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

FORM 10-K

(Mark One)

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

For The Fiscal Year Ended December 31, 2014

OR

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

Commission File Number: 001-35493

STEEL PARTNERS HOLDINGS L.P.

(Exact name of registrant as specified in its charter)

Delaware	**13-3727655**
(State of Incorporation)	(I.R.S. Employer Identification No.)
590 Madison Avenue, 32nd Floor	
New York, New York	**10022**
(Address of principal executive offices)	(Zip Code)

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

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

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

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

Common Units, no par value

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

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

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

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

STEEL PARTNERS HOLDINGS L.P.

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As used in this Form 10-K, unless the context otherwise requires the terms “we,” “us,” “our,” “SPLP” and the “Company” refer to Steel Partners Holdings L.P., a Delaware limited partnership.

PART I

FORWARD-LOOKING STATEMENTS

This report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), including, in particular, forward-looking statements under the headings “Item 7- Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Item 8 - Financial Statements and Supplementary Data.” These statements appear in a number of places in this report and include statements regarding the Company’s intent, belief or current expectations with respect to (i) its financing plans, (ii) trends affecting its financial condition or results of operations, and (iii) the impact of competition. The words “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “estimate,” and similar expressions are intended to identify such forward-looking statements; however, this report also contains other forward-looking statements in addition to historical information.

Item 1. Business

All monetary amounts used in this discussion are in thousands unless otherwise indicated.

Who We Are

Steel Partners Holdings L.P. ("SPLP" or the "Company") is a global diversified holding company that engages in multiple businesses, including diversified industrial products, energy, defense, supply chain management and logistics, banking, food products and services, sports, training, education, and the entertainment and lifestyle industries.

Each of our companies has its own management team with significant experience and proven success in their industries. Our subsidiary, SP Corporate Services LLC (“SP Corporate”), through Management Services Agreements, provides services to us and some of our companies which include assignment of C-Level management personnel, as well as a variety of services including legal, tax, accounting, treasury, consulting, auditing, administrative, compliance, environmental health and safety, human resources, marketing, investor relations and other similar services.

We work with our businesses to increase corporate value over the long term for our unitholders and all stakeholders by implementing our unique strategy discussed in more detail below.

Our History

SPLP is a limited partnership formed in the State of Delaware on December 16, 2008. SPLP is the successor through a merger on December 31, 2008 with WebFinancial Corporation ("Webfinancial"), a Delaware corporation that was incorporated in 1997. Webfinancial acquired WebBank in 1998.

In December 2008, in order to preserve an investment strategy that successfully served both the company and its investors since its inception, Steel Partners restructured its business. The result was the creation of Steel Partners Holdings L.P., a limited partnership formed in the State of Delaware in December 2008.

Effective July 15, 2009, the Company completed an exchange transaction in which we acquired the limited partnership interest of Steel Partners II, L.P. (“SPII”) pursuant to which we acquired net assets of $454,300 that were held by SPII, consisting of holdings in a variety of companies, in exchange for our common units which were distributed to certain former indirect investors in SPII (the “Exchange Transaction”). As a result, we became a global diversified holding company, with partners' capital of $367,100 as of July 15, 2009, which has increased to $494,859 as of December 31, 2014. Since July 15, 2009, we have concentrated our holdings into a select number of businesses.

On April 10, 2012, after fulfilling stringent regulatory and financial reporting requirements, the company became listed on the New York Stock Exchange (NYSE: SPLP).

Our Structure

SPLP is managed by SP General Services LLC (the “Manager”), pursuant to the terms of an amended and restated management agreement (the “Management Agreement”) discussed in further detail in Note 13 – "Related Party Transactions" to the SPLP consolidated financial statements found elsewhere in this Form 10-K. From its founding in 1990, the Manager and its affiliates have focused on increasing value for investors in the entities it has managed, including SPLP and SPII.

Our wholly-owned subsidiary, Steel Partners Holdings GP Inc., formerly known as Web LLC and Steel Partners Holdings GP LLC, or the “General Partner”, is our general partner. The General Partner converted from a limited liability company to a corporation on September 21, 2010. The General Partner has a board of directors (the “Board of Directors”). The Board of Directors is currently comprised of seven members, five of whom are elected annually by our unitholders and two of whom are appointed by the Manager. Warren G. Lichtenstein, the Executive Chairman of our Manager, serves as the Chairman of the Board of Directors.

Our Strategy

We continuously evaluate the retention and disposition of existing operations and investigate possible acquisitions of new businesses, often focusing on businesses that are selling substantially below intrinsic value. We consider possible synergies and economies of scale in operating and/or making determinations to acquire or dispose of companies. We seek additional means to reduce costs and to encourage integration of operations and the building of business relationships among our companies consistent with our desire that our unitholders benefit from the diversified holding company structure.

We strive to enhance the business operations of our companies and increase long-term value for unitholders and stakeholders through balance sheet improvements, strategic allocation of capital and operational and growth initiatives. Our operational initiatives include creating efficiencies through consolidated purchasing and materials sourcing provided by the *Steel Partners Purchasing Council,* which arranges shared purchasing programs and is reducing costs for, and providing other benefits to, a number of our companies. We are reducing our companies' operational costs, and enhancing growth and profitability, through the implementation of *Steel Partners Operational Excellence Programs*, which include the deployment of Lean Manufacturing, Design for Six Sigma, Six Sigma and Strategy Deployment. We are focused on reducing corporate overhead of our companies by centralizing certain administrative and corporate services through *Steel Partners Corporate Services* that provides management, consulting and advisory services.

Generally, we seek to actively acquire and maintain control over our companies through our ability to influence their policies. Depending on the size of our ownership interests in any given company, this may be achieved by obtaining board representation and overseeing and providing assistance to the existing management team. We generally view our companies as long-term holdings and we expect to realize value by operating them with a view towards fostering growth and maximizing their value rather than through the sale of ownership interests. The securities of some of the companies in which we have interests are traded on national securities exchanges, while others are privately held or not actively traded.

The following table presents the composition of our operating segments, which include the operations of our consolidated subsidiaries, as well as income or loss from equity method investments and other investments.

Diversified Industrial	Energy	Financial Services	Corporate and Other
Handy & Harman Ltd. ("HNH") (1)	Steel Excel Inc. ("Steel Excel") (1)	WebBank (1)	SPH Services, Inc. ("SPH Services") (1)
SL Industries, Inc. ("SLI") (2)	BNS Holding, Inc. ("BNS") (1), (3)		DGT Holdings Corp. ("DGT") (1)
JPS Industries, Inc. ("JPS") (2)			BNS Holdings Liquidating Trust ("BNS Liquidating Trust") (1), (3)
			ModusLink Global Solutions, Inc. (2)
			CoSine Communications, Inc. ("CoSine")(2)
			SPII Liquidating Trust (2)
			Other Investments (4)

(1) Consolidated subsidiary
(2) Equity method investment
(3) The operations of BNS are included in the Energy segment through June 30, 2012. The results of the BNS Liquidating Trust are included in the Corporate and Other segment beginning July 1, 2012.
(4) Other investments classified in the Corporate and Other segment include various investments in available-for-sale securities in the Aerospace/Defense, Restaurant and Manufacturing industries.

Our Businesses - Consolidated Subsidiaries

Handy & Harman Ltd.

SPLP's Ownership Interest

SPLP has an ownership interest of approximately 66.2% as of December 31, 2014 in HNH. (NASDAQ (CM): HNH), formerly known as WHX Corporation, a Delaware corporation. On May 7, 2010, our ownership interest in HNH exceeded 50%, and as a result, HNH became a controlled subsidiary of SPLP and is consolidated from that date. Four of our representatives serve on HNH's eight-member board of directors, one of whom serves as Chairman. Our representatives also serve as the Executive Chairman (Principal Executive Officer), Chief Financial Officer (Principal Accounting Officer), Chief Legal Officer and as various Vice Presidents of HNH.

Description of Business

HNH is a diversified manufacturer of engineered niche industrial products with leading market positions in many of the markets it serves. Through its wholly-owned subsidiaries, HNH focuses on high margin products and innovative technology and serves customers across a wide range of end markets. HNH sells its products and services through direct sales forces, distributors and manufacturer's representatives. HNH owns Handy & Harman Group Ltd. ("H&H Group"), which owns Handy & Harman ("H&H") and Bairnco LLC, formerly Bairnco Corporation. HNH manages its group of businesses on a decentralized basis with operations principally in North America. For the years ended December 31, 2014, 2013 and 2012, HNH generated net sales of $600,468, $571,164 and $498,713, respectively, which comprised 71%, 79% and 79% of SPLP's consolidated revenues, respectively.

In 2014 HNH entered into an agreement to sell Arlon LLC ("Arlon") which operations comprised substantially all of HNH's former Arlon Electronic Materials business. The sale was finalized in January 2015.

HNH Products and Product Mix

Joining Materials

HNH's Joining Materials business primarily fabricates precious metals and their alloys into brazing alloys. Brazing alloys are used to join similar and dissimilar metals, as well as specialty metals and some ceramics, with strong, hermetic joints. The Joining Materials business offers these metal joining products in a wide variety of alloys, including gold, silver, palladium, copper, nickel, aluminum and tin. These brazing alloys are fabricated into a variety of engineered forms and are used in many industries, including electrical, appliance, transportation, construction and general industrial, where dissimilar material and metal joining applications are required. Operating income from precious metal products is principally derived from the "value added" of processing and fabricating and not from the purchase and resale of precious metals. The Joining Materials business enters into commodity futures and forward contracts to mitigate the impact of price fluctuations on its precious and certain non-precious metal inventories that are not subject to fixed price contracts. HNH believes that the business unit that comprises the Joining Materials business is the North American market leader in many of the markets that it serves.

Tubing

HNH's Tubing business manufactures a wide variety of steel tubing products. HNH believes that its Tubing business manufactures the world's longest continuous seamless stainless steel tubing coils, in excess of 5,000 feet, serving the petrochemical infrastructure and shipbuilding markets. In addition, HNH also believes it is the number one supplier of small diameter (less than 3 mm) coil tubing to industry leading specifications serving the aerospace, defense and semiconductor fabrication markets. This unit also manufactures welded carbon steel tubing in coiled and straight lengths with a primary focus on products for the transportation, appliance and heating and oil and gas industries. In addition to producing bulk tubing, it produces value added fabrications for several of these industries.

Building Materials

HNH's Building Materials business manufactures and supplies products primarily to the commercial construction and building industries. It manufactures fasteners and fastening systems for the U.S. commercial low slope roofing industry, which are sold to building and roofing material wholesalers, roofing contractors and private label roofing system manufacturers, and a line of engineered specialty fasteners for the building products industry for fastening applications in the remodeling and

construction of homes, decking and landscaping. HNH believes that its primary business unit in the Building Materials business is the market leader in fasteners and accessories for commercial low-slope roofing applications and that the majority of the net sales for the segment are for the commercial construction repair and replacement market.

Kasco Blades and Route Repair Services

HNH's Kasco Blades and Route Repair Services business provides meat-room blade products, repair services and resale products for the meat and deli departments of supermarkets, restaurants, meat and fish processing plants, and for distributors of electrical saws and cutting equipment, principally in North America and Europe. Kasco also provides wood cutting blade products for the pallet manufacturing, pallet recycler and portable saw mill industries in North America.

Business Strategy

HNH's business strategy is to enhance the growth and profitability of the HNH business units and to build upon their strengths through internal growth and strategic acquisitions. HNH expects to continue to focus on high margin products and innovative technology. HNH also will continue to evaluate, from time to time, the sale of certain businesses and assets, as well as strategic and opportunistic acquisitions.

HNH uses a set of tools and processes called the HNH Business System to drive operational and sales efficiencies across each of its business units. The HNH Business System is designed to drive strategy deployment and sales and marketing based on lean principles. HNH pursues a number of ongoing strategic initiatives intended to improve its performance, including objectives relating to manufacturing improvement, idea generation, product development and global sourcing of materials and services. HNH utilizes lean tools and philosophies in operations and commercialization activities to increase sales, improve business processes, and reduce and eliminate waste, coupled with the tools targeted at variation reduction.

Customers

HNH is diversified across industrial markets and customers. HNH sells to customers in the construction, electrical, transportation, utility, medical, oil and gas exploration and food industries.

No customer accounted for more than 10% of HNH's consolidated net sales in 2014, 2013 or 2012. HNH's 15 largest customers accounted for approximately 31% of consolidated HNH net sales in 2014.

Foreign Revenue

The following table presents HNH revenue for the periods indicated:

	Revenue		
	Year Ended December 31,		
	2014	2013	2012
U.S.	$ 550,071	$ 518,631	$ 446,387
Foreign (a)	50,397	52,533	52,326
Total	$ 600,468	$ 571,164	$ 498,713

(a) Foreign revenue is based on the country in which the legal subsidiary generating the revenue is domiciled.

Raw Materials

Besides precious metals, the raw materials used in the operations of the Joining Materials, Tubing, Building Materials and Kasco operations consist principally of stainless, galvanized and carbon steel, copper, tin, nickel alloys, a variety of high-performance alloys and various plastic compositions. HNH purchases all such raw materials at open market prices from domestic and foreign suppliers. HNH has not experienced any significant problem in obtaining the necessary quantities of raw materials. Prices and availability, particularly of raw materials purchased from foreign suppliers, are affected by world market conditions and government policies. The raw materials used by HNH in its non-precious metal products are generally readily available from more than one source.

Capital Investments

HNH believes that in order to be and remain competitive, its businesses must continuously strive to improve productivity and product quality, and control and/or reduce manufacturing costs. Accordingly, HNH expects to continue to incur capital investments that reduce overall manufacturing costs, improve the quality of products produced and broaden the array of products offered to the industries HNH serves, as well as replace equipment as necessary to maintain compliance with environmental, health and safety laws and regulations. HNH's capital expenditures for 2014, 2013 and 2012 for continuing operations were $12,700, $11,700 and $15,200, respectively. HNH anticipates funding its capital expenditures in 2015 from funds generated by operations and borrowed funds. HNH anticipates its capital expenditures to be in the range between $15,000 and $31,000 per year for the next several years.

HNH requires significant amounts of electricity and natural gas to operate its facilities and is subject to price changes in these commodities. A shortage of electricity or natural gas, or a government allocation of supplies resulting in a general reduction in supplies, could increase costs of production and could cause some curtailment of production.

Employees

As of December 31, 2014 HNH employed 1,925 employees worldwide. Of these employees, 377 were sales employees, 479 were office employees, 148 were covered by collective bargaining agreements, and 921 were non-union operating employees. A total of 321 employees are associated with HNH's Arlon business.

Competition

There are many companies, larger and smaller, domestic and foreign, which manufacture products of the type HNH manufactures. Some of these competitors are larger than HNH and have financial resources greater than it does. Some of these competitors enjoy certain other competitive advantages, including greater name recognition, greater financial, technical, marketing and other resources, a larger installed base of customers and well-established relationships with current and potential customers. Competition is based on quality, technology, service, and price, and in some industries, new product introduction.

Sales Channels

HNH distributes products to customers through its sales personnel, outside sales representatives and distributors in North and South America, Europe, Australia, Asia and several other international markets.

Patents and Trademarks

HNH owns patents and registered trademarks under which certain of its products are sold. In addition, HNH owns a number of U.S. and foreign mechanical patents related to certain of its products, as well as a number of design patents. HNH does not believe that the loss of any or all of these patents or trademarks would have a material adverse effect on its businesses. HNH's patents have remaining durations ranging from less-than-one year to 18 years, with expiration dates occurring at various times in 2015 through 2033.

Environmental Regulation

HNH is subject to laws and regulations relating to the protection of the environment. HNH does not presently anticipate that compliance with currently applicable environmental regulations and controls will significantly change its competitive position, capital spending or earnings during 2015. HNH believes it is in compliance with all orders and decrees it has consented to with environmental regulatory agencies. Please see "Item 1A - Risk Factors," "Item 3 - Legal Proceedings" and Note 21 - "Commitments and Contingencies" to the SPLP consolidated financial statements included in "Item 8 - Financial Statements and Supplementary Data."

Steel Excel Inc.

Our Ownership Interest

We have an ownership interest of approximately 57.9% as of December 31, 2014 in Steel Excel, a Delaware corporation formerly known as ADPT Corporation (OTC: SXCL.PK). On May 31, 2012, our ownership percentage exceeded 50%, and Steel Excel became a majority-owned subsidiary and is consolidated from that date forward (see Note 3 - "Acquisitions" to the SPLP consolidated financial statements found elsewhere in this Form 10-K). Three of our representatives serve on Steel Excel's six-member board of directors, one of whom serves as Chairman and another of whom serves as the Chief Executive Officer. Our representatives also serve as Chief Financial Officer and General Counsel. Steel Excel is part of our Energy segment. Energy segment revenues totaled $210,148, $120,029 and $92,834 for the years ended December 31, 2014, 2013 and 2012, respectively, which comprised 25%, 17% and 15% of SPLP's consolidated revenues, respectively.

Description of Business

Through its wholly-owned subsidiary Steel Energy Ltd. ("Steel Energy"), Steel Excel's Energy business
provides drilling and production services to the oil and gas industry. Through its wholly-owned subsidiary Steel Sports Inc., Steel Excel's Sports business provides event-based sports services and other health-related services. Steel Excel also makes significant non-controlling investments in entities in industries related to its existing businesses as well as entities in other unrelated industries and continues to identify business acquisition opportunities in both the Energy and Sports industries as well as in other unrelated industries.

Sales

Steel Excel relies primarily on its local operations to sell and market its services. Because they have conducted business together over several years, the members of its local operations have established strong working relationships with certain of their clients. These strong client relationships provide a better understanding of region-specific issues and enable Steel Excel to better address customer needs. In 2014, Steel Excel had two customers, that made up 20% or more of its net revenues, and its top 15 customers made up 81%, 81% and 89% of its net revenues for the years ended December 31, 2014, 2013, and during the seven month period owned by SPLP in 2012, respectively.

