 16,134 | 12,615 | 12,893 |
| Net income | $ 6,733 | $ 10,599 | $ 7,861 | $ 1,997 |
| | | | | |
| Net income per share – basic | $ 0.34 | $ 0.53 | $ 0.39 | $ 0.10 |
| Net income per share – diluted | $ 0.34 | $ 0.53 | $ 0.39 | $ 0.08 |

(tabular amounts in thousands, except share data)

## 20. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss is as follows:

| | March 31, 2016 | March 31, 2015 |
|---|---|---|
| Foreign currency translation adjustment – net of tax | $ (20,985) | $ (24,635) |
| Pension liability – net of tax | (71,389) | (65,995) |
| Postretirement obligations – net of tax | 364 | (240) |
| Split-dollar life insurance arrangements – net of tax | (1,799) | (1,904) |
| Derivatives qualifying as hedges – net of tax | (1,564) | (533) |
| Net unrealized investment gain – net of tax | 626 | 859 |
| Accumulated other comprehensive loss | $ (94,747) | $ (92,448) |

The deferred taxes related to the adjustments associated with the items included in accumulated other comprehensive loss, net of deferred tax asset valuation allowances, were $4,753,000, $13,406,000, and $8,992,000 for 2016, 2015, and 2014 respectively. Refer to Note 16 for discussion of the deferred tax asset valuation allowance. In the period subsequent to our initial recording of the valuation allowance in fiscal 2011, increases and decreases to both the deferred tax assets associated with items in accumulated other comprehensive loss, and the valuation allowance, have been recorded as offsets to comprehensive income.

As a result of the recording of a deferred tax asset valuation allowance in fiscal 2011, the Company recorded as an offsetting entry a $10,006,000 charge in the minimum pension liability component, $935,000 benefit in the other post retirement obligations component, $747,000 charge in the split dollar life insurance arrangement component, and a $557,000 charge in the net unrealized investment gain component of other comprehensive income. With the reversal of that valuation allowance in fiscal 2013, the Company recorded the reversal of the valuation allowance as a reduction of income taxes in the consolidated statement of operations. This is in accordance with ASC Topic 740, "Income Taxes," even though the valuation allowance was initially established by a charge against comprehensive income. These amounts will remain indefinitely as a component of accumulated other comprehensive loss.

As a result of the recording of a deferred tax asset valuation allowance in fiscal 2005, the Company recorded as an offsetting entry a $534,000 charge in the minimum pension liability component of other comprehensive income. With the reversal of that valuation allowance in fiscal 2006, the Company recorded the reversal of the valuation allowance as a reduction of income taxes in the consolidated statement of operations. This is in accordance with ASC Topic 740, "Income Taxes," even though the valuation allowance was initially established by a charge against comprehensive income. This amount will remain indefinitely as a component of accumulated other comprehensive loss.

The activity by year related to investments, including reclassification adjustments for activity included in earnings are as follows (all items shown net of tax):

| | Year Ended March 31, 2016 | 2015 | 2014 |
|---|---|---|---|
| Net unrealized investment gain (loss) at beginning of year | $ 859 | $ 1,768 | $ 2,808 |
| Unrealized holdings gain (loss) arising during the period | (79) | 433 | 395 |
| Reclassification adjustments for gain included in earnings | (154) | (1,342) | (1,435) |
| Net change in unrealized gain (loss) on investments | (233) | (909) | (1,040) |
| Net unrealized investment gain at end of year | $ 626 | $ 859 | $ 1,768 |

Changes in accumulated other comprehensive income by component for the year ended March 31, 2016 are as follows (in thousands):

| | March 31, 2016 | | | | |
|---|---|---|---|---|---|
| | Unrealized Investment Gain | Retirement Obligations | Foreign Currency | Change in Derivatives Qualifying as Hedges | Total |
| Beginning balance net of tax | $ 859 | $ (68,139) | $ (24,635) | $ (533) | (92,448) |
| Other comprehensive income (loss) before reclassification | (79) | (4,749) | 3,650 | (2,211) | (3,389) |
| Amounts reclassified from other comprehensive loss to net income | (154) | 64 | — | 1,180 | 1,090 |
| Net current period other comprehensive (loss) income | (233) | (4,685) | 3,650 | (1,031) | (2,299) |
| Ending balance | $ 626 | $ (72,824) | $ (20,985) | $ (1,564) | $ (94,747) |

Details of amounts reclassified out of accumulated other comprehensive loss for the year ended March 31, 2016 are as follows (in thousands):

| Details of AOCL Components | Amount reclassified from AOCL | Affected line item on consolidated statement of operations |
|---|---|---|
| Unrealized gain on investments | | |
| | $ (237) | Investment income |
| | (237) | Total before tax |
| | 83 | Tax expense |
| | $ (154) | Net of tax |
| | | |
| Net amortization of prior service cost | | |
| | $ 99 | (1) |
| | 99 | Total before tax |
| | 35 | Tax benefit |
| | $ 64 | Net of tax |
| | | |
| Change in derivatives qualifying as hedges | | |
| | $ 1,815 | Cost of products sold |
| | 1,815 | Total before tax |
| | 635 | Tax benefit |
| | $ 1,180 | Net of tax |

(1) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. (See Note 12 — Pensions and Other Benefit Plans for additional details.)

## 21. Effects of New Accounting Pronouncements

In March 2016, the FASB issued ASU No. 2016-09, "Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." This ASU makes several modifications to Topic 718 related to the accounting for forfeitures, employer tax withholding on share-based compensation and the financial statement presentation of excess tax benefits or deficiencies. ASU 2016-09 also clarifies the statement of cash flows presentation for certain components of share-based awards. The ASU is effective for interim and annual reporting periods beginning after December 15, 2016, although early adoption is permitted. We are currently evaluating the impact that the standard will have on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)." This ASU amends the principal-versus-agent implementation guidance and illustrations in the FASB's new revenue standard (ASC 606). The FASB issued the ASU in response to concerns identified by stakeholders, including those related to (1) determining the appropriate unit of account under the revenue standard's principal-versus-agent guidance and (2) applying the indicators of whether an entity is a principal or an agent in accordance with the revenue standard's control principle. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. We are currently evaluating the impact that the ASU will have on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-07, "Investments—Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting." This ASU eliminates the requirement that when an existing cost method investment qualifies for use of the equity method, an investor must restate its historical financial statements, as if the equity method had been used during all previous periods. Under the new guidance, at the point an investment qualifies for the equity method, any unrealized gain or loss in AOCI will be recognized through earnings. The Company does not expect that the adoption of this guidance will have a material impact on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-06, "Contingent Put and Call Options in Debt Instruments (Topic 815): Contingent Put and Call Options in Debt Instruments (A Consensus of the Emerging Issues Task Force)." This ASU requires that embedded derivatives be separated from the host contract and accounted for separately as derivatives if certain criteria are met. One of those criteria is that the economic characteristics and risks of the embedded derivatives are not clearly and closely related to the economic characteristics and risks of the host contract (the "clearly and closely related" criterion). The amendments in this ASU clarify what steps are required when assessing whether the economic characteristics and risks of call (put) options are clearly and closely related to the economic characteristics and risks of their debt hosts, which is one of the criteria for bifurcating an embedded derivative. Consequently, when a call (put) option is contingently exercisable, an entity does not have to assess whether the event that triggers the ability to exercise a call (put) option is related to interest rates or credit risks. The ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted for all entities. The Company does not expect that the adoption of this guidance will have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-05, "Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships (A Consensus of the Emerging Issues Task Force)". The amendments in this ASU clarify that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument under Topic 815 does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. The ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted for all entities. The Company does not expect that the adoption of this guidance will have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." This standard will require all leases with durations greater than twelve months to be recognized on the balance sheet. The ASU effective for interim and annual reporting periods beginning after December 15, 2018, although early adoption is permitted. Although we have not completed our assessment, we do not expect the adoption to change the recognition, measurement or presentation of lease expenses within the Consolidated Statements of Operations and Cash Flows. Information about our undiscounted future lease payments and the timing of those payments is in Note 17.

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." The update addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments, including the Company's marketable securities. ASU 2016-01 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. We are currently evaluating the impact that the standard will have on our consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes." The update requires companies to present deferred income tax assets and deferred income tax liabilities as noncurrent in a classified balance sheet instead of the current requirement to separate deferred income tax liabilities and assets into current and noncurrent amounts. ASU 2015-17 is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early application is permitted either prospectively or retrospectively. The Company has elected to adopted ASU 2015-17 at March 31, 2016 on a prospective basis. Refer to Note 16 for additional information regarding the impact of adopting this ASU.

In September 2015, the FASB issued ASU 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments." The update requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, including the cumulative effect of the change in provisional amount as if the accounting had been completed at the acquisition date. The adjustments related to previous reporting periods since the acquisition date must be disclosed by income statement line item either on the face of the income statement or in the notes. The ASU is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2015. The Company intends to adopt ASU 2015-16 at April 1, 2016 and is evaluating the impact that this adoption will have on its consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory". ASU 2015-11 requires an entity to measure inventory that is within the scope of this ASU at the lower of cost and net realizable value. Existing impairment models will continue to be used for inventories that are accounted for using the last-in first-out ("LIFO") method. ASU 2015-11 requires prospective adoption for inventory measurements for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. Early adoption is permitted. The Company does not expect that the adoption of this guidance will have a material impact on its consolidated financial statements.

In June 2015, the FASB issued ASU No. 2015-10, "Technical Corrections and Updates." The amendments in this update cover a wide range of topics in the codification and are generally categorized as follows: Amendments Related to Differences between Original Guidance and the Codification; Guidance Clarification and Reference Corrections; Simplification; and, Minor Improvements. The amendments are effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2015. The Company does not expect that the adoption of this guidance will have a material impact on its consolidated financial statements.

In May 2015, the FASB issued ASU 2015-08, "Business Combinations (Topic 805): Pushdown Accounting - Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 115." The amendments in the ASU amend various SEC paragraphs included in the FASB's Accounting Standards Codification to reflect the issuance of Staff Accounting Bulletin No. 115, or SAB 115. SAB 115 rescinds portions of the interpretive guidance included in the SEC's Staff Accounting Bulletins series and brings existing guidance into conformity with ASU No. 2014-17, Business Combinations (Topic 805): Pushdown Accounting, which provides an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. We have adopted the amendments in ASU 2015-08 as the amendments in the update are effective upon issuance. The adoption of this standard did not have a significant effect on the Company's consolidated financial statements.