Competition

Steel Excel's business operates in a highly competitive industry that is influenced by price, capacity, reputation, and experience. When oil and natural gas prices and drilling activities are at high levels, service companies are ordering new equipment to expand their capacity as they are seeing increased demand for their services and attractive returns on investment. When oil and natural gas prices are declining, service companies may be willing to provide their services at reduced prices to be able to cover their equipment and other fixed costs. To be successful, Steel Excel must provide quality services that meet the specific needs of oil and gas exploration and production companies at competitive prices. In addition, we need to maintain a safe work environment and a well-trained work force to remain competitive.

Steel Excel's energy services are affected by seasonal factors, such as inclement weather, fewer daylight hours, and holidays during the winter months. Heavy snow, ice, wind, or rain can make it difficult to operate and to move equipment between work sites, which can reduce its ability to provide services and generate revenues. These seasonal factors affect Steel Excel's competitors as well. Demand for services in the industry as a whole fluctuates with the supply and demand for oil and natural gas. In general, the need for Steel Excel's services increases when demand exceeds supply. The oil and gas exploration and production companies attempt to take advantage of a higher-priced environment when demand exceeds supply, which leads to an increased need for Steel Excel's services. Conversely, as supply equals or exceeds demand, the oil and gas exploration and production companies will cut back on their production resulting in a decline in their well servicing needs or seek pricing concessions from us and other service providers when the price of oil declines.

The market for the Steel Excel's Sports business' baseball facility services and soccer camps and leagues is very fragmented, and its competitors are primarily small local or regional operations. The market for its strength and conditioning services is fragmented, and its competitors vary from large national providers of such services to local providers of comparable or other niche services. The baseball facility services and soccer camps and leagues are affected by seasonal factors, with business volume declining from late autumn through early spring as a result of colder temperatures and fewer daylight hours. In addition, inclement weather during peak seasons can have an adverse effect on the business since fields may not be available to reschedule any canceled events. In 2013, Steel Excel completed the construction of an indoor baseball facility to enable it to

provide year-round baseball services to partially mitigate the revenue declines experienced in non-peak months and during periods of inclement weather.

Government Regulation

Steel Excel's businesses are subject to multiple federal, state, and local laws and regulations pertaining to worker safety, the handling of hazardous materials, transportation standards, and the environment. Among the various environmental laws Steel Excel is subject to, the Clean Water Act established the basic structure for regulating discharges of pollutants into the waters of the United States and quality standards for surface waters. Steel Excel's businesses could be required to obtain permits for the discharge of wastewater or stormwater. In addition, the Oil Pollution Act of 1990 imposed a multitude of requirements on responsible parties related to the prevention of oil spills and liability for damages resulting from such spills in the waters of the United States. These and comparable state laws provide for administrative, civil, and criminal penalties for unauthorized discharges and impose stringent requirements for spill prevention and response planning, as well as considerable potential liability for the costs of removal and damages in connection with unauthorized discharges.

The Comprehensive Environmental Response, Compensation and Liability Act, as amended, and comparable state laws (“CERCLA” or “Superfund”) impose liability without regard to fault or the legality of the original conduct on certain defined parties, including current and prior owners or operators of a site where a release of hazardous substances occurred and entities that disposed or arranged for the disposition of the hazardous substances found at the site. Under CERCLA, these parties may be subject to joint and several liability for the costs of cleaning up the hazardous substances that were released into the environment and for damages to natural resources. Further, claims may be filed for personal injury and property damages allegedly caused by the release of hazardous substances and other pollutants. We may encounter materials that are considered hazardous substances in the course of our operations. As a result, Steel Excel may incur CERCLA liability for cleanup costs and be subject to related third-party claims. Steel Excel also may be subject to the requirements of the Resource Conservation and Recovery Act, as amended, and comparable state statutes (“RCRA”) related to solid wastes. Under CERCLA or RCRA, Steel Excel could be required to clean up contaminated property (including contaminated groundwater) or to perform remedial activities to prevent future contamination.

Steel Excel's businesses are also subject to the Clean Air Act, as amended, and comparable state laws and regulations that restrict the emission of air pollutants and impose various monitoring and reporting requirements. These laws and regulations may require Steel Excel to obtain approvals or permits for construction, modification, or operation of certain projects or facilities and may require use of emission controls. Various scientific studies suggest that emissions of greenhouse gases, including, among others, carbon dioxide and methane, contribute to global warming. While it is not possible to predict how legislation or new regulations that may be adopted to address greenhouse gas emissions would impact Steel Excel's business, any new restrictions on emissions that are imposed could result in increased compliance costs for, or additional operating restrictions on, its customers and, which could have an adverse effect on its business.

Steel Excel is also subject to the Occupational Safety and Health Act, as amended, (“OSHA”) and comparable state laws that regulate the protection of employee health and safety. OSHA’s hazard communication standard requires that information about hazardous materials used or produced in its operations be maintained and provided to employees and state and local government authorities. Steel Excel believes they are in substantial compliance with OSHA and comparable state law requirements, including general industry standards, record keeping requirements, and monitoring of occupational exposure to regulated substances.

Steel Excel cannot predict the level of enforcement or the interpretation of existing laws and regulations by enforcement agencies in the future, or the substance of future court rulings or permitting requirements. In addition, Steel Excel cannot predict what additional laws and regulations may be put in place in the future, or the effect of those laws and regulations on its business and financial condition. Steel Excel believes it is in substantial compliance with applicable environmental laws and regulations. While Steel Excel does not believe that the cost of compliance is material to our business or financial condition, it is possible that substantial costs for compliance or penalties for non-compliance may be incurred in the future.

Employees

As of December 31, 2014, Steel Excel had 1,000 employees, of which 923 were full-time employees and 77 were part-time employees. All of Steel Excel's employees are located in the United States. Steel Excel also hires additional full-time and part-time employees during peak seasonal periods. None of Steel Excel's employees are covered by collective bargaining agreements. Steel Excel considers its employee relations to be satisfactory.

WebBank

Our Ownership Interest

SPLP's wholly owned subsidiary, WebFinancial Holding Corporation, conducts financial operations through its wholly-owned subsidiary, WebBank ("WebBank"). WebBank is part of our Financial Services segment. For the years ended December 31, 2014, 2013 and 2012 the Financial Services segment had revenues of $36,647, $28,185 and $21,155, respectively, which comprised 4%, 4% and 3% of SPLP's consolidated revenues, respectively.

Description of Business

WebBank is a Utah chartered industrial bank subject to comprehensive regulation, examination, and supervision of the Federal Deposit Insurance Corporation ("FDIC") and the State of Utah Department of Financial Institutions ("UDFI"). WebBank is not considered a "bank" for Bank Holding Company Act purposes and, as such, SPLP is not regulated as a bank holding company. WebBank, whose deposits are insured by the FDIC, generates commercial and consumer loans.

WebBank continues to evaluate its different business lines and consider various alternatives to maximize the aggregate value of its businesses and increase value, including seeking acquisitions and/or merger transactions, as well as product line extensions, additions and/or divestitures.

Sales

WebBank generates revenue through a combination of interest income and non-interest income. Interest income is primarily derived from interest and origination fees earned on loans and investments. Non-interest income is primarily derived from minimum activity fee income on contractual lending arrangements, premiums on the sale of loans, and loan servicing fees. For the years ended December 31, 2014, 2013 and 2012, two contractual lending programs accounted for 35%, 46% and 56%, respectively, of WebBank's total revenue.

Government Regulation

WebBank is subject to regulatory capital requirements administered by the FDIC. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, WebBank must meet specific capital guidelines that involve quantitative measures of WebBank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. WebBank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Failure to meet minimum capital requirements can initiate certain actions by regulators that, if undertaken, could have a direct material adverse effect on WebBank's financial statements. In addition, federal banking laws and regulations generally would prohibit WebBank from making any capital distribution (including payment of a dividend) if WebBank would be under-capitalized thereafter. Undercapitalized depository institutions are subject to growth limitations and must submit a capital restoration plan, which must be guaranteed by the institution's holding company. In addition, an undercapitalized institution is subject to increased monitoring and greater regulatory approval requirements.

Currently, WebBank meets or exceeds all applicable regulatory capital requirements.

Competition

WebBank competes with a broad range of banks across its various lines of business.

Employees

As of December 31, 2014, WebBank had 38 employees.

BNS Liquidating Trust

Our Ownership Interest

We have an ownership interest of approximately 84.9% as of December 31, 2014 in BNS Liquidating Trust (previously BNS Holding, Inc.). In June 2012, BNS, in accordance with its shareholder approval plan, distributed its assets and commenced its liquidation. See "Description of Business" section below for additional details.

Description of Business

BNS was a holding company whose operations ceased as of June 1, 2012 due to the sale of Sun Well Service, Inc. ("Sun Well") to Steel Excel on May 31, 2012 (see Note 3 - "Acquisitions" to the SPLP consolidated financial statements found elsewhere in this Form 10-K). BNS' results include the operations of Sun Well (originally acquired by BNS on February 2, 2011) through the date of sale to Steel Excel. On June 18, 2012, BNS completed a distribution to its shareholders, pursuant to shareholder approval, and distributed cash of approximately $10,300 to its minority shareholders and 2,027,500 shares of Steel Excel common stock to its majority shareholder. No further distributions are anticipated. In June 2012, BNS formed a liquidating trust, the BNS Liquidating Trust, assigned its assets and liabilities to the Trust and initiated its dissolution. The Trust is owned by the BNS former shareholders in the same proportion as their former ownership in BNS.

Employees

The BNS Liquidating Trust had no employees as of December 31, 2014.

DGT Holdings Corp.

Our Ownership Interest

We have an ownership interest of approximately 82.7% as of December 31, 2014 in DGT (OTC: DGTC.OB), a New York corporation. On July 5, 2011, our ownership interest in DGT exceeded 50%, and as a result, DGT became a controlled subsidiary of SPLP and is consolidated from that date. Two of our representatives serve on DGT's four-member board of directors, one of which serves as DGT's President, Chief Executive Officer and Chief Financial Officer, and one is Chairman.

Description of Business

DGT's operations currently consist of a real estate business from the rental of a building retained from the sale of its Medical Systems Group on November 3, 2011 (for additional information, see Note 4 - "Discontinued Operations" to the SPLP consolidated financial statements found elsewhere in this Form 10-K). Continuing operations consist of the real estate business, investments, and general and administrative expenses.

Employees

As of December 31, 2014, DGT had no employees.

SPH Services, Inc.

Our Ownership Interest

SPH Services, Inc. (“SPH Services”) is our wholly-owned subsidiary. Three of our representatives serve as members, including Chairman, of the board of directors of SPH Services. These representatives also serve as SPH Services' Chief Executive Officer, President, Secretary, Chief Financial Officer and Treasurer.

Description of Business

SPH Services, which commenced operations on January 1, 2012, was created to consolidate the executive and corporate functions of SPLP and certain of our affiliates, including SP Corporate and Steel Partners LLC, to provide legal, tax, accounting, treasury, consulting, auditing, administration, compliance, environmental health and safety, human resources, marketing, investor relations and similar services, to other affiliated companies. In connection with the formation of SPH Services, we acquired SP Corporate and Steel Partners LLC, our former manager, as well as certain assets from HNH.

SP Corporate has management services agreements with HNH, Steel Excel, WebBank, BNS, DGT and other related companies. Services provided to SPLP and its consolidated subsidiaries are eliminated in consolidation. For additional information on these service agreements see Note 13 - "Related Party Transactions" to the SPLP consolidated financial statements found elsewhere in this Form 10-K.

By consolidating corporate overhead and back office functions, SPLP believes it will achieve cost savings over time for its affiliated companies while delivering more efficient and effective services. As a result of the synergies associated with SP

Corporate's specialization and capabilities across a broad range of corporate and executive functions that are provided to SPLP and other companies, SP Corporate believes that it will be able to create high value business partnerships by delivering higher quality services and more efficient transaction processing which will result in significant cost savings that can be achieved through standardization, clear processes and procedures, the elimination of non-value adding activities and economies of scale.

Employees

As of December 31, 2014, SPH Services had 65 employees.

Our Business - Equity Method Investments

Associated Companies

Associated companies are investments in operating companies in which we own between 20% and 50% of the outstanding equity and have the ability to exercise significant influence, but not control, over the investee. As such, the investments in these operating companies are accounted for under the equity method of accounting (see Note 2 - "Summary of Significant Accounting Policies" - to the SPLP consolidated financial statements found elsewhere in this Form 10-K). The investments in associated companies are classified as Long-term investments in the Consolidated Balance Sheets (see Note 5 - "Investments" to the SPLP consolidated financial statements found elsewhere in this Form 10-K).

Accounted for at fair value, as of December 31, 2014:

ModusLink Global Solutions, Inc.

We have an ownership interest of approximately 27.7% as of December 31, 2014 in MLNK (NASDAQ: MLNK), a Delaware corporation. MLNK provides supply chain and logistics services to companies in consumer electronics, communications, computing, medical devices, software, luxury goods and retail. In March 2013, pursuant to an agreement between the Company and MLNK, SPLP purchased 7,500,000 shares of MLNK common stock for $4.00 per share. This investment, plus the 6,481,185 MLNK shares already owned by the Company and its subsidiaries, gave the Company a 27.1% ownership interest in MLNK common stock. Accordingly the investment, which was previously classified as an available-for-sale security, was reclassified to an associated company as of March 12, 2013. Two members of SPLP's management team serve on the five-member MLNK board of directors, one of whom serves as chairman. SPLP elected the fair value option to account for MLNK in order to more appropriately reflect the value of MLNK in its financial statements and records any unrealized gains and losses in earnings.

SL Industries, Inc.

We have an ownership interest of approximately 24.0% as of December 31, 2014 in SLI (AMEX:SLI), a New Jersey corporation. SLI designs, manufactures and markets power electronics, motion control, power protection and specialized communication equipment. SLI's products are used in a variety of medical, commercial and military aerospace, computer, datacom, industrial, telecom, transportation, utility, rail and highway equipment applications. Two of our representatives serve on SLI's five-member board of directors, one of whom serves as Chairman. SPLP elected the fair value option to account for SLI in order to more appropriately reflect the value of SLI in its financial statements and records any unrealized gains and losses in earnings.

JPS Industries, Inc.

We have an ownership interest of approximately 38.7% as of December 31, 2014 in JPS (OTC: JPST.PK), a Delaware corporation. JPS is a major U.S. manufacturer of extruded urethanes, ethylene vinyl acetates and mechanically formed glass and aramid substrate materials for specialty applications in a wide expanse of markets requiring highly engineered components. JPS's products are used in a wide range of applications including: printed electronic circuit boards; advanced composite materials; civilian and military aerospace components; filtration and insulation products; specialty commercial construction substrates; high performance glass laminates for security and transportation applications; photovoltaic solar modules; paint protection films; plasma display screens; medical, automotive and industrial components; and soft body armor for civilian and military applications.

During the second quarter of 2013, JPS stockholders elected 2 members of SPLP's management team to their board to serve 1-year terms, one of which will serve as chairman. As a result of the foregoing events, the investment in JPS, which was

previously classified as an available-for-sale security in 2012, was reclassified to an associated company as of June 30, 2013. SPLP elected the fair value option to account for JPS in order to more appropriately reflect the value of JPS in its financial statements and records any unrealized gains and losses in earnings.

On January 26, 2015, HNH announced its has commenced a tender offer to purchase up to 10,028,724 shares, or approximately 96.5% of the outstanding shares, of common stock of JPS at a price of $10.00 per share in cash to all stockholders other than SPLP and with respect to the 4,021,580 JPS shares owned by SPLP, in exchange for common stock of HNH. If all shares are tendered, HNH would exchange approximately $60,100 in cash and 863,946 shares of its common stock.

Fox & Hound Restaurant Group

We previously had an indirect ownership interest in Fox & Hound Restaurant Group, a Delaware corporation ("Fox & Hound"). Fox & Hound is a privately held owner and operator of a chain of approximately 130 company-owned and 14 franchised social destination casual dining and entertainment-based restaurants in 32 states. Two of our representatives served on Fox & Hound's four-member board of directors. During the third quarter of 2013, due to the current and projected operating performance of Fox & Hound, the Company wrote its investment down to zero. On December 15, 2013, Fox & Hound filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware. The Bankruptcy Court approved a plan to sell the assets of Fox & Hound and the sale closed on March 12, 2014. The Company did not receive a distribution at the conclusion of the chapter 11 process.

Other

The Company has an investment in a Japanese real estate partnership. In the second quarter of 2013, the Company reclassified this investment to an associated company.

API Technologies Corp. ("API Tech")

In May 2014 our subsidiary Steel Excel, acquired an ownership interest of approximately 20.6% in API Tech. API Tech is a designer and manufacturer of high performance systems, subsystems, modules, and components. Effective as of that date the investment in API Tech has been accounted for as an equity method investment using the fair value option. Steel Excel elected the fair value option to account for its investment in API Tech in order to more appropriately reflect the value of API Tech in its financial statements. Prior to such time, the investment in API Tech was accounted for as an available-for-sale security.

Accounted for under the traditional equity method as of December 31, 2014:

CoSine Communications, Inc.

We have an ownership interest of approximately 48.3% as of December 31, 2014 in CoSine (OTC: COSN.PK), a Delaware corporation. Two of our representatives serve on CoSine's four-member board of directors, one of whom serves as the Chief Executive Officer and Chief Financial Officer. CoSine is currently in the business of seeking to acquire one or more business operations. In January 2015, the Company increased its ownership in CoSine to approximately 80% and CoSine became a controlled subsidiary. For additional information see Note 22 - "Subsequent Events" to the SPLP consolidated financial statements found elsewhere in this Form 10-K.

Other

Steel Excel has a 40.0% ownership interest in a fitness equipment company and a 46.9% ownership interest in iGo, Inc. ("iGo"), a mobile device accessories provider company.

SP II Liquidating Trust

The Company's investment in each series of the SPII Liquidating Trust is accounted for at fair value under the equity method (see Note 2 - "Summary of Significant Accounting Policies" and Note 13 - "Related Party Transactions" to the SPLP consolidated financial statements found elsewhere in this Form 10-K). The purpose of the SPII Liquidating Trust is to effect the orderly liquidation of certain assets previously held by SPII. SPLP's financial position, financial performance and cash flows will be affected to the extent SPII Liquidating Trust's results in realized or unrealized gains (losses) and by distributions it makes in each reporting period. These investments are classified as Long-term investments in the Consolidated Balance Sheets and the

gains or losses are recorded in Income (Loss) from other investments - related party in the Consolidated Statements of Operations (see Note 5 - "Investments" to the SPLP consolidated financial statements found elsewhere in this Form 10-K).