In May 2015, the FASB issued ASU No. 2015-07, "Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) (A Consensus of the FASB Emerging Issue Task Force)." The ASU provides guidance on the disclosures for investments in certain entities that calculate net asset value (NAV) per share (or its equivalent). The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share (or its equivalent) as a practical expedient. ASU No. 2015-07 is to be applied retrospectively and is effective for annual reporting periods beginning after December 15, 2015, and interim periods within those fiscal years, with early application permitted. The Company does not expect that the adoption of this guidance will have a material impact on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-05, "Intangibles-Goodwill and Other-Internal Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." The ASU provides guidance to entities about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the entity should account for the software license element of the arrangement consistent with the acquisition of other software license. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. The guidance does not change GAAP for an entity's accounting for service contracts. The ASU is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2015. The Company does not expect that the adoption of this guidance will have a material impact on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-04, "Compensation – Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets." The ASU provides the use of a practical expedient that permits the entity to measure defined benefit plans assets and obligations using the month-end that is closest to the entity's fiscal year-end and apply that practical expedient consistently from year to year. Further, if a contribution or significant event occurs between the month-end date used to measure defined benefit plan asset and obligations and an entity's fiscal year-end, the entity should adjust the measurement of defined plan assets and obligations to reflect of those contributions of significant events. However, an entity should not adjust the measurement of defined benefit plan asset and obligations for other events that occur between the month-end measurement and the entity's fiscal year-end that are not caused by the entity. The amendments are effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2015. The Company is evaluating the potential impact of this adoption on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, "Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The guidance also requires retrospective application to all prior periods presented. ASU 2015-03 is effective for the first interim period for fiscal years beginning after December 15, 2015. In August 2015, the FASB issued ASU No. 2015-15, "Interest — Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements — Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting" ("ASU 2015-15"), which clarifies the treatment of debt issuance costs from line-of-credit arrangements after the adoption of ASU 2015-03. In particular, ASU 2015-15 clarifies that the SEC staff would not object to an entity deferring and presenting debt issuance costs related to a line-of-credit arrangement as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of such arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The Company is evaluating the potential impact of this adoption on its consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis." This update is intended to improve certain areas of consolidation guidance by simplifying the consolidation evaluation process, and by placing more emphasis on risk of loss when determining a controlling financial interest. The provisions of this ASU are effective for interim and annual periods beginning after December 15, 2015. The Company does not expect that the adoption of this guidance will have a material impact on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, “Presentation of Financial Statements — Going Concern (Subtopic 205-40): Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern.” ASU 2014-15 addresses management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. Management’s evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued. The standard will be effective for the first interim period within annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The Company does not expect that the adoption of this guidance will have a material impact on its consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-12, "Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide that a Performance Target Could be Achieved after the Requisite Service Period." ASU 2014-12 requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. This update further clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. This ASU is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2015. The Company does not anticipate that the adoption of this standard will have a material impact on its consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-11, "Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures." ASU 2014-11 changes the accounting for repurchase-to-maturity transactions and linked repurchase financings to secured borrowing accounting, which is consistent with the accounting for other repurchase agreements. ASU 2014-11 also requires new disclosures about transfers that are accounted for as sales in transactions that are economically similar to repurchase agreements and increased transparency about the types of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings. This ASU is effective for the first interim or annual period beginning after December 15, 2014. The adoption of this standard did not have a significant effect on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. In August 2015, the FASB issued Accounting Standards Update No. 2015-14, “Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date,” which delays the effective date of ASU 2014-09 by one year. This ASU is now effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company is evaluating the potential impact of this adoption on its consolidated financial statements.

In April 2014, the FASB issued ASU No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASU 2014-08 changes the criteria for disposals to qualify as discontinued operations and requires new disclosures about disposals of both discontinued operations and certain other disposals that do not meet the new definition. This ASU is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2014. The adoption of this standard did not have a significant effect on the Company's consolidated financial statements.

**COLUMBUS McKINNON CORPORATION**

**SCHEDULE II—Valuation and qualifying accounts**
**March 31, 2016, 2015 and 2014**
**Dollars in thousands**

| | | Additions | | | | | |
|---|---|---|---|---|---|---|---|
| **Description** | **Balance at Beginning of Period** | **Charged to Costs and Expenses** | **Charged to Other Accounts** | **Acquisition** | **Deductions** | | **Balance at End of Period** |
| Year ended March 31, 2016: | | | | | | | |
| Deducted from asset accounts: | | | | | | | |
| Allowance for doubtful accounts | $ 2,155 | $ (13) | $ 401 | $ — | $ 366 | (1) | $ 2,177 |
| Deferred tax asset valuation allowance | 1,977 | 2,860 | (706) | — | — | | 4,131 |
| Total | $ 4,132 | $ 2,847 | $ (305) | $ — | $ 366 | | $ 6,308 |
| Reserves on balance sheet: | | | | | | | |
| Accrued general and product liability costs | $ 12,530 | $ 5,277 | $ — | $ 1,523 | $ 4,795 | (2) | $ 14,535 |
| Year ended March 31, 2015: | | | | | | | |
| Deducted from asset accounts: | | | | | | | |
| Allowance for doubtful accounts | $ 2,323 | $ 876 | $ — | $ — | $ 1,044 | (1) | $ 2,155 |
| Deferred tax asset valuation allowance | 2,361 | (19) | (365) | — | — | | 1,977 |
| Total | $ 4,684 | $ 857 | $ (365) | $ — | $ 1,044 | | $ 4,132 |
| Reserves on balance sheet: | | | | | | | |
| Accrued general and product liability costs | $ 14,480 | $ 3,726 | $ — | $ — | $ 5,676 | (2) | $ 12,530 |
| Year ended March 31, 2014: | | | | | | | |
| Deducted from asset accounts: | | | | | | | |
| Allowance for doubtful accounts | $ 2,256 | $ 319 | $ — | $ — | $ 252 | (1) | $ 2,323 |
| Deferred tax asset valuation allowance | 3,924 | 667 | (2,230) | — | — | | 2,361 |
| Total | $ 6,180 | $ 986 | $ (2,230) | $ — | $ 252 | | $ 4,684 |
| Reserves on balance sheet: | | | | | | | |
| Accrued general and product liability costs | $ 17,119 | $ 3,292 | $ — | $ — | $ 5,931 | (2) | $ 14,480 |

(1) Uncollectible accounts written off, net of recoveries
(2) Insurance claims and expenses paid
(3) Charged against accumulated other comprehensive loss

## Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

## Item 9A. Controls and Procedures

**Management's Evaluation of Disclosure Controls and Procedures**

As of March 31, 2016, an evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of March 31, 2016. There were no changes in our internal controls or in other factors during our fourth quarter ended March 31, 2016.

**Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of March 31, 2016 based on the framework in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (COSO). Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of March 31, 2016.

The effectiveness of the Company's internal control over financial reporting as of March 31, 2016 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

The Company acquired 100% of the outstanding common shares of Magnetek, Inc. ("Magnetek") on September 2, 2015. Magnetek was excluded from management's annual report on internal control over financial reporting as of March 31, 2016. The results of Magnetek are included in the Company's fiscal 2016 consolidated financial statements and constituted $256,162,000 and $194,394,000 of total assets and net assets, respectively, as of March 31, 2016 and $65,662,000 and $3,634,000 of net sales and net income, respectively, for the year then ended.