Our Common Units

Our common units are quoted on the New York Stock Exchange (NYSE) under the symbol "SPLP".

Other Information

Our business address is 590 Madison Avenue, 32nd Floor, New York, New York 10022, and our telephone number is (212) 520-2300. Our website is www.steelpartners.com. The information contained in, or that can be accessed through, the website is not part of this Form 10-K. This Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports, are available to you free of charge through our website as soon as reasonably practicable after those materials have been electronically filed with, or furnished to, the SEC.

Item 1A. Risk Factors

Our business is subject to a number of risks. You should carefully consider the following risk factors, together with all of the other information included or incorporated by reference in this report, before you decide whether to purchase our common units. These factors are not intended to represent a complete list of the general or specific risks that may affect us. It should be recognized that other risks may be significant, presently or in the future, and the risks set forth below may affect us to a greater extent than indicated. If any of the following risks occur, our business, financial condition and results of operations could be materially adversely affected. In such case, the trading price of our common units could decline, and you may lose all or part of your investment.

Risks Related to Our Structure

The unitholders have limited recourse to maintain actions against the General Partner, the Board of Directors, our officers and the Manager.

The Limited Partnership Agreement of SPLP, or the “Partnership Agreement,” contains broad indemnification and exculpation provisions that limit the right of a unitholder to maintain an action against the General Partner, the Board of Directors, our officers and the Manager, or to recover losses or costs incurred by us as a result of their actions or failures to act.

Our Partnership Agreement contains certain limitations on the voting rights of unitholders.

Our Partnership Agreement contains specific provisions that are intended to comply with regulatory limitations on the ownership of our securities as a result of our ownership of WebBank. Under the Partnership Agreement, a person or group that acquires beneficial ownership of 10% or more of the common units without the prior approval of the Board of Directors may lose voting rights with respect to all of its common units in excess of 9.9%.

We may have conflicts of interest with the minority shareholders of our businesses and decisions may need to be made by disinterested directors, without the participation of directors or officers associated with the Manager and the Company, which may be different from the decisions we would make. Companies in which we have interests but we do not control may make decisions that do not serve our interests and those of our unitholders.

The boards of directors and officers of our respective businesses, including directors and officers associated with our Manager and the Company, have fiduciary duties to their shareholders. As a result, they may make decisions that are in the best interests of their shareholders generally but which are not necessarily in the best interest of our unitholders. In dealings with us, the directors and officers of our businesses may have conflicts of interest and decisions may have to be made without their participation. Such decisions may be different from the decisions we would make and may not be in the best interests of our common unitholders, which may have an adverse effect on our business and results of operations.

There are certain interlocking relationships among us and certain affiliates of Warren G. Lichtenstein, our Executive Chairman, which may present potential conflicts of interest.

Warren G. Lichtenstein, our Executive Chairman and a substantial unitholder, is the Chief Executive Officer of our Manager. As of December 31, 2014, Mr. Lichtenstein directly owned approximately 9% of our outstanding common units. In addition, affiliates of our Manager beneficially own approximately 24% of our outstanding units, although Mr. Lichtenstein disclaims beneficial ownership of any common units not directly held by him. We have entered into transactions and/or agreements with these entities. There can be no assurance that such entities will not have interests in conflict with our own.

Certain members of our management team may be involved in other business activities that may involve conflicts of interest.

Certain individual members of our management team may, from time to time, be involved in the management of other businesses, including those owned or controlled by our Manager and its affiliates. Accordingly, these individuals may focus a portion of their time and attention on managing these other businesses. Conflicts may arise in the future between our interests and the interests of the other entities and business activities in which such individuals are involved.

We, as a diversified holding company, may have substantial limitations on our ability to sell interests in the underlying operating companies.

We accumulate significant positions in underlying operating companies and have a significant role in the management of various underlying operating companies. As a result, we may face significant legal and market restrictions on selling our interests in the underlying operating companies. For example, employees of the Manager and SPH Services may also serve as managers or members of the board of directors of the underlying operating companies, and, thus, may receive material and confidential information concerning the operating companies that would preclude us, under federal securities laws, from trading securities of the relevant operating company. Some privately held businesses may be subject to shareholders agreements which may limit our ability to sell our interests in such companies. In addition, we may be limited in our ability to sell securities in an underlying operating company in light of the size of our ownership interest and the absence of liquidity in the market to absorb our ownership interest, or, alternatively, may be required to sell our ownership interest at a discounted and unfavorable price.

Being classified as an "investment company" would subject us to numerous restrictions and requirements that would be inconsistent with the manner in which we operate our business, and could have a material adverse effect on our business and operations.

We plan to continue to conduct our business and operations in such a manner as not to be deemed an investment company under the Investment Company Act of 1940, as amended (the "Investment Company Act").

Investment companies are subject to extensive, restrictive and potentially adverse regulations relating to, among other things, operating methods, management, capital structure, dividends and transactions with affiliates. An entity may generally be deemed to be an investment company for purposes of the Investment Company Act if (a) it is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities; or (b) absent an applicable exemption, it owns investment securities having a value exceeding 40% of certain assets (the "40% Test"). As a result of the Exchange Transaction, on July 14, 2009, we could no longer definitively conclude that we passed the 40% Test or were able to rely on any exception from the definition of an investment company.

The Company has taken actions, including liquidating certain of our assets and acquiring additional interests in existing or new subsidiaries or controlled companies, to comply with the 40% Test, or a relevant exception. Also, since the Company operates as a diversified holding company engaged in a variety of operating businesses, we do not believe we are primarily engaged in an investment company type business, nor do we propose to primarily engage in such a business. Our intent to operate as a diversified holding company, and comply with the 40% test, may limit our ability to make certain investments, compel us to divest certain holdings, or to take or forego certain actions that could otherwise be beneficial to us.

If we were deemed to be an investment company under the Investment Company Act, we may need to further adjust our business strategy and assets, including divesting certain desirable assets immediately to fall outside of the definition or within an exemption, to register as an investment company (and subject to the aforementioned restrictions and requirements) or to cease operations.

Risks Related to Our Business

We conduct operations or own interests in companies with operations outside of the U.S., which may expose us to additional risks not typically associated with companies that operate solely in the U.S.

We have operations or own interests in securities of companies with operations located outside the U.S. These holdings have additional risks, including risks relating to currency exchange matters, less developed or efficient financial markets than in the U.S., absence of uniform accounting, auditing and financial reporting standards, differences in the legal and regulatory environment, different publicly available information in respect of companies in non-U.S. markets, economic and political risks, and possible imposition of non-U.S. taxes. There can be no assurance that adverse developments with respect to such risks will not adversely affect our assets that are held in certain countries or the returns from these assets.

Our businesses rely, and may rely, on their intellectual property and licenses to use others' intellectual property, for competitive advantage. If our businesses are unable to protect their intellectual property, are unable to obtain or retain licenses to use others' intellectual property, or if they infringe upon or are alleged to have infringed upon others' intellectual property, it could have a material adverse effect on their financial condition, business and results of operations.

The success of each of our businesses depends in part on its, or licenses to use others', brand names, proprietary technology and manufacturing techniques. These businesses rely on a combination of patents, trademarks, copyrights, trade secrets, confidentiality procedures and contractual provisions to protect their intellectual property rights. The steps they have taken to protect their intellectual property rights may not prevent third parties from using their intellectual property without their authorization or independently developing intellectual property that is similar. In addition, the laws of foreign countries may not protect our businesses' intellectual property rights effectively. Stopping unauthorized use of proprietary information and intellectual property, and defending claims of unauthorized use of others' proprietary information or intellectual property, may be difficult, time-consuming and costly and could subject our businesses to significant liability for damages and invalidate their property rights. Such unauthorized use could reduce or eliminate any competitive advantage our businesses have developed, cause them to lose sales or otherwise harm their business.

We are dependent on digital technologies to conduct our daily operations and maintain confidential information.

The Company relies on information technology systems to both manage its daily operations and to secure its intellectual property. We use various protective measures to secure our systems from unauthorized access. However, a failure in or breach of operational or informational security systems or infrastructure, or those of our third party vendors and other service providers, as a result of information system failures or cyber attack, could disrupt business, result in the disclosure or misuse of confidential or proprietary information, including customer and vendor lists, damage our reputation and investor confidence, increase security and remediation costs and cause losses, including potential lawsuits, all of which could have a material adverse effect on our businesses, financial condition and results of operations.

Our businesses are and may be subject to federal, state and foreign environmental laws and regulations that expose them to potential financial liability. Complying with applicable environmental laws requires significant resources, and if our businesses fail to comply, they could be subject to substantial liability.

Some of the facilities and operations of our businesses are, and may be, subject to a variety of federal, state and foreign environmental laws and regulations, including laws and regulations pertaining to the handling, storage and transportation of raw materials, products and wastes, and hazardous materials and wastes, which require and will continue to require significant expenditures to remain in compliance with such laws and regulations. Any material violations of these laws can lead to substantial liability, revocations of discharge permits, fines or penalties, which could negatively impact our financial condition, business and results of operations.

Some of our businesses are subject to certain risks associated with the movement of businesses offshore.

Some of our businesses are potentially at risk of losing business to competitors operating in lower cost countries. An additional risk is the movement offshore of some of our businesses' customers, leading them to procure products or services from more closely located companies. Either of these factors could negatively impact our financial condition, business and results of operations.

Our business strategy includes acquisitions which entail numerous risks.

Our business strategy and the strategy of our businesses includes acquisitions and entails several risks, including the diversion of management's attention from other business concerns and the need to finance such acquisitions with additional equity and/or debt. Any future acquisitions may also result in material changes in the composition of our assets and liabilities or the assets and liabilities of our businesses and if unsuccessful could reduce the value of our common units. In addition, once found, acquisitions entail further risks, including unanticipated costs and liabilities of the acquired businesses that could materially adversely affect our results of operations; difficulties in assimilating acquired businesses; negative effects on existing business relationships with suppliers and customers and losing key employees of the acquired businesses.

HNH sponsors a defined benefit pension plan which could subject it to substantial cash funding requirements in the future.

HNH's ongoing operating cash flow requirements include arranging for the funding of the minimum requirements of the WHX Corporation Pension Plan ("WHX Pension Plan"). The performance of the financial markets and interest rates, as well as health care trends and associated mortality rates, impact our defined benefit pension plan expense and funding obligations. Significant changes in these factors, including adverse changes in discount rates, investment losses on plan assets and increases in participant life expectancy, may increase our funding obligations and adversely impact our financial statements. Required future contributions are determined based upon assumptions regarding such matters as discount rates on future obligations, assumed rates of return on plan assets and legislative changes. Actual future pension costs and required funding obligations will be affected by changes in the factors and assumptions described in the previous sentence, as well as other changes such as any plan termination or other acceleration events. See Liquidity and Capital Resources section of this Form 10-K for additional information.

WebBank operates in a highly regulated environment. Recent and ongoing legislative and regulatory actions may significantly affect our liquidity or financial condition.

On July 21, 2010, President Barack Obama signed the Dodd-Frank Act into law. The Dodd-Frank Act is intended primarily to overhaul the financial regulatory framework following the global financial crisis and impacts all financial institutions, including WebBank. The Dodd-Frank Act, among other things, established the Bureau of Consumer Financial Protection and Financial Stability Oversight Council, consolidated certain federal bank regulators and imposed increased corporate governance and executive compensation requirements. While many of the provisions in the Dodd-Frank Act are aimed at financial institutions significantly larger than ours, the amount and complexity of regulations has increased our regulatory compliance burden and therefore has increased the Bank’s regulatory risk.

In addition, the Dodd-Frank Act added a new Section 13 to the Bank Holding Company Act, the so-called “Volcker Rule,” which generally restricts certain banking entities (including affiliates of depository institutions) from engaging in proprietary trading activities and owning equity in or sponsoring any private equity or hedge fund (collectively, "covered funds"). The Volcker Rule became effective July 21, 2012. The implementing regulations for the Volcker Rule were finalized by various regulatory agencies on December 10, 2013, although thereafter the Federal Reserve extended the conformance period until July 21, 2015. On December 18, 2014, the Federal Reserve further extended the conformance period until July 21, 2016 with respect to investments in, and relationships with, covered funds and foreign funds subject to the Volcker Rule that were in place prior to December 31, 2013. The Federal Reserve also indicated that it eventually intends to grant a final one-year extension of the conformance period for investments in, and relationships with, such funds, until July 21, 2017. The end of the conformance period for proprietary trading activities and investments in, and relationships with, covered funds entered into on or after December 31, 2013 remains July 21, 2015. Under the regulations, following the end of each applicable conformance period, we (and our affiliates) are restricted from engaging in proprietary trading, investing in covered funds or sponsoring new covered funds unless our activities qualify for specified exemption under the rule or satisfy certain requirements under the rule. While we are a banking entity under the Volcker Rule, we do not expect the Volcker Rule to have a material impact on our business

Furthermore, under the Dodd-Frank Act, all companies that directly or indirectly control an FDIC-insured bank are required to serve as a source of financial strength for such institution. As a result, SPLP could be called upon by the FDIC to infuse additional capital into WebBank to the extent that WebBank fails to satisfy its capital requirements, even if doing so may adversely affect SPLP’s ability to meet its other obligations. Currently, WebBank meets or exceeds all such requirements.

The U.S. Congress and state legislatures and federal and state regulatory authorities continually review banking laws, regulations and policies for possible changes. We cannot predict whether additional legislation will be enacted and, if enacted, the effect that it would have on our business, financial condition or results of operations.

WebBank may be subject to more stringent capital requirements.

In July 2013, the Federal Reserve Board and the FDIC, issued rules that implemented the Basel III changes to the international regulatory capital framework and revised the U.S. risk-based and leverage capital requirements for U.S. banking organizations in order to strengthen identified areas of weakness in capital rules and to address relevant provisions of the Dodd-Frank Act. The rules apply to WebBank.

Effective January 1, 2015 for WebBank, FDIC regulations implementing the Basel III Accord modified WebBank's minimum capital requirements by adding a 4.5% Common Equity Tier 1 ratio and increased the Tier 1 capital ratio requirement from 4% to 6%. Additionally, a Capital Conservation Buffer (composed solely of common equity Tier 1 capital) equal to 2.5% above the new regulatory minimum capital requirements will be phased in starting January 1, 2016 until fully implemented on January 1, 2019. A failure of WebBank to maintain the aggregate minimum capital requirements and Capital Conservation Buffer will impair its ability to make certain distributions (including dividends and stock repurchases) and discretionary bonus payments to executive officers.

Although the Company currently cannot predict the specific impact and long-term effects that Basel III will have on WebBank and the banking industry more generally, WebBank is currently within the new regulations.

Increased volatility in raw materials costs and availability may reduce revenues and profitability in our diversified industrial businesses.

Certain of our Diversified Industrial operations are subject to risks associated with increased volatility in raw material prices and availability of key raw materials. If the price for raw materials continues to increase and our operations are not able to pass these price increases to their customers, or are unable to obtain key raw materials, our results of operations may be negatively impacted.

Our energy segment is highly dependent on the activity level of the North American oil and gas industry. Our markets may be adversely affected by industry conditions that are beyond our control.

The level of oil and natural gas exploration and production activity in the United States is volatile. Reduced discovery rates of new oil and natural gas reserves, or a decrease in the development rate of reserves in our market areas, weakness in oil and natural gas prices, or our customers' perceptions that oil and natural gas prices will decrease in the future, could result in a reduction in the utilization of our equipment and result in lower revenues or rates for the services of our Energy segment. Our customers' willingness to undertake these activities depends largely upon prevailing industry conditions that are influenced by many factors over which we have no control.

We and our businesses operate in highly competitive markets.

We operate in a variety of competitive industries and market sectors. Many of our businesses' competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. Some competitors may have a lower cost of funds than we or our businesses do and access to financing sources that may not be available to us or our businesses. In addition, some of our competitors and the competitors of our businesses may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of business opportunities than we or our businesses can.

Risks Related to Our Manager

We depend on Warren G. Lichtenstein, the Chairman and Chief Executive Officer of the Manager, and Jack Howard, the President of the Manager, in running our businesses. The loss of their services could have a material adverse effect on our business, results and financial condition.

Our success depends on the efforts, skills, reputation and business contacts of Warren G. Lichtenstein, the Chairman and Chief Executive Officer of the Manager and Jack Howard, the President of the Manager. While the key members of the Manager have worked for the Manager and its affiliates for many years, our Manager does not have any employment agreements

with any of the key members of its management team and their continued service is not guaranteed. The loss of the services of Mr. Lichtenstein or Mr. Howard could have a material adverse effect on our asset value, revenues, net income and cash flows and could harm our ability to maintain or grow our existing operations or pursue additional opportunities in the future.

The interests of our Manager may not be aligned with our interests or those of our unitholders.

Our Manager receives an annual Management Fee at a rate of 1.5% of total partner's capital, payable on the first day of each quarter, subject to quarterly adjustment. Our Manager is entitled to receive a Management Fee regardless of our net income. In addition, our Manager was granted partnership profits interests in the form of incentive units which may be classified into Class C common units of SPLP. The Manager may consider entering into or recommending riskier transactions that represent a potential higher reward in order for the Manager's units to be profitable. Any such riskier investment decisions or recommendations, if unsuccessful, could result in losses to us and a decline in the value of the common units.

We cannot determine the amount of the Management Fee that will be paid over time with any certainty.

The Management Fee is calculated by reference in part to our total partners' capital. Our total partners' capital will be impacted by the performance of our businesses and other businesses we may acquire in the future, as well as the issuance of additional common units. Changes in our total partners' capital and in the resulting Management Fee could be significant, resulting in a material adverse effect on our results of operations. In addition, if our performance declines, assuming our total partners' capital remains the same, the Management Fee will increase as a percentage of our net income.

Our Manager's liability is limited under the Management Agreement, and we have agreed to indemnify our Manager against certain liabilities. Such indemnification may incentivize our Manager to take unnecessary risks with respect to actions for which it will be indemnified.

Under the Management Agreement, our Manager, its members, officers, employees, affiliates, agents and legal representatives are not liable for, and we have agreed to indemnify such persons from, any loss or expense, including without limitations, any judgment, settlement, reasonable attorneys' fees and other costs and expenses incurred in connection with the defense of any actual or threatened proceeding, other than losses resulting from willful misconduct or gross negligence in the performance of such indemnified person's obligations and duties. Such indemnification may incentivize our Manager to take unnecessary risks with respect to actions for which it will be indemnified.

Risks Related to our Common Units

We may issue additional common units in the future without the consent of unitholders and at a discount to the market price of such common units. In particular, sales of significant amounts of the common units may cause the price of the common units to decline.

Under the terms of the Partnership Agreement, additional common units may be issued without the consent of unitholders at a discount to the market price. In addition, other classes of securities may be issued with rights that are senior to or which otherwise have preferential rights to the rights of the common units. Sales of significant amounts of the common units in the public market or the perception that such sales of significant amounts may occur could adversely affect its market price. Moreover, the perceived risk of any potential dilution could cause common unit holders to attempt to sell their common units and investors to “short” the common units, a practice in which an investor sells common units that he or she does not own at prevailing market prices, hoping to purchase common units later at a lower price to cover the sale. Any event that would cause the number of common units being offered for sale to increase would likely cause the common units' market price to further decline. These sales might also make it more difficult for us to sell additional common units in the future at a time and price that we deem appropriate.

Risks Related to Taxation

All statutory references in this section are to the Internal Revenue Code of 1986, as amended, or the “Code.”

Our unitholders may be subject to U.S. federal, state and other income tax on their share of our taxable income, regardless of whether they receive any cash distributions from us.

The Company operates, for U.S. federal income tax purposes, as a partnership and not a publicly traded partnership taxable as a corporation. Our unitholders will be subject to U.S. federal, state, local and possibly, in some cases, foreign income

tax on their allocable share of our taxable income, whether or not they receive cash distributions from us. We do not anticipate making any cash distributions or paying any cash dividends. Accordingly, our unitholders may be required to make tax payments in connection with their ownership of common units that significantly exceed their cash distributions in any given year.

Our tax treatment is not assured. If we are taxed as a corporation, it could adversely impact our results of operations.

A partnership is not a taxable entity and distributions by a partnership to a partner are generally not taxable to the partnership or the partner unless the amount of cash distributed to such partner exceeds the partner's adjusted basis in its partnership interest. Section 7704 provides that generally publicly traded partnerships are taxed as corporations. However, an exception, referred to as the "Qualifying Income Exception," exists with respect to publicly traded partnerships of which 90 percent or more of the gross income for every taxable year consists of "qualifying income" as defined in the Code. We expect that we will meet the Qualifying Income Exception. However, the Qualifying Income Exception will not apply if we register, or are required to register, as an investment company under the Investment Company Act.

If the Qualifying Income Exception is not available to us, then we will be treated as a corporation instead of a partnership. In that event, the deemed incorporation of SPLP should be tax-free, unless the corporation is an investment company for tax purposes and the partners are treated as diversifying their interests. If we were taxed as a corporation, (i) our net income would be taxed at corporate income tax rates, thereby substantially reducing our profitability, (ii) our unitholders would not be allowed to deduct their share of losses of SPLP and (iii) distributions to our unitholders, other than liquidating distributions, would constitute dividends to the extent of our current or accumulated earnings and profits, and would be taxable as such.

Our structure involves complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available.

The U.S. federal income tax treatment of our unitholders depends in some instances on interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. Our Partnership Agreement permits our General Partner to modify it from time to time, including the allocation of items of income, gain, loss and deduction (including unrealized gain and unrealized loss to the extent allowable under U.S. federal income tax law), without the consent of our unitholders, to address certain changes in U.S. federal income tax regulations, legislation or interpretation or to preserve the uniformity of our common units. In some circumstances, such revisions could have a material adverse impact on some or all unitholders. In addition, we formed a subsidiary partnership, to which we contributed certain of our assets ("the "Subsidiary Partnership"). To preserve the uniformity of common units, we (but not the Subsidiary Partnership) will make an election permitted under Section 754 and we will adopt the remedial allocation method under Section 704(c) with respect to items of income, gain, loss and deduction attributable to assets contributed to us (which we will contribute to the Subsidiary Partnership), to account for any difference between the tax basis and fair market value of such assets at the time of contribution, or attributable to the "book-up" or "book-down" of our assets prior to their contribution to the Subsidiary Partnership, or while they were held by the Subsidiary Partnership, to account for the difference between the tax basis and fair market value of such assets at the time of a mark-to-market event. We intend generally to make allocations under Section 704(c) to our unitholders in accordance with their respective percentage interests. However, built-in gain or built-in loss in existence and allocable to the assets we contributed to the Subsidiary Partnership, when recognized, will be allocated to our unitholders as of the contribution date. We intend to prepare our tax returns on the basis that buyers of common units from such unitholders will not inherit such unitholders' built-in gains or built-in losses as of that date as a result of the election under Section 754. However, it is not clear whether this position will be upheld if challenged by the IRS. While we believe it represents the right result, there is no law directly on point.

Tax-exempt entities face unique tax issues from owning common units that may result in adverse tax consequences to them.

A holder of common units that is a tax-exempt organization may be subject to U.S. federal income taxation to the extent that its allocable share of our income consists of unrelated business taxable income ("UBTI"). We may borrow money. A tax-exempt partner of a partnership may be treated as earning UBTI if the partnership regularly engages in a trade or business that is unrelated to the exempt function of the tax-exempt partner, if the partnership derives income from debt-financed property or if the tax-exempt organization's partnership interest itself is debt-financed.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

All dollars used in this discussion are in thousands.

HNH

As of December 31, 2014, HNH had 23 active operating plants in the United States, Canada, China, United Kingdom, Germany, France, Poland and Mexico, with a total area of approximately 1,576,838 square feet, including warehouse, office, sales, service and laboratory space. HNH also owns or leases sales, service, office and warehouse facilities at 8 other locations in the United States, which have a total area of approximately 225,330 square feet, and owns or leases 5 non-operating locations with a total area of approximately 321,150 square feet. Manufacturing facilities are located in: Camden and Bear, Delaware; Evansville, Indiana; Agawam, Massachusetts; Middlesex, New Jersey; Arden, North Carolina; Rancho Cucamonga, California; St. Louis, Missouri; Cudahy, Wisconsin; Itasca, Illinois; Warwick, Rhode Island; Toronto and Montreal, Canada; Matamoros, Mexico; Gwent, Wales, United Kingdom; Pansdorf, Germany; Riberac, France; Gliwice, Poland; and Suzhou, China. All plants are owned except for the Middlesex, Arden, Rancho Cucamonga, Montreal, Gliwice and one of two Suzhou plants, which are leased. The Bear, Delaware, Rancho Cucamonga, California, and Suzhou, China facilities, with a total area of approximately 340,481 square feet, are associated with the Company's former Arlon business.

HNH considers its manufacturing plants and service facilities to be well maintained and efficiently equipped, and therefore suitable for the work being done. The productive capacity and extent of utilization of its facilities is dependent in some cases on general business conditions and in other cases on the seasonality of the utilization of its products. Capacity can be expanded at some locations.

Steel Excel

Steel Excel's Energy business owns four buildings in Williston, ND, including one that serves as its headquarters and operations hub in the Bakken basin along with separate buildings with office and shop space. To support its other operations, the Energy business owns shop space Texas and leases shop space in Colorado under an arrangement that expires in 2015. The Energy business also leases shop space and office space under month-to-month arrangements on an as needed basis and owns and leases housing for temporary living arrangements for certain of its employees.

Steel Excel's Sports business has a lease for office space in Hermosa Beach, CA, that expires in June 2015, which serves as its headquarters. Steel Excel's Sports business has a lease for approximately 27.9 acres of land in Yaphank, NY, for its baseball services operation that expires in December 2016. Under this lease Steel Excel has two extension options and a right of first refusal to purchase the parcel. The Sports business also has a lease for 2,300 square feet for its CrossFit® facility in Hermosa Beach, CA, that expires in July 2015 and a lease for 9,940 square feet for its CrossFit® facility in Torrance, CA, that expires in March 2023. In addition, the Sports business has leases in various states for small administrative offices to
support its youth soccer operation.

BNS

As of December 31, 2014, BNS did not own or lease any properties.

DGT

As discussed elsewhere in this Form 10-K, on August 16, 2012 DGT completed the sale of its RFI Corporation ("RFI") subsidiary and sold the related manufacturing and office property in the first quarter of 2015. In addition, as discussed elsewhere in this Form 10-K, on November 3, 2011 DGT completed the sale of Villa Sistemi Medicali S.p.A. ("Villa"), its former Italian subsidiary. DGT continues to own 67,000 square feet of design and manufacturing space in Milan, Italy and currently leases the building to the buyer of Villa.

WebBank

As of December 31, 2014, WebBank leases 8,000 square feet of office space headquartered in Salt Lake City, Utah. The term of the lease expires in March 2017. WebBank also leases office space in New Jersey through March 2017. WebBank believes that these facilities are adequate for its current needs and that suitable additional space will be available as required.

SPH Services

As of December 31, 2014, SPH Services leases 20,764 square feet of office space headquartered in New York City, New York. The term of the lease expires in December 2025. SPH Services also leases office space in Los Gatos, California through January 2017.

Item 3. Legal Proceedings

The information set forth under Note 21 - "Commitments and Contingencies" of our Notes to Consolidated Financial Statements, included in Part II, Item 8, Financial Statements, of this Report, is incorporated herein by reference. For an additional discussion of certain risks associated with legal proceedings, see the section entitled Part I, Item 1A, Risk Factors, of this Report.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

As of December 31, 2014, we had 27,566,200 common units issued and outstanding. Our common units, no par value, are quoted on the NYSE under the symbol "SPLP". The following table sets forth the information on the high and low sales prices of our common units during 2014 and 2013.

Fiscal year ending December 31, 2014	**High**	**Low**
First Quarter	$ 17.57	$ 15.70
Second Quarter	$ 17.21	$ 15.91
Third Quarter	$ 16.92	$ 16.27
Fourth Quarter	$ 18.55	$ 15.65
Fiscal year ending December 31, 2013	**High**	**Low**
First Quarter	$ 13.62	$ 11.51
Second Quarter	$ 13.77	$ 12.90
Third Quarter	$ 15.47	$ 13.80
Fourth Quarter	$ 17.59	$ 14.88

Holders

As of December 31, 2014, there were approximately 140 unitholders of record.

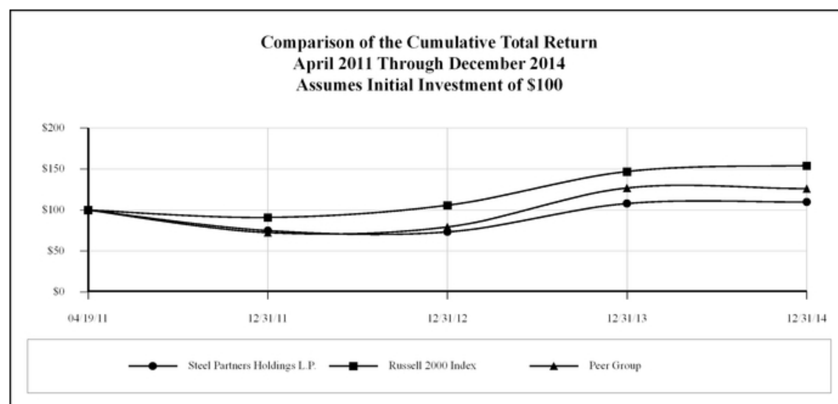
Distributions

In connection with the Exchange Transaction, we agreed to distribute to the holders of our common units the Target Distribution, subject to certain limitations, during the period from July 16, 2009 to the Final Distribution Date. On April 6, 2011, we distributed to our unitholders of record as of March 25, 2011, approximately $29,868 (net of approximately $3,229 to treasury units), or $1.18 per common unit, representing the final required distribution in full satisfaction of the Target Distribution.

We may, at our option, make further distributions to the unitholders although we currently have no plan to make any distributions in excess of the Target Distribution.

Unit Performance Graph

The following graph compares the cumulative total return provided to unitholders on our common units since the common units began trading on April 19, 2011, relative to the cumulative total returns of the Russell 2000 index, and a customized peer group of seven companies that includes: Blackstone Group L.P., Leucadia National Corporation, Apollo Investment Corporation, Compass Diversified Holdings LLC, Gladstone Capital Corporation, Knights Capital Group, Inc. and Main Street Capital Corporation. An investment of $100 (with reinvestment of all dividends) is assumed to have been made in our common units, in the peer group, and the index on April 19, 2011 and its relative performance is tracked through December 31, 2014. We did not declare or pay any dividends during the comparison period.



	4/19/2011	12/31/2011	12/31/2012	12/31/2013	12/31/2014
Steel Partners Holdings L.P.	$ 100	$ 74.92	$ 73.30	$ 107.87	$ 109.80
Russell 2000 Index	$ 100	$ 90.96	$ 105.83	$ 146.91	$ 154.11
Peer Group	$ 100	$ 72.48	$ 79.34	$ 126.85	$ 126.08

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

The performance graph shall not be deemed to be incorporated by reference by means of any general statement incorporating by reference this Form 10-K into any filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate such information by reference, and shall not otherwise be deemed filed under such acts.

Issuer Purchases of Equity Securities

On December 24, 2013, the Board of Directors of the general partner of the Company approved the repurchase of up to an aggregate of $5,000 of the Company's common units (the "Repurchase Program"). Any purchases made under the Repurchase Program will be made from time to time on the open market at prevailing market prices or in negotiated transactions off the market, in compliance with applicable laws and regulations. In connection with the Repurchase Program, the Company entered into a Stock Purchase Plan which expired on March 26, 2014. The Repurchase Program has no termination date.

Period	(a) Total Number of Shares (or Units) Purchased (1)	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1, 2014 through October 31, 2014	23,155	$ 15.32	—	$ 2,430
November 1, 2014 through November 30, 2014	2,041	$ 16.78	—	$ 2,430
December 1, 2014 through December 31, 2014	11,367	$ 17.34	—	$ 2,430
Total	36,563		—	

(1) All units were purchased by DGT, an affiliate of the Company, in open market transactions for its own account.

Item 6. Selected Financial Data

The following table contains our selected historical consolidated financial data, which should be read in conjunction with our consolidated financial statements and the related notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in this Annual Report on Form 10-K. The selected financial data as of and for the years ended December 31, 2014, 2013 and 2012 have been derived from our audited consolidated financial statements at those dates and for those periods, contained elsewhere in this Annual Report on Form 10-K. The historical selected financial data as of and for the years ended December 31, 2011 and 2010 have been derived from our audited consolidated financial statements adjusted for discontinued operations at those dates and for those periods, not contained in this Annual Report on Form 10-K.

The table below presents discontinued operations as follows:

- The year ended December 31, 2014 includes the operations of HNH's Arlon business.
- The year ended December 31, 2013 includes the operations of HNH's businesses: Arlon, Continental Industries ("Continental"), Canfield Metal Coating Corporation ("CMCC") and Indiana Tube de Mexico, S. De R.L. de C.V. ("ITM") through their respective sale dates, as well as one of Steel Excel's sports businesses.
- The year ended December 31, 2012 includes the aforementioned HNH operations, as well as DGT's RFI subsidiary and DGT's Villa subsidiary through their respective sale dates.
- The year ended December 31, 2011 includes the aforementioned operations, as well as DGT's operations from July 5, 2011.
- The year ended December 31, 2010 includes the aforementioned HNH discontinued operations (from May 7, 2010 through December 31, 2010) as well as the gain on sale of BNS' former subsidiary, Collins Industries, Inc. ("Collins"), which was sold on February 18, 2010.

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands, except common unit and per common unit data)				
STATEMENTS OF OPERATIONS DATA (a)					
Revenues:					
Diversified Industrial, Energy, Financial Services and Corporate and Other	$ 849,530	$ 721,114	$ 630,771	$ 542,902	$ 320,716
Net (loss) income from continuing operations	$ (17,572)	$ 38,374	$ 43,736	$ 71,298	$ 12,557
Income from discontinued operations	10,304	6,446	20,029	9,979	33,889
Net (loss) income	(7,268)	44,820	63,765	81,277	46,446
Less: Net income attributable to non-controlling interests:	(287)	(25,360)	(22,747)	(45,808)	(14,699)
Net (loss) income attributable to common unitholders	$ (7,555)	$ 19,460	$ 41,018	$ 35,469	$ 31,747
Net (loss) income per common unit - basic:					
Net (loss) income from continuing operations	$ (0.48)	$ 0.51	$ 1.01	$ 1.19	$ 0.57
Net income from discontinued operations	0.21	0.14	0.37	0.22	0.69
Net (loss) income attributable to common unitholders	$ (0.27)	$ 0.65	$ 1.38	$ 1.41	$ 1.26
Basic weighted average common units outstanding	28,710,220	29,912,993	29,748,746	25,232,985	25,234,827
Net (loss) income per common unit - diluted:					
Net (loss) income from continuing operations	$ (0.48)	$ 0.49	$ 1.01	$ 0.81	$ 0.52
Net income from discontinued operations	0.21	0.14	0.37	0.18	0.64
Net (loss) income attributable to common unitholders	$ (0.27)	$ 0.63	$ 1.38	$ 0.99	$ 1.16
Diluted weighted average common units outstanding	28,710,220	30,798,113	29,774,527	29,669,582	27,482,804

(a) Statement of operations data includes the consolidation of the results of acquired entities from their respective acquisition dates: primarily, the acquisition of HNH effective May 7, 2010, the acquisition of SWH, Inc. ("SWH") by BNS on February 2, 2011, the acquisition of DGT on July 5, 2011, the acquisition of Steel Excel on May 31, 2012, HNH's acquisition of Wolverine Joining Technologies in April 2013 and Steel Excel's acquisition of the assets of Black Hawk Energy Services, Inc. in December 2013.