Our management, including the CEO and CFO, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

**Changes in Internal Control over Financial Reporting**

There have been no changes in internal control over financial reporting during the three months ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting other than what is described below.

Effective during our fiscal 2016, we are utilizing the 2013 version of the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

# Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Columbus McKinnon Corporation

We have audited Columbus McKinnon Corporation's internal control over financial reporting as of March 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Columbus McKinnon Corporation's management is responsible 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 Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Magnetek, Inc., which is included in the March 31, 2016 consolidated financial statements of Columbus McKinnon Corporation and constituted $256,162,000 and $194,394,000 of total and net assets, respectively, as of March 31, 2016 and $65,662,000 and $3,634,000 of net sales and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of Columbus McKinnon Corporation also did not include an evaluation of the internal control over financial reporting of Magnetek, Inc.

In our opinion, Columbus McKinnon Corporation maintained, in all material respects, effective internal control over financial reporting as of March 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Columbus McKinnon Corporation as of March 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2016 of Columbus McKinnon Corporation, and our report dated June 1, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Buffalo, New York
June 1, 2016

**Item 9B. Other Information**

None.

**PART III**

**Item 10. Directors and Executive Officers of the Registrant**

The information regarding Directors and Executive Officers of the Registrant will be included in a Proxy Statement to be filed with the Commission prior to July 31, 2016 and upon the filing of such Proxy Statement, is incorporated by reference herein.

The charters of our Audit Committee, Compensation and Succession Committee, and Governance and Nomination Committee are available on our website at www.cmworks.com and are available to any shareholder upon request to the Corporate Secretary. The information on the Company's website is not incorporated by reference into this Annual Report on Form 10-K.

We have adopted a code of ethics that applies to all of our employees, including our principal executive officer, principal financial officer and principal accounting officer, as well as our directors. Our code of ethics, the Columbus McKinnon Corporation Legal Compliance & Business Ethics Manual, is available on our website at www.cmworks.com. We intend to disclose any amendment to, or waiver from, the code of ethics that applies to our principal executive officer, principal financial officer or principal accounting officer otherwise required to be disclosed under Item 10 of Form 8-K by posting such amendment or waiver, as applicable, on our website.

**Item 11. Executive Compensation**

The information regarding Executive Compensation will be included in a Proxy Statement to be filed with the Commission prior to July 31, 2016 and upon the filing of such Proxy Statement, is incorporated by reference herein.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information regarding Security Ownership of Certain Beneficial Owners and Management and regarding equity compensation plan incorporation will be included in a Proxy Statement to be filed with the Commission prior to July 31, 2016 and upon the filing of such Proxy Statement, is incorporated by reference herein.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information regarding Certain Relationships and Related Transactions will be included in a Proxy Statement to be filed with the Commission prior to July 31, 2016 and upon the filing of such Proxy Statement, is incorporated by reference herein.

**Item 14. Principal Accountant Fees and Services**

The information regarding Principal Accountant Fees and Services will be included in a Proxy Statement to be filed with the Commission prior to July 31, 2016 and upon the filing of such Proxy Statement, is incorporated by reference herein.

## PART IV

**Item 15. Exhibits and Financial Statement Schedules**

(1) *Financial Statements:*

The following consolidated financial statements of Columbus McKinnon Corporation are included in Item 8:





All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

(3) *Exhibits:*

| Exhibit Number | Exhibit |
|---|---|
| 3.1 | Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement No. 33-80687 on Form S-1 dated December 21, 1995). |
| 3.2 | Amended By-Laws of the Registrant (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated March 28, 2013). |
| 3.3 | Certificate of Amendment to the Restated Certificate of Incorporation of Columbus McKinnon Corporation, dated as of May 18, 2009 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated May 18, 2009). |
| 4.1 | Specimen common share certificate (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement No. 33-80687 on Form S-1 dated December 21, 1995.) |
| 4.2 | Rights Agreement, dated as of May 18, 2009, between Columbus McKinnon Corporation and American Stock Transfer & Trust Company, LLC, which includes the form of Right Certificate as Exhibit B and the Summary of Rights to Purchase Preferred Stock as Exhibit C (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 18, 2009). |
| 4.3 | Indenture related to the Company's 7.875% Senior Subordinated Notes due 2019 (incorporated by reference to exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 28, 2011) |
| 4.4 | Supplemental Indenture related to the Company's subsidiary guarantors as defined in the Indenture agreement related to the Company's 7.875% Senior Subordinated Notes due 2019 (incorporated by reference to exhibit 4.3 to the Company's Current Report on Form 8-K filed on January 28, 2011) |