	December 31,				
	2014	2013	2012	2011	2010
BALANCE SHEET DATA	(In thousands, except per common unit data)				
Diversified Industrial, Energy, Financial Services and Corporate and Other:					
Cash and cash equivalents	$ 188,983	$ 203,980	$ 198,027	$ 127,027	$ 180,684
Marketable securities	138,457	178,485	199,128	—	—
Long-term investments	311,951	295,440	199,865	320,891	235,142
Total assets	1,492,905	1,522,245	1,378,359	1,129,843	1,091,865
Long-term debt	296,282	223,355	140,065	130,955	91,984
SPLP Partners’ capital	494,859	616,582	527,344	415,797	405,732
SPLP Partners’ capital per common unit	$ 17.95	$ 19.81	$ 17.13	$ 16.51	$ 16.07

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes thereto that are available elsewhere in this Annual Report on Form 10-K. The following is a discussion and analysis of SPLP's consolidated results of operations for the years ended December 31, 2014, 2013 and 2012. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in "Risk Factors" in Item 1A. All monetary amounts used in this discussion are in thousands except common units and share amounts.

Overview

Steel Partners Holdings L.P. ("SPLP" or the "Company") is a global diversified holding company that engages in multiple businesses, including diversified industrial products, energy, defense, supply chain management and logistics, banking, food products and services, sports, training, education, and the entertainment and lifestyle industries.

Segment Information

The following table presents the composition of our segments, which include the operations of our consolidated subsidiaries, as well as income or loss from equity method investments and other investments. Our segments are managed separately and offer different products and services.

Diversified Industrial	Energy	Financial Services	Corporate
Handy & Harman Ltd. ("HNH") [1]	Steel Excel Inc. ("Steel Excel")[1]	WebBank [1]	SPH Services, Inc. ("SPH Services") [1]
SL Industries, Inc. ("SLI")[2]	BNS Holding, Inc. ("BNS") [1], [3]		DGT Holdings Corp. ("DGT") [1]
JPS Industries, Inc. ("JPS") [2]			BNS Holdings Liquidating Trust ("BNS Liquidating Trust") [1], [3]
			ModusLink Global Solutions, Inc. [2]
			CoSine Communications, Inc. ("CoSine")[2]
			SPII Liquidating Trust [2]
			Other Investments [4]

(1) Consolidated subsidiary
(2) Equity method investment
(3) The operations of BNS are included in the Energy segment through June 30, 2012. The results of the BNS Liquidating Trust are included in the Corporate and Other segment beginning July 1, 2012.
(4) Other investments classified in Corporate and Other include various investments in available-for-sale securities in the Aerospace/Defense, Restaurant and Manufacturing industries.

RESULTS OF OPERATIONS

CONSOLIDATED RESULTS OF OPERATIONS

	Year Ended December 31,		
	2014	2013	2012
Revenues	$ 849,530	$ 721,114	$ 630,771
Cost of goods sold	587,069	496,757	416,826
Selling, general and administrative expenses	189,495	202,121	155,522
Goodwill impairment	41,450	—	—
All other expenses	6,243	5,711	26,461
Total costs and expenses	824,257	704,589	598,809
Income from continuing operations before income taxes and equity method income (loss)	25,273	16,525	31,962
Income tax provision	24,288	6,477	13,068
Income (Loss) from equity method investments and investments held at fair value:			
(Loss) Income of associated companies, net of taxes	(3,379)	27,786	14,204
Income (Loss) from other investments - related party	891	(271)	(8,329)
(Loss) Income from investments held at fair value	(16,069)	811	18,967
Net (loss) income from continuing operations	(17,572)	38,374	43,736
Income from discontinued operations	10,304	6,446	20,029
Net (loss) income	(7,268)	44,820	63,765
Net income attributable to noncontrolling interests in consolidated entities	(287)	(25,360)	(22,747)
Net (loss) income attributable to common unitholders	$ (7,555)	$ 19,460	$ 41,018

Revenues

Revenues in 2014 increased $128,416, or 17.8%, as compared to 2013 due to growth from acquisitions of 15.1% and core growth of 6.1%, partially offset by a decrease of 3.4%, due to other factors, primarily precious metal prices. Acquisition growth was due to PAM Fastening Technology, Inc. ("PAM") (acquired November 2013) and Wolverine Joining Technologies, LLC ("Wolverine Joining") (acquired April 2013) in the Diversified Industrial segment and the acquisition of the assets of Black Hawk Energy Services, Inc. ("Black Hawk Inc.") (acquired December 2013) and UK Elite Soccer, Inc. ("UK Elite") (acquired June 2013) in the Energy segment.

Revenues in 2013 increased $90,343, or 14.3%, as compared to 2012 due to growth from acquisitions of 11.9% and core growth of 8.2%, partially offset by a decrease of 5.8%, due to reduced investment revenues and other factors, primarily precious metal prices. The acquisition growth in the year ended December 31, 2013 was primarily due to Wolverine Joining and W.P. Hickman Company ("Hickman") (acquired December 2012) in the Diversified Industrial segment. In addition, the acquisition growth was impacted by the inclusion of a full year of Energy segment results in 2013 due to the May 2012 acquisition of Steel Excel, as well as the impact from Steel Excel's 2013 acquisitions of the assets of Black Hawk Inc. and UK Elite.

Costs and Expenses

Costs and expenses in 2014 increased $78,218, or 11.1%, as compared to 2013 and increased $105,780, or 17.7% in 2013, as compared to 2012, primarily due to an increase in cost of goods sold and Selling, general and administrative expenses ("SG&A").

Cost of Goods Sold

Cost of goods sold in 2014 increased $90,312, or 18.2%, as compared to 2013 primarily due to increases in our Diversified Industrial and Energy segments principally as a result of the acquisitions of Wolverine Joining, PAM and the assets of Black Hawk Inc., as well as additional costs due to core growth.

Cost of goods sold in 2013 increased $79,931, or 19.2%, as compared to 2012 primarily due to increases in our Diversified Industrial and Energy segments principally as a result of the acquisitions of Wolverine Joining, Hickman and the impact of the inclusion of a full year of Energy segment results in 2013 due to the May 2012 acquisition of Steel Excel, as well as the impact from Steel Excel's 2013 acquisitions of the assets of Black Hawk Inc. and UK Elite.

Selling, General and Administrative Expenses

SG&A expenses in 2014 decreased $12,626, or 6.2%, as compared to 2013 primarily due to a decrease in the Corporate and Other segment due to lower non-cash incentive unit expense recorded in 2014, compared to 2013, as well as a decrease in the Diversified Industrial segment. The Diversified Industrial decrease was due to a decrease from HNH's core business primarily due to the recording of insurance reimbursements, as well as lower benefit costs and reduced business development expenses, which were partially offset by higher incremental expenses from the Wolverine Joining and PAM acquisitions. These decreases were partially offset by an increase in our Financial Services segment due to higher personnel costs and an increase in our Energy segment principally as a result of the acquisition of the assets of Black Hawk Inc., additional costs due to core growth, higher business development costs and certain non-recurring benefits that were recorded in the prior year period.

SG&A expenses in 2013 increased $46,599, or 30.0%, as compared to 2012 primarily due to an increase in the Corporate and Other segment due to higher non-cash incentive unit expense recorded in 2013, compared to 2012 and an increase in the Diversified Industrial segment due to the Wolverine and Hickman acquisitions. Additionally, SG&A expenses increased in our Energy segment due to the impact of the inclusion of a full year of Energy segment results in 2013 due to the May 2012 acquisition of Steel Excel, as well as the impact from Steel Excel's 2013 acquisitions of the assets of Black Hawk Inc. and UK Elite.

Goodwill Impairment

In connection with its annual goodwill impairment test, the Company recognized an impairment charge of $41,450 in the fourth quarter of 2014 related to the goodwill associated with its Energy segment. The impairment resulted from the adverse effects the decline in energy prices had on the oil services industry and the projected results of operations of the Energy segment.

All Other Expenses

All other expenses increased $532 in 2014, compared to 2013, primarily from higher interest expense. All other expenses decreased $20,750 in 2013, compared to 2012, primarily from the non-recurring expense for the deferred fee liability to related party recorded in 2012, lower interest expense in 2013 and higher income from investment sales by Steel Excel in 2013, partially offset by higher asset impairment charges recorded in 2013.

(Loss) Income of Associated Companies

The (Loss) Income of associated companies in 2014 decreased by $31,165, compared to 2013, primarily due to a higher reduction in the 2014 period in the fair value of MLNK of approximately $46,100 and a higher reduction in the 2014 period in the fair value of certain investments held by Steel Excel of approximately $5,200, partially offset by higher increases in the fair value of JPS of approximately $5,100 and SLI of approximately $3,000 and the non-recurrence of a reduction in fair value recorded in the 2013 period of approximately $11,500 related to Fox & Hound (see Note 5 – "Investments" to the SPLP consolidated financial statements found elsewhere in this Form 10-K for additional information).

The Income (Loss) of associated companies in 2013 increased by $13,582, compared to 2012, primarily due to increases in the 2013 period in the fair value of MLNK, JPS and SLI of approximately $23,000, $9,000 and $7,000, respectively. The Company began accounting for MLNK and JPS as associated companies recorded at fair value in 2013. These increases were partially offset by an increased reduction in the fair value of Fox & Hound of approximately $11,000 in 2013 and the non-recurrence of an approximately $13,000 increase in fair value of Steel Excel recorded in the 2012 period, prior to Steel Excel becoming a consolidated subsidiary (see Note 5 – "Investments" to the SPLP consolidated financial statements found elsewhere in this Form 10-K for additional information).

(Loss) Income from Investment Held at Fair Value

(Loss) Income from investments held at fair value for the years ended December 31, 2014 and 2013 includes income or loss that the Company recognizes on its direct investment in API Group plc ("API") and its investment in ModusLink warrants (see Note 5 - "Investments" to the SPLP consolidated financial statements found elsewhere in this Form 10-K). (Loss) Income from investments held at fair value for the year ended December 31, 2012 included income or loss that the Company recognized on its direct investment in API and Barbican Group Holdings Limited ("Barbican").

SEGMENT RESULTS OF OPERATIONS

The following is a summary of SPLP's consolidated operating results by segment:

	Year Ended December 31,		
	2014	2013	2012
Revenue:			
Diversified industrial	$ 600,468	$ 571,164	$ 498,713
Energy	210,148	120,029	92,834
Financial services	36,647	28,185	21,155
Corporate and other	2,267	1,736	18,069
Total Revenue	$ 849,530	$ 721,114	$ 630,771
Net income (loss) by segment:			
Diversified industrial	$ 65,543	$ 51,900	$ 27,437
Energy	(26,254)	12,641	25,034
Financial services	24,251	17,668	12,913
Corporate	(56,824)	(37,358)	(8,580)
Net income from continuing operations before income taxes	6,716	44,851	56,804
Income tax provision	24,288	6,477	13,068
Net (loss) income from continuing operations	(17,572)	38,374	43,736
Income from discontinued operations	10,304	6,446	20,029
Net income attributable to noncontrolling interests in consolidated entities	(287)	(25,360)	(22,747)
Net (loss) income attributable to common unitholders	(7,555)	19,460	41,018
Other comprehensive (loss) income	(38,779)	59,446	(6,125)
Comprehensive (loss) income attributable to common unitholders	$ (46,334)	$ 78,906	$ 34,893

Diversified Industrial Segment

Our Diversified Industrial segment consists of the operations of HNH, a diversified holding company that owns a variety of manufacturing operations encompassing joining materials, tubing, building materials and cutting replacement products and services businesses. In addition, the segment results include income or loss from equity method investments held by SPLP. The following presents a summary of the Diversified Industrial segment operating results as reported in our consolidated financial statements:

	Year Ended December 31,		
	2014	2013	2012
Net Sales	$ 600,468	$ 571,164	$ 498,713
Cost of sales	436,914	411,859	356,561
Gross profit	163,554	159,305	142,152
Selling, general and administrative expenses	116,394	117,920	103,295
Asset impairment charges	1,314	—	—
Interest expense	7,544	8,593	14,134
Derivative activity income	(1,307)	(1,195)	(1,353)
Other expense, net	181	344	435
Net income from continuing operations before income taxes	39,428	33,643	25,641
Income from associated companies:			
JPS	14,277	9,204	—
SLI	11,838	9,053	1,796
Total Segment Income	$ 65,543	$ 51,900	$ 27,437

Comparison of the Years ended December 31, 2014 and 2013

Net sales in 2014 increased by $29,304, or 5.1% when compared to 2013. The change in net sales reflects approximately $26,700 in incremental sales associated with HNH's recent acquisitions and a net increase from core growth of approximately $27,800, which were partially offset by a reduction of approximately $25,200 in net sales due to lower average precious metal prices, principally due to silver. The acquisitions of Wolverine Joining and PAM, net of sales volume transferred to or from the acquired business units as part of HNH's integration activities, provided incremental net sales of approximately $16,700 and $10,000, respectively, during the year ended December 31, 2014. Excluding the impact of these acquisitions, value added sales, defined as net sales less revenue from the direct purchase and resale of precious metals, increased by approximately $27,800 on higher volume, primarily from the Building Materials and Joining Materials groups, which were partially offset by lower sales volume from the Tubing group. The average silver market price was approximately $19.05 per troy ounce in 2014, as compared to $23.79 per troy ounce in 2013.

Gross profit in 2014 increased by $4,249, or 2.7%, when compared to 2013, and, as a percentage of net sales, decreased to 27.2% as compared to 27.9% in 2013. The decrease was principally due to unfavorable production variances in the Tubing group driven by lower sales volume, along with higher international freight costs and a change in product mix in the Building Materials group, which were partially offset by favorable sales mix in the Joining Materials group. The change in gross profit reflects approximately $4,000 in incremental gross profit associated with HNH's recent acquisitions and a net increase from core growth of approximately $4,000, which were partially offset by a reduction of approximately $3,000 in gross profit due to lower average precious metal prices. The acquisitions of Wolverine Joining and PAM, net of sales volume transferred to or from the acquired business units as part of HNH's integration activities, provided incremental gross profit of approximately $1,200 and $2,800, respectively, for the year ended December 31, 2014. Higher sales volume from the Building Materials and Joining Materials groups led to the increase in gross profit from our core business, which was partially offset by unfavorable production variances, leading to a decline in gross profit margin, in the Tubing group due to lower sales volume.

Selling, general and administrative ("SG&A") expenses decreased by $1,526, or 1.3%, in 2014, compared to 2013. The lower SG&A expense in 2014 was driven by a decrease of approximately $3,400 from HNH's core business in 2014, primarily due to the recording of insurance reimbursements totaling $3,100, as compared to similar reimbursements of $1,100 in 2013, as well as lower benefit costs and reduced business development expenses, which were partially offset by approximately $3,100 in incremental expenses from the Wolverine Joining and PAM acquisitions.

In the fourth quarter of 2014, non-cash asset impairment charge of $700 was recorded related to certain equipment owned by the Company's Joining Materials group located in Toronto, Canada, which will either be sold or scrapped as part of HNH's continued integration activities associated with the Wolverine Joining acquisition. In addition, HNH recorded a $600 asset impairment charge associated with certain unused, real property owned by one of HNH's businesses located in Atlanta, Georgia in the fourth quarter of 2014.

Interest expense decreased by $1,049, or 12.2%, in 2014, compared to 2013. Interest expense for 2013 included a loss associated with HNH's redemption of its 10% subordinated secured notes due 2017 ("Subordinated Notes"), including the redemption premium and the write-off of remaining deferred finance costs and unamortized debt discounts. HNH's average interest rate was also lower for 2014 principally due to HNH's redemption of the Subordinated Notes and a decrease in the applicable interest rate margin associated with HNH's new senior credit facility, but was offset by increased average borrowing levels in the second half of 2014.

Derivative activity income was $1,307 in 2014 and $1,195 in 2013. The income in 2014 was attributable to HNH's commodity contracts, driven by a 19.9% average silver price decrease during the year. Of the income in 2013, approximately $1,988 was attributable to precious metal contracts driven by a 23.7% average silver price decrease during the year, partially offset by a loss of $793 on the embedded derivative features of HNH's Subordinated Notes and related warrants.

Comparison of the Years ended December 31, 2013 and 2012

Net sales in 2013 increased by $72,451, or 14.5% when compared to 2012. Value added sales increased by $92,200 on higher volume, primarily from HNH's Joining Materials group, including the acquisition of Wolverine Joining, the Tubing group and the Building Materials group, and were partially offset by the impact of lower average precious metal prices of approximately $19,800, principally due to silver. The average silver market price was approximately $23.79 per troy ounce in 2013, as compared to $31.17 per troy ounce in 2012. The acquisition of Wolverine Joining provided incremental net sales of approximately $39,800 in the year ended December 31, 2013 and the December 31, 2012 acquisition of Hickman provided incremental net sales of $17,100 in 2013.

Gross profit in 2013 increased by $17,153, or 12.1%, when compared to 2012, and, as a percentage of net sales, decreased to 27.9% as compared to 28.5% in the same period in 2012. The decrease was due to unfavorable product mix and reduced profit generated on the material portion of HNH's products in the Joining Materials group, due principally to lower precious metal prices, which were partially offset by favorable product mix in the Tubing group and increased sales of higher-margin branded fasteners in the Building Materials group. The acquisition of Wolverine Joining provided incremental gross profit of approximately $3,600 during the year ended December 31, 2013, and the acquisition of Hickman provided incremental gross profit of approximately $7,500 in 2013.

Selling, general and administrative ("SG&A") expenses increased by $14,625, or 14.2%, in 2013, compared to 2012. This increase was primarily due to HNH's recent acquisitions, including related integrations costs and acquisition fees, as well as overall higher sales volume in 2013. Incremental costs directly associated with the recent acquisitions totaled approximately $7,200. These increases were partially offset by an insurance reimbursement of $1,100 received for previously incurred environmental remediation costs.

Interest expense decreased by $5,541, or 39.2%, in 2013, compared to 2012. Interest expense for the year ended December 31, 2013 included a loss associated with the redemption of HNH's Subordinated Notes, including the redemption premium and the write-off of remaining deferred finance costs and unamortized debt discounts. This loss was offset by a lower average interest rate in the year ended December 31, 2013, principally due to HNH's debt refinancing in the fourth quarter of 2012, which resulted in the write-off of $1,100 in prior debt issuance costs in that period, and the redemption of the Subordinated Notes.

Derivative activity income was $1,195 in 2013, and $1,353 in 2012. Of the income in 2013, approximately $1,988 was attributable to precious metal contracts, partially offset by a loss of $793 on the embedded derivative features of HNH's Subordinated Notes and related warrants. Of the income in 2012, approximately $522 was attributable to precious metal contracts and approximately $831 was attributable to embedded derivative features of HNH's Subordinated Notes and related warrants.

Energy Segment

The results of SPLP's Energy segment for the years ended December 31, 2014 and 2013 consists of its consolidated subsidiary Steel Excel. The results for the year ended December 31, 2012 include Steel Excel, from its acquisition date of May 31, 2012, and the results of BNS which include the results of Sun Well prior to its sale to Steel Excel. Steel Excel provides drilling and production services to the oil and gas industry. Through its wholly-owned subsidiary Steel Sports Inc., Steel Excel focuses on providing event-based sports and other health-related services. SXCL also makes significant non-controlling investments in entities in industries related to its businesses as well as entities in other unrelated industries and continues to identify business acquisition opportunities in both the Energy and Sports industries as well as in other unrelated industries.The operations of Steel Sports are not considered material to SPLP and are included in our Energy segment.

The following presents a summary of the Energy segment operating results:

	Year Ended December 31,		
	2014	2013	2012 (a)
Net revenues	$ 210,148	$ 120,029	$ 92,834
Cost of sales	149,923	84,197	60,075
Gross profit	60,225	35,832	32,759
Selling, general and administrative expenses	42,798	27,591	21,115
Goodwill impairment	41,450	—	—
Interest expense	3,177	1,725	737
Other income, net	(7,016)	(6,988)	(988)
Net (loss) income from continuing operations before income taxes	(20,184)	13,504	11,895
(Loss) Income from associated companies (b)	(6,070)	(863)	13,139
Total segment (loss) income	$ (26,254)	$ 12,641	$ 25,034

(a) Pro forma revenue and segment income for 2012 was $123,876 and $27,998, respectively and includes the results of Steel Excel prior to SPLP's acquisition of Steel Excel in May 2012.
(b) Amount in 2014 represents Steel Excel's investments in API Tech, a sports business and iGo.
Amount in 2013 represents Steel Excel's investments in a sports business and iGo.
Amount in 2012 represents equity method income related to SPLP's investment in Steel Excel, prior to acquiring a majority interest on May 31, 2012.

Recent developments in the oil services industry will have a significant adverse effect on the results of operations of the Company's Energy segment in 2015. The decline in energy prices, particularly the significant decline in oil prices, has resulted in our customers, the oil and gas exploration and production companies (the "E&P Companies"), cutting back on their planned capital expenditure budgets for 2015, which will result in significantly reduced drilling activity. In addition, the E&P Companies are seeking price concessions from their service providers to offset their drop in revenue. Such actions on the part of the E&P Customers had little impact on the Energy segment's operations in 2014, but have had an adverse effect on its operations beginning in the early part of 2015. The Energy segment has experienced a decline in rig utilization in all of its operations and prices for its services have declined. Steel Excel has taken certain actions and instituted cost-reduction measures in an effort to mitigate these adverse effects. The Energy segment's results of operations going forward will be dependent on the price of oil in the future, the resulting drilling rig counts in the basins in which it operates, and Steel Excel's ability to return to the pricing and service levels of the past as oil prices increase. Although the impact on the Energy segment's results of operations in 2015 is very uncertain, the drilling rig count in North America has declined 35% in the early part of 2015 from its high mark in 2014, which has directly impacted the segment's rig utilization, and the pricing for the segment's services has declined in the low-to-mid double-digit teens levels in the early part of 2015. As a result, Steel Excel expects the Energy business to experience a significant decline in operating income in 2015 as compared to the 2014 results. As a result of the adverse effects the decline in energy prices had on the oil services industry and the projected results of operations of the Energy segment, the Company recognized a goodwill impairment charge of $41,450 in the fourth quarter of 2014. After the impairment charge, the carrying value of the goodwill in the Energy segment was $19,571 at December 31, 2014. A change in assumptions, including lower long-term growth rates, higher operating costs, or higher discount rates could cause a change in the estimated fair value of the Energy segment, and therefore could result in an additional impairment of goodwill, which would have an adverse effect on our results of operations.

Comparison of the Years ended December 31, 2014 and 2013

In 2014, net revenues increased $90,119, or 75.1%, when compared to 2013. The increase was primarily due to $75,500 in revenues from the acquisition of the assets of Black Hawk Inc., which was acquired in December 2013, and an increase in revenues of $6,500 in other energy operations due primarily to an increase in rig utilization for its snubbing services and an increase in revenues from its flow back services related to new equipment purchased in 2014. Net revenues from Steel Excel's sports businesses increased by $8,100 primarily as a result of $6,800 in revenues from UK Elite, which was acquired in June 2013, and an increase in revenues of $1,100 from baseball operations.

Gross profit in 2014, increased by $24,393, or 68.1%, as compared to 2013, and as a percentage of revenue declined slightly to 28.7% from 29.9%. Gross profit from Steel Excel's energy businesses increased by $21,100, and as a percentage of revenue declined slightly to 26.5% in 2014 from 27.0% in 2013. The gross profit increase was as a result of $22,400 in gross

profit from the acquisition of the assets of Black Hawk Inc., which was acquired in December 2013, partially offset by a decrease in gross profit of $1,200 in Steel Excel's other energy operations. Gross profit from Steel Excel's sports businesses in the 2014 period increased by $3,400 primarily as a result of $2,700 in gross profit from UK Elite and an increase in gross profit of $600 from baseball operations.

SG&A expenses in 2014 increased by $15,207, as compared to 2013. SG&A expenses in Steel Excel's energy businesses increased by $3,100 as a result of $3,000 of costs incurred at Black Hawk Inc. in the 2014 period, whose assets were acquired in December 2013. SG&A expenses in Steel Excel's sports businesses increased by $3,800 primarily as a result of costs incurred at UK Elite, including costs associated with operating the businesses acquired in the current period. Other SG&A expenses increased by $6,100 primarily as a result of increased costs incurred for services provided by affiliates of Steel Excel and an increase in stock-based compensation expense in 2014.

A goodwill impairment charge of $41,450 was recorded in the fourth quarter of 2014 as a result of the adverse effects the decline in energy prices had on the oil services industry and the projected results of operations of the Energy segment.

Interest expense of $3,177 in 2014 decreased by $1,452, as compared to 2013, primarily as a result of the borrowings under Steel Excel's Amended Credit Agreement being outstanding for the full year in 2014.

Other income, net of $7,016 in 2014 primarily represented investment income of $6,600 and realized gains on the sale of marketable securities of $3,800, partially offset by a loss of $1,800 recognized on financial instrument obligations, a loss of $600 recognized upon initially accounting for an investment under the equity method of accounting at fair value, and a foreign exchange loss of $1,100.

Comparison of the Years ended December 31, 2013 and 2012

Net revenues in 2013 increased $27,195, or 29.3%, when compared to 2012. The increase was primarily due to full year of Steel Excel's results in 2013 due to the May 2012 acquisition of Steel Excel, as well as the impact from Steel Excel's 2013 acquisitions of the assets of Black Hawk Inc. and UK Elite.

Gross profit in 2013 increased by $3,073, or 9.4%, as compared to 2012, and as a percentage of revenue declined to 29.9% from 35.3%. The increase in gross profit was commensurate with the increase in revenues as explained above.

SG&A expenses in 2013 increased by $6,476, as compared to 2012. The increase in SG&A expenses was commensurate with the increase in revenues as explained above.

Interest expense of $1,725 in 2013 increased by $988, as compared to 2013, primarily as a result of increased interest expense primarily associated with the borrowings under the Steel Energy Credit Agreement.

Other income, net in 2013 and 2012 primarily represented realized gains and losses on the sale of marketable securities.

Financial Services Segment

The Financial Services segment, for financial reporting purposes, consists of our consolidated and wholly-owned subsidiary, WebFinancial Holding Corporation, which conducts financial operations through its wholly-owned subsidiary, WebBank (which operates in niche banking markets), and WF Asset Corp (which consists of a portfolio of investments). WebBank provides commercial and consumer loans and services. WebBank's deposits are insured by the FDIC up to the current limits, and the bank is examined and regulated by the FDIC and UDFI.

The following presents a summary of the Financial Services segment operating results as reported in our consolidated financial statements:

	Year Ended December 31,		
	2014	**2013**	**2012**
Revenue:			
Interest income (including fees)	$ 24,640	$ 18,898	$ 16,051
Non-interest income	12,007	9,287	5,104
	36,647	28,185	21,155
Costs and expenses:			
Selling, general and administrative expenses	11,808	9,933	7,700
Interest expense	638	496	957
Recovery of loan losses	(50)	(80)	(416)
Asset impairment charge	—	168	1
	12,396	10,517	8,242
Total segment income	$ 24,251	$ 17,668	$ 12,913

Net Interest Income, Margin and Interest Rate Spreads

Net interest income is the difference between interest earned on interest-bearing assets and interest incurred on interest-bearing liabilities. By its nature, net interest income is especially vulnerable to changes in the mix and amounts of interest-earning assets and interest bearing liabilities. In addition, changes in the interest rates and yields associated with these assets and liabilities can significantly impact net interest income. The following table summarizes the average balances, the amount of interest earned or incurred and the applicable yields for interest earning assets and the costs of interest-bearing liabilities that generate net interest income. For purposes of calculating the yields in these schedules, the average loan balances also include the principal amounts of nonaccrual and restructured loans. However, interest received on nonaccrual loans is included in income only to the extent that cash payments have been received and not applied to principal reductions. In addition, interest on restructured loans is generally accrued at reduced rates.

	Year Ended December 31,											
	2014			2013			2012		
	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate
Interest Earning Assets:									
Loans Receivable	$ 94,484	$ 24,433	25.9%	$ 62,110	$ 18,704	30.1%	$ 45,377	$ 15,822	34.8%
Mortgaged-Backed Security	70	—	—%	58	—	0.1%	—	—	—%
Available for Sale Investments	566	14	2.5%	577	13	2.3%	523	16	3.1%
Fed Funds Sold	637	1	0.1%	692	1	0.1%	1,634	2	0.1%
Interest Bearing Deposits in other Banks	87,820	192	0.2%	73,345	180	0.3%	83,127	211	0.3%
Total Interest-Earning Assets	183,577	24,640	13.4%	136,782	18,898	11.4%	130,661	16,051	11.7%
Non Interest-Earning Assets	1,811			1,286			1,240		
Total Assets	$ 185,388			$ 138,068			$ 131,901		
Interest-Bearing Liabilities:									
Money Market Accounts	$ 58,232	87	0.2%	$ 29,312	62	0.2%	$ 13,789	59	0.4%
Time Deposits	88,344	551	0.6%	72,754	434	0.6%	70,677	900	1.3%
Other Borrowings	—	—	—	—	—	—	—	—	—
Total Interest-Bearing Liabilities	146,576	638	0.4%	102,066	496	1.3%	84,466	959	1.5%
Other Non Interest-Bearing Liabilities	3,923			3,347			18,887		
Total Liabilities	150,499			105,413			103,353		
Shareholder's Equity	34,889			32,655			28,548		
Total Liabilities & Shareholder's Equity	$ 185,388			$ 138,068			$ 131,901		
Net Interest Income		$ 24,002			$ 18,402			$ 15,092	
Spread on Average Interest-Bearing Funds			13%			13.3%			11.2%
Net Interest Margin			13.1%			13.5%			11.6%
Return on Assets			8.4%			8.2%			6.2%
Return on Equity			44.5%			29.5%			24.4%
Equity to Assets			18.8%			23.2%			21.5%

WebBank has several lending arrangements with companies where it originates private label credit card and other loans for consumers and small businesses. These loans are classified as held for sale and are typically sold after origination. As part of these arrangements WebBank earns origination fees that are recorded in interest income, and which increase WebBank's yield on loans.

Interest Income

Interest income increased by $5,742, or 30.4%, in 2014, compared to 2013 due primarily to the addition of new lending programs and to increased volume in the existing lending programs.

Interest income increased by $2,847, or 17.7%, in 2013, compared to 2012, due primarily to the addition of two new lending programs with favorable rates.

Interest Expense

Interest expense represents interest accrued on WebBank depositor accounts.

Interest expense increased $142, or 28.6%, in 2014, compared to 2013, primarily due to a larger deposit balance to support loan growth.

Interest expense decreased $461, or 48.2%, in 2013, compared to 2012, due to primarily due to a decrease in interest rates.

The following table presents the effects of changing rates and volumes on WebBank's net interest income for the periods indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately, based on the changes due to rate and the changes due to volume.

	Year Ended December 31,								
	2014 vs 2013			2013 vs 2012			2012 vs. 2011		
Rate/Volume	Increase/ (Decrease) Due to Volume	Increase/ (Decrease) Due to Rate	Total Increase/ (Decrease)	Increase/ (Decrease) Due to Volume	Increase/ (Decrease) Due to Rate	Total Increase/ (Decrease)	Increase/ (Decrease) Due to Volume	Increase/ (Decrease) Due to Rate	Total Increase/ (Decrease)
Interest Earning Assets:									
Loans Receivable	$ 7,860	$ (2,130)	$ 5,730	$ 4,572	$ (1,691)	$ 2,881	$ 1,675	$ 3,549	$ 5,224
Available For Sale Investments	—	1	1	5	(8)	(3)	—	—	—
Fed Funds Sold	—	—	—	(1)	1	—	—	—	—
Interest Bearing Deposits in other Banks	26	(15)	11	(24)	(5)	(29)	75	1	76
Total Interest-Earning Assets	7,886	(2,144)	5,742	4,552	(1,703)	2,849	1,750	3,550	5,300
Interest-Bearing Liabilities:									
Money Market Accounts	36	(11)	25	10	(5)	5	19	6	25
Time Deposits	97	21	118	27	(493)	(466)	(139)	130	(9)
Total Interest-Bearing Liabilities	133	10	143	37	(498)	(461)	(120)	136	16
Net Effect on Net Interest Income	$ 7,753	$ (2,154)	$ 5,599	$ 4,515	$ (1,205)	$ 3,310	$ 1,870	$ 3,414	$ 5,284

Noninterest Income

Noninterest income increased $2,720, or 29.3% in 2014, compared to 2013, due primarily to the addition of new lending programs and increased volume in the existing lending programs.

Noninterest income increased $4,183, or 82.0% in 2013, compared to 2012, due primarily to increased fee income from a new lending program.

Recovery of Loan Losses

At December 31, 2014, WebBank had an estimated $57 of impaired loans, of which $4 is guaranteed by the USDA or SBA, and an allowance for loan losses of $558. At December 31, 2013 WebBank had an estimated $2,564 of impaired loans, of which $2,121 was guaranteed by USDA or SBA, and an allowance for loan losses of $424.

The recovery of provision for loan losses is primarily related to WebBank's portfolio of local real estate loans. WebBank routinely obtains appraisals on underlying collateral of nonperforming loans and records a provision for losses if the value of the collateral declines below the value of the loans. WebBank was able to recover previously charged off loans and workout or sell nonperforming loans resulting in net benefit in the provision for loan losses of $50, $80 and $416 in 2014, 2013 and 2012 respectively.

Selling General and Administrative Expenses

The increase in SG&A expenses of $1,875, or 18.9%, in 2014, compared to 2013, was due primarily to higher personnel expense in 2014 due to growth in the business.

The increase in SG&A expenses of $2,233, or 29.0%, in 2013, compared to 2012, was due primarily to higher personnel expense in 2013, partially offset by a benefit in the reserve for off balance sheet credit exposures of $175, lower professional fees and lower other miscellaneous costs.

Balance Sheet Analysis

Loan Portfolio

As of December 31, 2014, net loans accounted for 52% of WebBank's total assets compared to 44% at the end of 2013. The following table presents WebBank's loans outstanding by type of loan as of December 31, 2014 and the five most recent year-ends.

	As of December 31,									
	2014		2013		2012		2011		2010	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Real Estate Loans:										
Construction	$ —	—	$ —	—	$ —	—	$ —	—%	$ 988	3.3%
Commercial - Owner Occupied	1,650	1.4%	4,671	6.1%	6,724	9.8%	8,340	18.8%	9,546	31.9%
Commercial - Other	264	0.2%	242	0.3%	318	0.5%	300	0.7%	276	0.9%
Total Real Estate Loans	1,914	1.6%	4,913	6.4%	7,042	10.3%	8,640	19.5%	10,810	36.1%
Commercial and Industrial:	75,706	63.9%	46,702	60.9%	9,832	14.4%	4,344	9.8%	6,219	20.8%
Total Commercial and Industrial	75,706	63.9%	46,702	60.9%	9,832	14.4%	4,344	9.8%	6,219	20.8%
Loans Held for Sale:	40,886	34.5%	25,125	32.7%	51,505	75.3%	31,363	70.7%	12,903	43.1%
Total Loans	118,506	100.0%	76,740	100%	68,379	100%	44,347	100%	29,932	100%
Less:										
Deferred Fees and Discounts	(20)		—		21		(56)		(64)	
Allowance for Loan Losses	(557)		(424)		(285)		(529)		(1,541)	
Total Loans Receivable, Net	$ 117,929		$ 76,316		$ 68,115		$ 43,762		$ 28,327	

The following table includes a maturity profile for the loans that were outstanding at December 31, 2014, substantially all of which have floating or adjustable interest rates:

Due During Years Ending December 31,	Real Estate	Commercial & Industrial	Loans Held for Sale
2015	$ 96	$ 1,142	$ 40,886
2016-2020	654	31,970	—
2021 and following	1,164	42,594	—
Total	$ 1,914	$ 75,706	$ 40,886

Nonperforming Lending Related Asset

Total nonaccrual loans at December 31, 2014 decreased by $121 from December 31, 2013. The decrease included $28 for commercial owner occupied loans and $93 for commercial and industrial loans.