| | |
|---|---|
| #10.1 | Agreement by and among Columbus McKinnon Corporation Employee Stock Ownership Trust, Columbus McKinnon Corporation and Marine Midland Bank, dated November 2, 1995 (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement No. 33-80687 on Form S-1 dated December 21, 1995). |
| #10.2 | Columbus McKinnon Corporation Employee Stock Ownership Plan Restatement Effective April 1, 1989 (incorporated by reference to Exhibit 10.23 to the Company's Registration Statement No. 33-80687 on Form S-1 dated December 21, 1995). |
| #10.3 | Amendment No. 1 to the Columbus McKinnon Corporation Employee Stock Ownership Plan as Amended and Restated as of April 1, 1989, dated March 2, 1995 (incorporated by reference to Exhibit 10.24 to the Company's Registration Statement No. 33-80687 on Form S-1 dated December 21, 1995). |
| #10.4 | Amendment No. 2 to the Columbus McKinnon Corporation Employee Stock Ownership Plan, dated October 17, 1995 (incorporated by reference to Exhibit 10.38 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1997). |
| #10.5 | Amendment No. 3 to the Columbus McKinnon Corporation Employee Stock Ownership Plan, dated March 27, 1996 (incorporated by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1997). |
| #10.6 | Amendment No. 4 of the Columbus McKinnon Corporation Employee Stock Ownership Plan as Amended and Restated as of April 1, 1989, dated September 30, 1996 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1996). |
| #10.7 | Amendment No. 5 to the Columbus McKinnon Corporation Employee Stock Ownership Plan as Amended and Restated as of April 1, 1989, dated August 28, 1997 (incorporated by reference to Exhibit 10.37 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1998). |
| #10.8 | Amendment No. 6 to the Columbus McKinnon Corporation Employee Stock Ownership Plan as Amended and Restated as of April 1, 1989, dated June 24, 1998 (incorporated by reference to Exhibit 10.38 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1998). |
| #10.9 | Amendment No. 7 to the Columbus McKinnon Corporation Employee Stock Ownership Plan as Amended and Restated as of April 1, 1989, dated April 30, 2000 (incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2000). |
| #10.10 | Amendment No. 8 to the Columbus McKinnon Corporation Employee Stock Ownership Plan as Amended and Restated as of April 1, 1989, dated March 26, 2002 (incorporated by reference to Exhibit 10.30 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2002). |
| #10.11 | Amendment No. 9 to the Columbus McKinnon Corporation Employee Stock Ownership Plan as Amended and Restated as of April 1, 1989, dated March 27, 2003 (incorporated by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2003). |
| #10.12 | Amendment No. 10 to the Columbus McKinnon Corporation Employee Stock Ownership Plan as Amended and Restated as of April 1, 1989, dated February 28, 2004 (incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2004). |
| #10.13 | Amendment No. 11 to the Columbus McKinnon Corporation Employee Stock Ownership Plan as Amended and Restated as of April 1, 1989, dated December 19, 2003 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 28, 2003). |
| #10.14 | Amendment No. 12 to the Columbus McKinnon Corporation Employee Stock Ownership Plan as Amended and Restated as of April 1, 1989, dated March 17, 2005 (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2005). |
| #10.15 | Amendment No. 13 to the Columbus McKinnon Corporation Employee Stock Ownership Plan as Amended and Restated as of April 1, 1989, dated December 19, 2008 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 28, 2008). |
| #10.16 | Columbus McKinnon Corporation Personal Retirement Account Plan Trust Agreement, dated April 1, 1987 (incorporated by reference to Exhibit 10.25 to the Company's Registration Statement No. 33-80687 on Form S-1 dated December 21, 1995). |
| #10.17 | Second Amendment to the Columbus McKinnon Corporation Restricted Stock Plan (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 29, 2002). |
| #10.18 | Columbus McKinnon Corporation Thrift [401(k)] Plan 1989 Restatement Effective January 1, 1998 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 27, 1998). |
| #10.19 | Amendment No. 1 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Thrift [401(k)] Plan, dated December 10, 1998 (incorporated by reference to Exhibit 10.29 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1999). |
| #10.20 | Amendment No. 2 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Thrift [401 (k)] Plan, dated June 1, 2000 (incorporated by reference to Exhibit 10.33 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2000). |

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| #10.21 | Amendment No. 3 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Thrift [401 (k)] Plan, dated March 26, 2002 (incorporated by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2002). |
| #10.22 | Amendment No. 4 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Thrift [401(k)] Plan, dated May 10, 2002 (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 29, 2002). |
| #10.23 | Amendment No. 5 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Thrift [401(k)] Plan, dated December 20, 2002 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 29, 2002). |
| #10.24 | Amendment No. 6 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Thrift [401(k)] Plan, dated May 22, 2003 (incorporated by reference to Exhibit 10.46 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2003). |
| #10.25 | Amendment No. 7 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Thrift [401(k)] Plan, dated April 14, 2004 (incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2004). |
| #10.26 | Amendment No. 8 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Thrift [401(k)] Plan, dated December 19, 2003 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 28, 2003). |
| #10.27 | Amendment No. 9 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Thrift [401(k)] Plan, dated March 16, 2004 (incorporated by reference to Exhibit 10.30 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2004). |
| #10.28 | Amendment No. 10 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Thrift [401(k)] Plan, dated July 12, 2004 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended July 4, 2004). |
| #10.29 | Amendment No. 11 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Thrift [401(k)] Plan, dated March 31, 2005 (incorporated by reference to Exhibit 10.33 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2005). |
| #10.30 | Amendment No. 12 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Thrift [401(k)] Plan, dated December 27, 2005 (incorporated by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2006). |
| #10.31 | Amendment No. 13 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Thrift [401(k)] Plan, dated December 21, 2006 (incorporated by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K for the fiscal year ended March, 31, 2007). |
| #10.32 | Amendment No. 14 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Thrift [401(k)] Plan, dated December 21, 2007 (incorporated by reference to Exhibit 10.36 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2008). |
| #10.33 | Amendment No. 15 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Thrift [401(k)] Plan, dated January 29, 2009 (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 28, 2008). |
| #10.34 | Columbus McKinnon Corporation Thrift 401(k) Plan Trust Agreement Restatement Effective August 9, 1994 (incorporated by reference to Exhibit 10.32 to the Company's Registration Statement No. 33-80687 on Form S-1 dated December 21, 1995). |
| #10.35 | Columbus McKinnon Corporation Monthly Retirement Benefit Plan Restatement Effective April 1, 1998 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 27, 1998). |
| #10.36 | Amendment No. 1 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Monthly Retirement Benefit Plan, dated December 10, 1998 (incorporated by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1999). |
| #10.37 | Amendment No. 2 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Monthly Retirement Benefit Plan, dated May 26, 1999 (incorporated by reference to Exhibit 10.33 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1999). |
| #10.38 | Amendment No. 3 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Monthly Retirement Benefit Plan, dated March 26, 2002 (incorporated by reference to Exhibit 10.44 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2002). |
| #10.39 | Amendment No. 4 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Monthly Retirement Benefit Plan, dated December 20, 2002 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 29, 2002). |

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| #10.40 | Amendment No. 5 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Monthly Retirement Benefit Plan, dated February 28, 2004 (incorporated by reference to Exhibit 10.37 to the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2004). |
| #10.41 | Amendment No. 6 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Monthly Retirement Benefit Plan, dated March 17, 2005 (incorporated by reference to Exhibit 10.41 to the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2005). |
| #10.42 | Amendment No. 7 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Monthly Retirement Benefit Plan, dated December 28, 2005 (incorporated by reference to Exhibit 10.43 to the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2006). |
| #10.43 | Amendment No. 8 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Monthly Retirement Benefit Plan, dated December 28, 2005 (incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2006). |
| #10.44 | Amendment No. 9 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Monthly Retirement Benefit Plan, dated April 21, 2008 (incorporated by reference to Exhibit 10.47 to the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2008). |
| #10.45 | Amendment No. 10 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Monthly Retirement Benefit Plan, dated December 19, 2008 (incorporated by reference to Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended December 28, 2008). |
| #10.46 | Columbus McKinnon Corporation Monthly Retirement Benefit Plan Trust Agreement Effective as of April 1, 1987 (incorporated by reference to Exhibit 10.34 to the Company’s Registration Statement No. 33-80687 on Form S-1 dated December 21, 1995). |
| #10.47 | Columbus McKinnon Corporation 2006 Long Term Incentive Plan (incorporated by reference to Appendix A to the definitive Proxy Statement for the Annual Meeting of Stockholders of Columbus McKinnon Corporation held on July 31, 2006). |
| #10.48 | Amendment No. 1 to the Columbus McKinnon Corporation 2006 Long Term Incentive Plan, dated December 30, 2008 (incorporated by reference to Exhibit 10.3 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended December 28, 2008). |
| #10.49 | Form of Change in Control Agreement as entered into between Columbus McKinnon Corporation and certain of its executive officers. (incorporated by reference to Exhibit 10.33 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1998). |
| #10.50 | Form of Omnibus Code Section 409A Compliance Policy as entered into between Columbus McKinnon Corporation and certain of its executive officers. (incorporated by reference to Appendix to the definitive Proxy Statement for the Annual Meeting of Stockholders of Columbus McKinnon Corporation held on July 31, 2006). |
| # 10.51 | Fourth amended and restated credit agreement dated as of December 31, 2009 (incorporated by reference to exhibit 10.1 to the Company’s Current Report on Form 8-K filed on January 14, 2010) |
| #10.52 | 2010 Long Term Incentive Plan effective July 26, 2010 (incorporated by reference to Exhibit 4.1 of the Company’s S-8 filed on August 12, 2010. |
| #10.53 | First Amendment to the Company’s Fourth Amended and Restated Credit Agreement dated December 31, 2009. (incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K filed on August 26, 2010) |
| #10.54 | Second Amendment to the Company’s Fourth Amended and Restated Credit Agreement dated December 31, 2009. (incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K filed on December 22, 2010) |
| #10.55 | Third Amendment to the Company’s Fourth Amended and Restated Credit Agreement dated December 31, 2009. (incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K filed on July 20, 2011) |
| #10.56 | Fourth Amendment to the Company’s Fourth Amended and Restated Credit Agreement dated December 31, 2009. (incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K filed on February 15, 2012) |
| #10.57 | Amendment to the Company’s non-qualified deferred compensation plan, effective January 1, 2013. (incorporated by reference to Exhibit 5.02 of the Company’s Current Report on Form 8-K filed on July 19, 2012) |
| #10.58 | Fifth Amendment to the Company’s Fourth Amended and Restated Credit Agreement dated December 31, 2009. (incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K filed on October 24, 2012) |
| #10.59 | Credit agreement dated January 23, 2015. (incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K filed on January 27, 2015) |
| #10.60 | Amendment to Credit Agreement, dated as of September 2, 2015. (incorporated by reference to Exhibit 10.2 of the Company’s Current Report on Form 8-K filed on September 2, 2015) |
| #10.61 | Agreement and Plan of Merger, dated July 26, 2015 and completed on September 2, 2015. (incorporated by reference to Exhibit 2.1 and 2.2 of the Company’s Current Report on Form 8-K filed on September 2, 2015) |

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| *21.1 | Subsidiaries of the Registrant. |
| *23.1 | Consent of Independent Registered Public Accounting Firm. |
| *31.1 | Certification of the principal executive officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended. |
| *31.2 | Certification of the principal financial officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended. |
| *32.1 | Certification of the principal executive officer and the principal financial officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended and 18 U.S.C. Section 1350, as adopted by pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  The information contained in this exhibit shall not be deemed filed with the Securities and Exchange Commission nor incorporated by reference in any registration statement foiled by the Registrant under the Securities Act of 1933, as amended. |
| *101.INS | XBRL Instance Document |
| *101.SCH | XBRL Taxonomy Extension Schema Document |
| *101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| *101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| *101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| *101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

* Filed herewith
\# Indicates a Management contract or compensation plan or arrangement

**SIGNATURES**

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

Date: June 1, 2016

**COLUMBUS McKINNON CORPORATION**

By: /s/ Timothy T. Tevens
Timothy T. Tevens
President and Chief Executive Officer
(Principal Executive Officer)

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

| Signature | Title | Date |
|---|---|---|
| /s/ Timothy T. Tevens<br>**Timothy T. Tevens** | President, Chief Executive Officer and Director<br>*(Principal Executive Officer)* | June 1, 2016 |
| /s/ Gregory P. Rustowicz<br>**Gregory P. Rustowicz** | Vice President and Chief Financial Officer<br>*(Principal Financial Officer)* | June 1, 2016 |
| /s/ Ernest R. Verebelyi<br>**Ernest R. Verebelyi** | Chairman of the Board of Directors | June 1, 2016 |
| /s/ Richard H. Fleming<br>**Richard H. Fleming** | Director | June 1, 2016 |
| /s/ Linda A. Goodspeed<br>**Linda A. Goodspeed** | Director | June 1, 2016 |
| /s/ Liam G. McCarthy<br>**Liam G. McCarthy** | Director | June 1, 2016 |
| /s/ Heath A. Mitts<br>**Heath A. Mitts** | Director | June 1, 2016 |
| /s/ Nicholas T. Pinchuk<br>**Nicholas T. Pinchuk** | Director | June 1, 2016 |
| /s/ Stephen Rabinowitz<br>**Stephen Rabinowitz** | Director | June 1, 2016 |
| /s/ R. Scott Trumbull<br>**R. Scott Trumbull** | Director | June 1, 2016 |