	December 31,				
	2014	2013	2012	2011	2010
Non-Accruing Loans:					
Commercial Real Estate - Construction	$ —	$ —	$ —	$ —	$ 988
Commercial Real Estate - Owner Occupied	374	403	147	914	207
Commercial and Industrial	16	109	94	97	419
Total	390	512	241	1,011	1,614
Accruing Loans Delinquent:					
90 Days or More	52	—	2,581	—	—
Total	52	—	2,581	—	—
Restructured Loans:					
Commercial Real Estate - Owner Occupied	—	—	—	1	18
Commercial and Industrial	—	—	—	—	7
Total	—	—	—	1	25
Foreclosed Assets:					
Commercial Real Estate - Owner Occupied	111	149	68	333	38
Commercial and Industrial	—	—	—	—	53
Total	111	149	68	333	91
Total Non-Performing Assets	$ 553	$ 661	$ 2,890	$ 1,345	$ 1,730
Total as a Percentage of Total Assets	0.2%	0.4%	2.1%	1.1%	2%

Summary of Loan Loss Experience

The methodologies used to estimate the Allowance for Loan Losses ("ALLL") depend upon the impairment status and portfolio segment of the loan. Loan groupings are created for each loan class and are then graded against historical and industry loss rates.

After applying historic loss experience, as described above, we review the quantitatively derived level of ALLL for each segment using qualitative criteria. We track various risk factors that influence our judgment regarding the level of the ALLL across the portfolio segments.

The following table summarizes activity in WebBank's allowance for loan and lease losses for the periods indicated:

	December 31,				
	2014	2013	2012	2011	2010
Balance at Beginning of Period	$ 424	$ 285	$ 529	$ 1,541	$ 2,193
Charge Offs:					
Commercial Real Estate - Construction	—	—	—	(440)	(80)
Commercial Real Estate - Owner Occupied	—	—	(1)	(422)	(482)
Commercial Real Estate - Other	—	—	—	—	(268)
Commercial and Industrial	(3)	(64)	—	(727)	(714)
Total Charge Offs	(3)	(64)	(1)	(1,589)	(1,544)
Recoveries:					
Commercial Real Estate - Construction	—	—	—	466	961
Commercial Real Estate - Owner Occupied	65	23	48	27	2
Commercial Real Estate - Other	40	44	44	44	18
Commercial and Industrial	81	216	80	32	331
Total Recoveries	186	283	172	569	1,312
Net (Charge Offs) Recoveries	183	219	171	(1,020)	(232)
Additions Charged to Operations	(50)	(80)	(415)	8	(420)
Balance at End of Period	$ 557	$ 424	$ 285	$ 529	$ 1,541
Ratio of Net Charge Offs During the Period to Average Loans Outstanding During the Period	(0.2)%	(0.4)%	(0.4)%	2.6%	0.7%

The distribution of WebBank's allowance for losses on loans at the dates indicated is summarized as follows:

	December 31,									
	2014		2013		2012		2011		2010	
	Amount	% of Loans in Each Category of Total Loans	Amount	% of Loans in Each Category of Total Loans	Amount	% of Loans in Each Category of Total Loans	Amount	% of Loans in Each Category of Total Loans	Amount	% of Loans in Each Category of Total Loans
Commercial Real Estate - Construction	$ —	—%	$ —	—%	$ —	—%	$ —	—%	$ 200	3.3%
Commercial Real Estate - Owner Occupied	64	1.4%	77	6.1%	187	9.8%	346	18.8%	293	31.9%
Commercial Real Estate - Other	12	0.2%	28	0.3%	34	0.5%	47	0.7%	8	0.9%
Commercial and Industrial	481	63.9%	319	60.9%	64	14.4%	136	9.8%	565	20.8%
Loans Held for Sale	—	34.5%	—	32.7%	—	75.3%	—	70.7%	—	43.1%
Unallocated	—	—%	—	—%	—	—%	—	—	475	—%
Total Loans	$ 557	100%	$ 424	100%	$ 285	100%	$ 529	100%	$ 1,541	100%

Corporate and Other

The Corporate and Other segment consists of several consolidated subsidiaries as well as various investments and cash and cash equivalents. Corporate revenues primarily consist of investment and other income, investment gains and losses and rental income. See Note 5 - "Investments" to the SPLP consolidated financial statements included elsewhere in this Form 10-K for additional information on the equity method investments and other investments classified within this segment.

SPH services provides legal, tax, accounting, treasury, consulting, auditing, administration, compliance, environmental health and safety, human resources, marketing, investor relations and similar services, to other affiliated companies.

DGT's operations currently consist of a real estate business from a rental building retained from the sale of its Medical Systems Group on November 3, 2011. The expenses related to the BNS Liquidating Trust are included in Corporate and Other from July 1, 2012 through December 31, 2012. For additional information on the BNS Liquidating Trust, see Note 16 - "Capital and Accumulated Other Comprehensive Income" to the SPLP consolidated financial statements included elsewhere in this Form 10-K.

The following presents a summary of Corporate and Other segment operating results as reported in our consolidated financial statements:

	Year Ended December 31,		
	2014	2013	2012
Revenue:			
Investment and other income	$ 1,346	$ 665	$ 2,347
Net investment gains	921	1,071	15,722
	2,267	1,736	18,069
Costs and expenses:			
Selling, general and administrative expenses	18,494	46,677	23,414
Interest expense	529	338	152
Asset impairment charges	1,223	2,520	1,409
Deferred fee liability to related party - increase	—	—	11,448
Other expense	243	491	133
	20,489	50,026	36,556
Loss from continuing operations before income (loss) from equity method investments and investments held at fair value	(18,222)	(48,290)	(18,487)
Equity Method Investments:			
Associated Companies:			
MLNK	(22,940)	23,154	—
CoSine	(405)	(418)	(328)
Fox & Hound Acquisition Corp. ("Fox & Hound")	—	(11,521)	(403)
Other	(79)	(823)	—
Income (Loss) from other investments - related party	891	(271)	(8,329)
Total (loss) income from equity method investments	(22,533)	10,121	(9,060)
(Loss) Income from investments held at fair value	(16,069)	811	18,967
Total segment loss	$ (56,824)	$ (37,358)	$ (8,580)

Revenue

Investment and other income is often based on a limited number of transactions, the timing and amounts of which are not always predictable. Net investment gains (losses) include realized gains and losses on sales of securities and write-downs of investments available-for-sale when there is deemed to be an other than temporary impairment. The Company's decision to sell securities and realize gains or losses generally includes its evaluation of strategic considerations, an individual security's value at the time and the prospect for changes in its value in the future. The timing of realized investment gains or losses is not predictable and does not follow any pattern from year to year. Interest and dividend income will vary depending on the type and amount of securities held from year to year.

Investment and other income increased by $681 or 102.4% in 2014, compared to 2013 due to higher dividends received in 2014 compared to 2013. Investment and other income decreased by $1,682 or 71.7% in 2013, compared to 2012 due to higher dividend income recorded in 2012 as a result of an approximately $2,000 dividend from SLI (see Note 5 - "Investments" to the SPLP consolidated financial statements found elsewhere in this Form 10-K for additional information).

Net investment gains in 2014 were $921 compared to $1,071 in 2013. The net gains in 2014 were due to income from foreign currency instruments. The net gains in 2013 were primarily due to gains of approximately $1,200 on the sales of certain available-for-sale securities, partially offset by losses from foreign currency instruments.

Net investment gains in 2013 were $1,071 compared to $15,722 in 2012. The net gains in 2013 were primarily due to gains of approximately $1,200 on the sales of certain available-for-sale securities, partially offset by losses from foreign currency instruments. The net gains in 2012 were primarily due to the gain on the Company's investment in Steel Excel of approximately $13,500 resulting from remeasuring our investment to fair value upon acquisition of the majority interest in Steel Excel on May 31, 2012. See Note 3 - "Acquisitions" to the SPLP consolidated financial statements found elsewhere in this Form 10-K for further information.

Interest Expense

Interest expense increased in 2014 compared to 2013 primarily due to borrowings under the credit agreement with PNC Bank, National Association (“PNC”) (the “Amended Credit Facility”). In April 2014, the Company borrowed $47,500 under the Amended Credit Facility in connection with a tender offer for its common units (see Note 16 - "Capital and Accumulated Other Comprehensive Income" to the SPLP consolidated financial statements found elsewhere in this Form 10-K). The amounts outstanding under the Credit Facility were approximately $33,800 and $0 as of December 31, 2014 and 2013, respectively (see Note 14 - Debt and Capital Lease Obligations" to the SPLP consolidated financial statements found elsewhere in this Form 10-K).

Interest expense in 2013 and 2012 was primarily due to foreign currency transactions that the Company entered into which, in effect, in certain circumstances, may have represented borrowings from the counterparty. Interest expense represents interest and other fees on such transactions.

Selling, General and Administrative Expenses

SG&A expenses consist primarily of legal, accounting, audit, tax, professional fees, management fees and expense related to the Company's incentive units in all periods (see Note 16 - "Capital and Accumulated Other Comprehensive Income" to the SPLP consolidated financial statements found elsewhere in this Form 10-K).

SG&A expenses decreased by $28,183 or 60.4% in 2014, compared to 2013, primarily due to lower non-cash incentive unit expense (see Note 16 - "Capital and Accumulated Other Comprehensive Income" to the SPLP consolidated financial statements found elsewhere in this Form 10-K).

SG&A expenses increased by $23,263 or 99.4% in 2013, compared to 2012, primarily due to non-cash incentive unit expense (see Note 16 - "Capital and Accumulated Other Comprehensive Income" to the SPLP consolidated financial statements found elsewhere in this Form 10-K).

Impairment Charges

In 2014, the Company recorded an impairment charge of $1,223 to record an asset held for sale by DGT to its net realizable value.

In 2013, the Company recorded an impairment charge of $1,510 related to its investment in a Japanese real estate partnership and an impairment charge of approximately $1,010 related to an other-than-temporary decline in an available-for-sale security (see Note 5 - "Investments" to the SPLP consolidated financial statements found elsewhere in this Form 10-K).

In 2012, the Company recorded an impairment charge of $580 related to its investment in a Japanese real estate partnership (see Note 5 - "Investments" to the SPLP consolidated financial statements found elsewhere in this Form 10-K). In addition, the Company recorded an other than temporary impairment of $829 related to an available for sale security.

Deferred Fee Liability to Related Party - Increase

Deferred fee liability to related party - increase arose as a result of the assumption, in connection with the Exchange Transaction, of an obligation pursuant to a deferred fee agreement due to the Investment Manager, an affiliate of the Manager ("Deferred Fee Liability"). The increase in Deferred Fee Liability to related party of $11,448 recorded in 2012 was due to an increase in an index related to the value of SPLP. On April 11, 2012, the Company and the Investment Manager terminated the Investor Services Agreement by mutual consent. As a result of the termination of the Investor Services Agreement the full amount in the Deferred Fee Liability became immediately payable. As a result, on April 11 and May 11, 2012, 6,403,002 and 536,645 class B common units, respectively, were issued to the Investment Manager. In connection with the termination of the Investor Services Agreement, the Investment Manager agreed not to sell any of the common units issued as payment for the deferred fee during the one year period following the Termination Date. For additional information, see Note 13 - "Related Party Transactions" to the SPLP consolidated financial statements found elsewhere in this Form 10-K.

Equity Method Investments

Associated Companies

We record income or loss on investments where we own between 20% and 50% of the outstanding equity and have the ability to exercise influence, but not control, over the investee.

As noted in the table above, the change within the Corporate and Other segment in 2014 was primarily due to greater reductions in the 2014 period related to the fair value of MLNK, partially offset by the non-recurring loss recorded in 2013 related to Fox & Hound (see Note 5 – "Investments" to the SPLP consolidated financial statements found elsewhere in this Form 10-K for additional information). The change in 2013 was due to income recorded in 2013 related to the the increase in fair value of MLNK, which became an associated company in 2013, partially offset by a higher loss in 2013 related to Fox & Hound.

Income (Loss) From Other Investments - Related Party

Income (Loss) from other investments - related party represents the change in fair value that we recognize on our 43.75% investment in each series of the SPII Liquidating Trust (for additional information see Note 5 - “Investments” to the SPLP consolidated financial statements found elsewhere in this Form 10-K). The income in 2014 was primarily due to the series of the SPII Liquidating Trust that holds an interest in Steel Partners China Access I L.P. The loss for the year ended December 31, 2013 was not significant. The loss in 2012 was primarily due to the series of the SPII Liquidating Trust that held an interest in Fox & Hound Restaurant Group ("F&H"). On March 19, 2012, in conjunction with a long-term refinancing of its debt, Fox & Hound issued new common equity. As a result of the transaction, our interest in F&H through the SPII Liquidating Trust was diluted and reduced by approximately $11,200, which was recorded in the first quarter of 2012.

(Loss) Income From Investments Held at Fair Value

(Loss) Income from investments held at fair value for the years ended December 31, 2014 and 2013 includes income or loss that the Company recognizes on its direct investment in API and its investment in ModusLink warrants (see Note 5 - "Investments" to the SPLP consolidated financial statements found elsewhere in this Form 10-K). (Loss) Income from investments held at fair value for the year ended December 31, 2012 included income or loss that the Company recognized on its direct investment in API and Barbican.

Income Taxes

As a limited partnership, we are generally not responsible for federal and state income taxes and our profits and losses are passed directly to our limited partners for inclusion in their respective income tax returns. Provision has been made for federal, state, local or foreign income taxes on the results of operations generated by our corporate subsidiaries and these are reflected within continuing and discontinued operations. The difference between the effective tax rate and statutory federal rate of 35% is principally due to changes in the valuation allowances, various permanent differences included in the provisions of our subsidiaries, and partnership income not subject to taxation. The Company’s tax provision represents the income tax expense or benefit of its consolidated subsidiaries. The Company's consolidated subsidiaries have recorded deferred tax valuation allowances to the extent that they believe that it is more likely than not that the benefits of its deferred tax assets will not be realized in future periods.

For the years ended December 31, 2014, 2013 and 2012 tax provisions of $24,288, $6,477 and $13,068 from continuing operations were recorded. The increase in the effective tax rate in 2014 was impacted by the tax effect of the non-deductible portion of the goodwill impairment recorded in the fourth quarter of 2014 (see Note 11 - "Goodwill and Other Intangible Assets, Net" of the SPLP financial statements found elsewhere in this Form 10-K).

At December 31, 2014, HNH has U.S. federal NOLs of approximately $82,400 (approximately $28,800 tax-effected), as well as certain state NOLs. The U.S. federal NOLs expire between 2026 and 2029. Also included in deferred income tax assets are tax credit carryforwards of $3,700. HNH's net tax provisions from continuing and discontinued operations reflects utilization of approximately $23,800 of Federal NOLs in 2014.

Steel Excel had Federal net operating loss carryforwards of approximately $113,000 that expire in 2014 through 2031, and domestic state net operating loss carryforwards of approximately $159,900 that expire in 2014 through 2031. Steel Excel also had Federal research and development credit carryforwards of approximately $30,300 that expire in 2018 through 2029, and domestic state research and development credit carryforwards of approximately $17,700 that do not expire. Steel Excel's ability to utilize its net operating loss and other credit carryforwards would be subject to limitation upon a change in control.

During 2013 and 2012 WebFinancial had significant earnings and utilized the vast majority of its Federal and state NOLS. Accordingly, WebFinancial recorded tax benefits in continuing operations of approximately $1,034 associated with the reversals of its deferred tax valuation allowances.

At October 31, 2014, DGT had $28,818 of federal net operating loss carryforwards that are scheduled to expire from 2021 to 2031. Because of the uncertainty of future earnings of DGT, a valuation allowance has been established for the net operating loss carryforwards. As described in Note 1 - “Nature of the Business and Basis of Presentation” included in the SPLP financial statements found elsewhere this Form 10-K, the Consolidated Balance Sheet as of and for the twelve months ended December 31, 2014 includes DGT's activity as of and for its twelve months ended October 31, 2014.

FINANCIAL CONDITION

We rely on our available liquidity to meet our short-term and long-term needs, and to make acquisitions of new businesses and additional investments in existing businesses. Except as otherwise disclosed herein, our operating businesses do not generally require material funds from us to support their operating activities, and we do not depend on positive cash flow from our operating segments to meet our liquidity needs. The components of our consolidated businesses and investments may change frequently as a result of acquisitions or divestitures, the timing of which is impossible to predict, but which often have a material impact on our consolidated statements of cash flows in any one period. Further, the timing and amounts of distributions from certain of our investments accounted for under the equity method are generally outside our control. As a result, reported cash flows from operating, investing and financing activities do not generally follow any particular pattern or trend, and reported results in the most recent period should not be expected to recur in any subsequent period.

Cash Flow Summary

	Year Ended December 31,		
	2014	2013	2012
Net cash provided by operating activities	$ 78,033	$ 94,952	$ 65,498
Net cash (used in) provided by investing activities	(63,058)	(154,322)	74,765
Net cash (used in) provided by by financing activities	(29,667)	65,450	(69,531)
Change in period	$ (14,692)	$ 6,080	$ 70,732

Cash Flows from Operating Activities

Net cash provided by operating activities for the twelve months ended December 31, 2014 was $78,033. Net loss from continuing operations of $17,572 was impacted by certain non-cash items and a decrease of $43,581 relating to changes in certain operating assets and liabilities. Of this working capital decrease, $21,172 was from a decrease in accounts payable and accrued and other liabilities, $17,251 was due to an increase on loans held for sale, $3,056 was from an increase in accounts receivable and $4,697 was from an increase in inventories, partially offset by a decrease of $2,109 in prepaid and other assets. Net cash provided by operating activities was also impacted by $18,588 in cash provided by operating activities of discontinued operations.

Net cash provided by operating activities for the twelve months ended December 31, 2013 was $94,952. Net income form continuing operations of $38,374 was impacted by certain non-cash items and an increase of $11,125 relating to changes in certain operating assets and liabilities. Of this working capital increase, $26,379 was due to a decrease in loans held for sale, $7,875 was from an decrease in accounts receivable, $698 was from an decrease in prepaid and other assets, $2,812 was from an decrease in inventories, partially offset by $25,107 from a decrease in accounts payable and accrued and other liabilities. Net cash provided by operating activities was also impacted by $9,699 in cash provided by operating activities of discontinued operations.