**Exhibit 21.1**

**COLUMBUS McKINNON CORPORATION**
**SUBSIDIARIES**
**(as of March 31, 2016)**

CM Insurance Company, Inc. (US-NY)
Crane Equipment & Service, Inc. (US-OK)
Unified Industries Inc. (US-MI)
Magnetek, Inc. (US-DE)
    Magnetek National Electric Coil, Inc. (US-DE)
Yale Industrial Products, Inc. (US-DE)
    Egyptian-American Crane Co. (40% Joint Venture) (Egypt)
    Yale Industrial Products Ltd. (England)
    Columbus McKinnon Dutch Holdings 1 B.V. (The Netherlands)
        Columbus McKinnon Dutch Holdings 2 B.V. (The Netherlands)
            Columbus McKinnon Dutch Holdings 3 B.V. (The Netherlands)
                Columbus McKinnon Limited (Canada)
                Magnetek Canada ULC (Canada)
                Columbus McKinnon Asia Pacific Pte. Ltd. (Singapore)
                    Columbus McKinnon Asia Pacific Ltd. (Hong Kong)
                    Columbus McKinnon Industrial Products Co. Ltd. (China)
                    Columbus McKinnon (Hangzhou) Industries Co. Ltd. (China)
                    Yale Industrial Products Asia Co. Ltd. (Thailand)
                    Columbus McKinnon Singapore Pte. Ltd. (Singapore)
                Columbus McKinnon EMEA GmbH (Germany)
                    Columbus McKinnon Industrial Products GmbH (Germany)
                    Columbus McKinnon Corporation Ltd. (England)
                        Magnetek (UK) Limited (England)
                    Columbus McKinnon France S.a.r.l. (France)
                        Columbus McKinnon Maghreb S.a.r.l AAU (Morocco)
                    Société d'Exploitation des Raccords Gautier (France)
                    Columbus McKinnon Italia S.r.l. (Italy)
                    Columbus McKinnon Ibérica S.L.U. (Spain)
                    Columbus McKinnon Benelux, B.V. (The Netherlands)
                    CMCO Material Handling (Pty), Ltd. (South Africa)
                        Yale Engineering Products (Pty.) Ltd. (South Africa)
                        Yale Lifting Solutions (Pty.) Ltd. (South Africa)
                        Pfaff Hoist & Rigging (Pty.) Ltd. (South Africa)
                    Columbus McKinnon Austria GmbH (Austria)
                        Hebetechnik Gesellschaft GmbH (Austria)
                    Columbus McKinnon Hungary Kft. (Hungary)
                    Columbus McKinnon Russia LLC (Russia)
                    Columbus McKinnon Kaldirma ESVT, Ltd. (Turkey)
                    Columbus McKinnon Industrial Products ME FZE (UAE)
                    Columbus McKinnon Polska Sp.z.o.o (Poland)
                    Columbus McKinnon Switzerland AG (Switzerland)
                    Columbus McKinnon Ireland, Ltd. (Ireland)
                    Stahlhammer Bommern GmbH (Germany)
                    Columbus McKinnon Engineered Products GmbH (Germany)
                        Pfaff Silberblau Utilaje de Ridicat si Transportat S.R.L. (Romania)
                        Verkehrstechnik Gmbh (Germany)
                Columbus McKinnon Latin America B.V. (The Netherlands)
                    Columbus McKinnon de Mexico, S.A. de C.V. (Mexico)
                    Columbus McKinnon de Uruguay, S.A. (Uruguay)
                    Columbus McKinnon do Brazil Ltda. (Brazil)
                    Columbus McKinnon de Panama S.A. (Panama)

**Exhibit 23.1**

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-3212) pertaining to the Columbus McKinnon Corporation 1995 Incentive Stock Option Plan, the Columbus McKinnon Corporation Non-Qualified Stock Option Plan, the Columbus McKinnon Corporation Restricted Stock Plan and the Columbus McKinnon Corporation Employee Stock Ownership Plan Restatement Effective April 1, 1989 of Columbus McKinnon Corporation,

(2) Registration Statement (Form S-8 No. 333-137212) pertaining to the Columbus McKinnon Corporation 2006 Long Term Incentive Plan,

(3) Registration Statement (Form S-8 No. 333-168777) pertaining to the Columbus McKinnon Corporation 2010 Long Term Incentive Plan,

(4) Registration Statement (Form S-3 No. 333-189924) of Columbus McKinnon Corporation and the related Prospectus, and

(5) Registration Statement (Form S-8 No. 333-207165) pertaining to the 2014 Incentive Plan of Magnetek, Inc.;

of our reports dated June 1, 2016, with respect to the consolidated financial statements and schedule of Columbus McKinnon Corporation and the effectiveness of internal control over financial reporting of Columbus McKinnon Corporation included in this Annual Report (Form 10-K) for the year ended March 31, 2016.

/s/ Ernst & Young LLP

Buffalo, New York
June 1, 2016

**EXHIBIT 31.1**

**CERTIFICATION**

I, Timothy T. Tevens, certify that:

1. I have reviewed this report on Form 10-K of Columbus McKinnon Corporation;

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 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: June 1, 2016

/s/ TIMOTHY T. TEVENS
Timothy T. Tevens
Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

# CERTIFICATION

I, Gregory P. Rustowicz, certify that:

1. I have reviewed this report on Form 10-K of Columbus McKinnon Corporation;

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 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: June 1, 2016

/s/ GREGORY P. RUSTOWICZ
Gregory P. Rustowicz
Chief Financial Officer
(Principal Financial Officer)

**Exhibit 32.1**

**CERTIFICATION**

Each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Columbus McKinnon Corporation (the "Company") on Form 10-K for the year ended March 31, 2016, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and result 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.

Dated: June 1, 2016

/s/ TIMOTHY T. TEVENS
Timothy T. Tevens
Chief Executive Officer
(Principal Executive Officer)

/s/ GREGORY P. RUSTOWICZ
Gregory P. Rustowicz
Chief Financial Officer
(Principal Financial Officer)

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## SHAREHOLDER AND CORPORATE INFORMATION

### Common Stock

Columbus McKinnon's common stock is traded on NASDAQ under the symbol CMCO. As of June 1, 2016, there were 481 shareholders of record and as of May 27, 2016, there were 20,163,999 total shares of common stock outstanding. According to SEC filings, as of March 31, 2016 there were 141 institutional and mutual fund investors who own approximately 94.2% of Columbus McKinnon's outstanding common shares.

### Annual Meeting of Shareholders

July 18, 2016
10:00 a.m. Central Time
The Four Seasons Chicago
120 E. Delaware Place
Chicago, Illinois 60611

### Transfer Agent

Please direct questions about lost certificates, change of address and consolidation of accounts to the Company's transfer agent and registrar:

American Stock Transfer & Trust Company
620 15th Avenue
Brooklyn, New York 11219
800-937-5449
718-921-8124
www.amstock.com

### Corporate Headquarters

Columbus McKinnon Corporation
205 Crosspoint Parkway
Getzville, New York 14068
716-689-5400
www.cmworks.com

### Investor Relations

Gregory P. Rustowicz
Vice President and Chief Financial Officer
Columbus McKinnon Corporation
716-689-5442
greg.rustowicz@cmworks.com

Deborah K. Pawlowski
Kei Advisors LLC
716-843-3908
dpawlowski@keiadvisors.com

Investor information is available on the Company's website: www.cmworks.com

### Independent Auditors

Ernst & Young LLP
1500 Key Tower
50 Fountain Plaza
Buffalo, New York 14202-2297

**Reconciliation of GAAP Net Income & EPS to Non-GAAP Net Income & EPS**

| | Year Ended March 31, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| **Net Income** | $19,579 | $27,190 | $30,421 | $78,296 | $26,967 |
| Add back: | | | | | |
| Product liability costs for legal settlement | 1,100 | - | - | - | - |
| Building held for sale impairment charge | 429 | - | - | - | - |
| North America facility consolidation and reduction-in-force costs | 859 | - | - | - | - |
| Acquisition deal costs | 5,746 | - | 1,657 | - | - |
| Acquisition related severance costs | 2,300 | - | - | - | - |
| Acquisition inventory step-up expense & real estate transfer taxes | 1,446 | 659 | - | - | - |
| Acquisition amortization of backlog | 581 | - | - | - | - |
| European facility consolidation and reduction-in-force costs | 585 | 1,726 | - | - | - |
| Debt refinancing costs | - | 8,567 | - | - | - |
| Remeasurement of investment | - | - | - | - | (850) |
| Pension curtailment charge | - | - | - | - | 1,122 |
| Gain on asset sale | - | - | - | - | (1,462) |
| Income from discontinued operations | - | - | - | - | (1,052) |
| Normalize tax rate to 34% * | (3,143) | (7,144) | (2,788) | (50,165) | (3,855) |
| **Non-GAAP adjusted net income** | **$29,482** | **$30,998** | **$29,290** | **$28,131** | **$20,870** |
| **Average diluted shares outstanding** | **20,315** | **20,224** | **19,950** | **19,687** | **19,512** |
| **Net income per diluted share - GAAP** | **0.96** | **1.34** | **1.52** | **3.98** | **1.38** |
| **Net income per diluted share - Non-GAAP** | **1.45** | **1.53** | **1.47** | **1.43** | **1.07** |

** Applies a normalized tax rate of 34% to GAAP pre-tax income and non-GAAP adjustments above, pre-tax.*

**Reconciliation of GAAP Income from Operations & Margin to Non-GAAP Income from Operations & Margin**

| | Year Ended March 31, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| **Income from operations** | $ 40,570 | $ 54,648 | $ 54,350 | $ 54,371 | $ 45,144 |
| Add back: | | | | | |
| Product liability costs for legal settlement | 1,100 | - | - | - | - |
| Building held for sale impairment charge | 429 | - | - | - | - |
| North America facility consolidation and reduction-in-force costs | 859 | - | - | - | - |
| Acquisition deal costs | 5,746 | - | 1,657 | - | - |
| Acquisition related severance costs | 2,300 | - | - | - | - |
| Acquisition inventory step-up expense & real estate transfer taxes | 1,446 | 659 | - | - | - |
| Acquisition amortization of backlog | 581 | - | - | - | - |
| European facility consolidation and reduction-in-force costs | 585 | 1,726 | - | - | - |
| Pension curtailment charge | - | - | - | - | 1,122 |
| Gain on asset sale | - | - | - | - | (1,462) |
| **Non-GAAP income from operations** | **$ 53,616** | **$ 57,033** | **$ 56,007** | **$ 54,371** | **$ 44,804** |
| **Sales** | $597,103 | $579,643 | $583,290 | $597,263 | $591,945 |
| Acquisition amoritization of backlog | 581 | - | - | - | - |
| **Non-GAAP sales** | **$597,684** | **$579,643** | **$583,290** | **$597,263** | **$591,945** |
| **Adjusted operating margin** | **9.0%** | **9.8%** | **9.6%** | **9.1%** | **7.6%** |

### Forward-Looking Information

The Columbus McKinnon annual report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements concerning future revenue and earnings, involve known and unknown risks, uncertainties and other factors that could cause the actual results of the Company to differ materially from the results expressed or implied by such statements, including general economic and business conditions, conditions affecting the industries served by the Company and its subsidiaries, conditions affecting the Company's customers and suppliers, competitor responses to the Company's products and services, the overall market acceptance of such products and services and other factors disclosed in the Company's periodic reports filed with the Securities and Exchange Commission. The Company assumes no obligation to update the forward-looking information contained in this report.

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