Net cash provided by operating activities for the twelve months ended December 31, 2012 was $65,498. Net income from continuing operations of $43,736 was partially offset by a decrease of $24,305 relating to changes in operating assets and liabilities. Of this working capital decrease, $20,142 was from an increase on loans held for sale, $15,220 was from a decrease in accounts payable and accrued and other liabilities, partially offset by a decrease in accounts receivable of $13,618, and a decrease in inventories of $458. The decrease in accounts receivable relates primarily to principally due to the impact of lower silver prices on HNH in 2012, compared with rising prices in 2011. Net income from continuing operations was also impacted by $11,448 relating to the increase in the Deferred Fee Liability to related party. Net cash provided by operating activities was also impacted by $32,802 relating to net cash provided by operating activities of discontinued operations.

Cash Flows from Investing Activities

Net cash used in investing activities for the twelve months ended December 31, 2014 was $63,058. Significant items included cash paid for acquisitions made by HNH and Steel Excel, of $517, investments in associated companies of $1,643, which primarily relates to our investment in ModusLink and Steel Excel's investment in an associated company, a net increase in loans receivable of $25,805, purchases of property plant and equipment of $28,769 and settlements of financial instruments of $24,429. These cash uses from investing activities were partially offset by cash increases due to proceeds from the sales of discontinued operations of $3,732 and net proceeds from investment sales and maturities of $12,941.

Net cash used in investing activities for the twelve months ended December 31, 2013 was $154,322. Significant items included cash paid for acquisitions made by HNH and Steel Excel, of $130,528, investments in associated companies of $36,018, which primarily relates to our investment in ModusLink and Steel Excel's investment in an associated company, a net increase in loans receivable of $34,619 and purchases of property plant and equipment of $20,885. These cash uses from investing activities were partially offset by cash increases due to proceeds from the sales of discontinued operations of $45,334 and net proceeds from investment sales and maturities of $24,488.

Net cash provided by investing activities for the twelve months ended December 31, 2012 was $74,765. Significant items included net cash acquired in acquisitions of $29,941, primarily from the acquisition of Steel Excel, proceeds from the sales of discontinued operations of $33,505 and investment sales net of purchases of $61,747. These cash increases were partially offset by investments in associated companies of $16,628, which represents our investment in Fox & Hound and additional investment in Steel Excel, and purchases of property plant and equipment of $30,569.

Cash Flows from Financing Activities

Net cash used in financing activities for the twelve months ended December 31, 2014 was $29,667. This was due primarily to repayments of term loans of $182,080 and repurchases of subordinated notes of $346, subsidiary repurchases of their treasury stock of $78,488, treasury purchases of SPLP units of $51,465 primarily due to the tender offer for SPLP units in 2014, subsidiary's purchases of the Company's common units of $7,921, partially offset by proceeds from term loans of $52,600, proceeds from revolver borrowings of $196,212 and a net increase in deposits of $46,654.

Net cash provided by financing activities for the twelve months ended December 31, 2013 was $65,450. This was due primarily to proceeds from term loans of $105,000, proceeds from revolver borrowings of $30,950 and a net increase in deposits of $39,567, partially offset by subsidiary repurchases of their treasury stock of $50,144, repayments of term loans of $27,582, subsidiary's purchases of the Company's common units of $15,690 and repurchases of subordinated notes of $11,323.

Net cash used in financing activities for the twelve months ended December 31, 2012 was $69,531. This was due primarily to distributions paid to noncontrolling interest holders of BNS of $10,316, subsidiary's purchases of the Company's common units of $15,082, repayments of term loans of $95,833, lower bank deposits held by WebBank of $16,273, repurchases of subordinated notes of $10,847 and net revolver payments of $23,849, partially offset by proceeds from term loans of $116,838.

LIQUIDITY AND CAPITAL RESOURCES

Holding Company

SPLP (excluding its operating subsidiaries, the "Holding Company") is a global diversified holding company whose assets principally consist of the stock of its direct subsidiaries, cash and cash equivalents and other non-controlling investments in equity securities. Its principal potential sources of funds are available cash resources, investments, borrowings, public and private capital market transactions, distributions or dividends from subsidiaries, as well as dispositions of existing businesses and investments. The Holding Company's investments are subject to changes that may result in amounts realized from any future sales that are at times significantly different from the value we are reporting at December 31, 2014. These investments, including those accounted for under the equity method, can be impacted by market conditions, changes in the specific business environments of our investees or by the underlying performance of these businesses.

In addition to cash and cash equivalents, the Holding Company considers certain investments at fair value included in its consolidated balance sheet as being generally available to meet its liquidity needs. These investments are not as liquid as cash and cash equivalents, but they are generally convertible into cash within a reasonable period of time. As of December 31, 2014, the Holding Company had cash and cash equivalents of approximately $10,500 and investments of approximately $257,400.

The Holding Company generally does not have access to the cash flow generated by the Company's operating businesses for its needs, and the operating businesses generally do not rely on the Holding Company to support their operating activities. The Holding Company's available liquidity, income from management services agreements and the investment income realized from the Holding Company's cash, cash equivalents and marketable securities is used to meet the Holding Company's recurring cash requirements, which are principally the payment of its overhead expenses (see Note 13 - "Related Party Transactions" to the SPLP consolidated financial statements found elsewhere in this Form 10-K).

The Holding Company and its operating businesses may use their available liquidity to make acquisitions of new businesses and other investments, but the timing and cost of any future investments cannot be predicted. The Company may seek external debt or equity financing and will rely on its existing liquidity to fund corporate overhead expenses and new acquisition opportunities. It may also dispose of existing businesses and investments. At December 31, 2014, the Holding Company and its consolidated subsidiaries had, in the aggregate, cash and cash equivalents of $188,983 available for operations in the ordinary course of business and for the acquisition of interests in businesses.

The Holding Company's Amended Credit Facility provides for a revolving credit facility with borrowing availability of up to $75,000 and additional flexibility to allow one or more new lenders to join and become a party to the Amended Credit Facility with a minimum revolving credit commitment amount of not less than $10,000, and not to exceed a total commitment of $100,000. Amounts outstanding under the Amended Credit Facility bear interest at LIBOR plus 1.25%, and are collateralized by first priority security interests of certain of the Company's deposit accounts and publicly traded securities. The interest rate on the Amended Credit Facility was 1.7% as of December 31, 2014. The Amended Credit Facility requires a commitment fee to be paid on unused borrowings and also contains customary affirmative and negative covenants, including a minimum cash balance covenant, restrictions against the payment of dividends and customary events of default. Any amounts outstanding under the Amended Credit Facility are due and payable in full on October 23, 2017.

The Amended Credit Facility also includes provisions for the issuance of letters of credit up to $10,000, with any such issuances reducing total borrowing availability. There were no letters of credit outstanding at December 31, 2014.

In April 2014, the Company borrowed $47,500 under the Amended Credit Facility in connection with a tender offer for its common units (see Note 16 - "Capital and Accumulated Other Comprehensive Income"). The amounts outstanding under the Credit Facility were approximately $33,788 and $0 as of December 31, 2014 and 2013, respectively.

Discussion of Segment Liquidity and Capital Resources

HNH

HNH's principal source of liquidity is its cash flows from operations. As of December 31, 2014, HNH's current assets totaled $258,544, its current liabilities totaled $77,461, and its working capital was $181,083, as compared to working capital of $147,667 as of December 31, 2013.

HNH generated $50,689 of positive cash flow from operating activities in the twelve months ended December 31, 2014 and $49,163 of positive cash flow from operating activities in the comparable 2013 period. SPLP's consolidated financial statements reflect pre-tax income from continuing operations of $39,428 and $33,643 relating to HNH for the twelve months ended December 31, 2014 and 2013, respectively.

HNH's debt is principally held by H&H Group, a wholly-owned subsidiary of HNH. HNH's subsidiaries borrow funds in order to finance capital expansion programs and for working capital needs. The terms of certain of those financing arrangements place restrictions on distributions of funds to HNH, the parent company, subject to certain exceptions including required pension payments to the WHX Pension Plan. HNH does not expect these restrictions to have an impact on it's ability to meet its cash obligations. HNH's ongoing operating cash flow requirements consist primarily of arranging for the funding of the minimum requirements of the WHX Pension Plan and paying HNH's administrative costs. HNH expects to have required minimum contributions to the WHX Pension Plan for 2015, 2016, 2017, 2018, 2019 and for the five years thereafter of $17,000, $13,900, $14,800, $17,000, $18,600 and $59,500, respectively. Such required contributions are estimated based upon assumptions regarding such matters as discount rates on future obligations, assumed rates of return on plan assets and legislative changes. Actual future pension costs and required funding obligations will be affected by changes in the factors and assumptions described in the previous sentence, as well as other changes such as any plan termination or other acceleration events.

HNH believes it has access to adequate resources to meet its needs for normal operating costs, capital expenditures, mandatory debt redemptions and working capital for its existing business. These resources include cash and cash equivalents, cash provided by operating activities and unused lines of credit. On August 29, 2014, H&H Group entered into an amended and restated senior credit agreement, which provides for an up to $365,000 senior secured revolving credit facility. As of December 31, 2014, H&H Group's availability under its senior secured revolving credit facility was $101,000 and as of January 31, 2015, it was 178,200, reflecting the sale of Arlon. HNH's ability to satisfy its debt service obligations, to fund planned capital expenditures and required pension payments, and to make acquisitions will depend upon its future operating performance, which will be affected by prevailing economic conditions in the markets in which it operates, as well as financial, business and other factors, some of which are beyond its control. In addition, HNH's senior secured revolving credit facility is subject to certain mandatory prepayment provisions and restrictive and financial covenants. There can be no assurances that H&H Group will continue to have access to its lines of credit if its financial performance does not satisfy the financial covenants set forth in the financing agreements. If H&H Group does not meet certain of its financial covenants, and if it is unable to secure necessary waivers or other amendments from the respective lenders on terms acceptable to management, its ability to access available lines of credit could be limited, its debt obligations could be accelerated by the respective lenders and liquidity could be adversely affected.

HNH's management is utilizing the following strategies to continue to enhance liquidity: (1) continuing to implement improvements, using the HNH Business System, throughout all of HNH's operations to increase sales and operating efficiencies, (2) supporting profitable sales growth both internally and potentially through acquisitions and (3) evaluating from time to time and as appropriate, strategic alternatives with respect to its businesses and/or assets. HNH continues to examine all of its options and strategies, including acquisitions, divestitures and other corporate transactions, to increase cash flow and stockholder value.

Consistent with this philosophy, HNH has commenced a tender offer to purchase up to 10,028,724 shares, or approximately 96.5% of the outstanding shares, of JPS at a price of $10.00 per share in cash to all stockholders other than SPLP, and with respect shares owned by SPLP, in exchange for common stock of HNH. If all shares are tendered, HNH would exchange approximately $60,100 in cash and 863,946 shares of its common stock. On March 4, 2015, HNH announced
that it was extending the expiration of the tender offer from March 9, 2015 to March 23, 2015. The extension of the tender offer is intended to facilitate the discussions between the Company and JPS regarding a potential negotiated transaction. There is no assurance that HNH and JPS will enter into a definitive agreement.

In addition, HNH entered into an agreement in December 2014 to sell Arlon, which operations comprised substantially all of HNH's former Arlon business for $157,000 in cash, subject to a working capital adjustment and certain potential reductions as provided in the purchase agreement. The closing of the sale occurred in January 2015.

DGT

At October 31, 2014, its most recent fiscal period, DGT had approximately $2,400 in cash and cash equivalents and approximately $51,000 of investments. DGT's operations currently consist of a real estate business from a rental building retained from the sale of its Medical Systems Group on November 3, 2011. Continuing operations consist of the real estate business, investments, and general and administrative expenses.

Steel Excel

As of December 31, 2014, Steel Excel's working capital was $197,294. Steel Excel's principal source of liquidity is cash, cash equivalents and marketable securities on hand.

At December 31, 2014, Steel Excel had $190,367 in cash and marketable securities. The marketable securities included short-term deposits, corporate debt and equity instruments, United States government securities, and securities of government agencies. In the future, Steel Excel may make additional acquisitions of businesses, and may use a significant portion of its available cash balances for such acquisitions or for working capital needs thereafter.

Steel Excel's credit agreement, entered into in July 2013 and amended in December 2013 (the "Amended Credit Agreement"), with Wells Fargo Bank National Association, RBS Citizens, N.A., and Comerica Bank provided for a borrowing capacity of $105,000 consisting of a $95,000 secured term loan (the "Term Loan") and up to $10,000 in revolving loans (the "Revolving Loans") subject to a borrowing base of 85% of the eligible accounts receivable. At December 31, 2014, the Company had $10,000 of borrowing capacity under the Revolving Loans, all of which was available as no Revolving Loans were outstanding. As of December 31, 2104 Steel Excel had $79,300 outstanding under the Term Loan.

Borrowings under the Amended Credit Agreement are collateralized by substantially all the assets of Steel Energy Services Ltd. ("Steel Energy") and its wholly-owned subsidiaries Sun Well Service, Inc. ("Sun Well"), Rogue Pressure Services, LLC ("Rogue"), and Black Hawk Energy Services Ltd. (Black Hawk Ltd.), and a pledge of all of the issued and outstanding shares of capital stock of Sun Well, Rogue, and Black Hawk Ltd. Borrowings under the Amended Credit Agreement are fully guaranteed by Sun Well, Rogue, and Black Hawk Ltd.

The Amended Energy Credit Agreement runs through July 2018, with the Term Loan amortizing in quarterly installments of $3,300 and a balloon payment due on the maturity date. Borrowings under the Amended Credit Agreement bear interest at annual rates of either (i) the Base Rate plus an applicable margin of 1.50% to 2.25% or (ii) LIBOR plus an applicable margin of 2.50% to 3.25%. The "Base Rate" is the greatest of (i) the prime lending rate, (ii) the Federal Funds Rate plus 0.5%, and (iii) the one-month LIBOR plus 1.0%. The applicable margin for both Base Rate and LIBOR is determined based on the leverage ratio calculated in accordance with the Amended Credit Agreement. LIBOR-based borrowings are available for interest periods of one, three, or six months. In addition, Steel Excel is required to pay commitment fees of between 0.375% and 0.50% per annum on the daily unused amount of the Revolving Loans.

The Amended Credit Agreement contains certain financial covenants, including (i) a leverage ratio not to exceed 3.00:1 for quarterly periods through June 15, 2015, 2.75:1 for quarterly periods through June 30, 2017, and 2.5:1 thereafter and (ii) a fixed charge coverage ratio of 1.15:1 for quarterly periods through December 31, 2016, and 1.25:1 thereafter. Steel Excel was in compliance with all financial covenants as of December 31, 2014.

The Amended Credit Agreement also contains standard representations, warranties, and non-financial covenants. The repayment of the Term Loan can be accelerated upon (i) a change in control, which would include Steel Energy Services owning less than 100% of the equity of Sun Well or Rogue or SPLP owning, directly or indirectly, less than 35% of Steel Energy Services or (ii) other events of default, including payment failure, false representations, covenant breaches, and bankruptcy.

Steel Excel believes that its cash balances will be sufficient to satisfy its anticipated cash needs for working capital and capital expenditures for at least the next twelve months. Steel Excel anticipates making additional acquisitions and investments, and it may be required to use a significant portion of its available cash balances for such acquisitions and investments or for working capital needs thereafter. The consummation of additional acquisitions, prevailing economic conditions, and financial, business and other factors beyond its control could adversely affect Steel Excel's estimates of its future cash requirements. As such, Steel Excel could be required to fund our cash requirements by alternative financing. In these instances, Steel Excel may seek to raise such additional funds through public or private equity or debt financings or from other sources. As a result, Steel Excel may not be able to obtain adequate or favorable equity financing, if needed, due in part to its shares of common stock currently trading on the OTCQB Market. Any equity financing we obtain may dilute existing ownership interests, and any debt financing could contain covenants that impose limitations on the conduct of Steel Excel's business. There can be no assurance that additional financing, if needed, would be available on terms acceptable to Steel Excel or at all.

WebBank

WebBank manages its liquidity to provide adequate funds to meet anticipated financial obligations such as certificate of deposit maturities and to fund customer credit needs. WebBank had $96,829 and $90,452 in cash at the Federal Reserve Bank and in its Fed Funds account at its correspondent bank at December 31, 2014 and 2013, respectively. WebBank had $17,400 and $13,400 in lines of credit from its correspondent banks at December 31, 2014 and 2013, respectively. WebBank had $42,011 and $29,055 available from the Federal Reserve discount window at December 31, 2014 and 2013, respectively. WebBank had a total of $156,240 and $132,907 in cash, lines of credit, and access to the Federal Reserve Bank discount window at December 31, 2014 and 2013, respectively, which represents approximately 69% and 77%, respectively, of WebBank's total assets.

Contractual Commitments and Contingencies

Our consolidated contractual obligations as of December 31, 2014 are identified in the table below:

	Payments Due By Period				
	Less Than 1 Year	1 - 3 Years	3 - 5 Years	Thereafter	Total
Debt obligations	$ 20,194	$ 63,264	$ 233,018	$ —	$ 316,476
Estimated interest expense (1)	7,907	14,043	10,122	—	32,072
Deposits (2)	87,804	77,056	—	—	164,860
Operating lease obligations	7,147	11,027	7,632	8,855	34,661
Capital lease obligations	486	288	—		774
Deferred compensation	220	3,489	—		3,709
Pension and other post-employment benefit plans	17,100	28,700	35,600	59,500	140,900
Total	$ 140,858	$ 197,867	$ 286,372	$ 68,355	$ 693,452

(1) The interest rates for the estimated interest expense were based on interest rates at December 31, 2014.
(2) Excludes interest.

Environmental Liabilities

Certain of BNS' and HNH's facilities are environmentally impaired. BNS and HNH have estimated their liability to remediate these sites to be $3,822 and $4,622, respectively, at December 31, 2014. For further discussion regarding these commitments, among others, see Note 21, "Commitments and Contingencies," to the SPLP consolidated financial statements included elsewhere in this Form 10-K.

Deposits

Deposits at WebBank at December 31, 2014, and 2013 were as follows:

	2014	2013
Current	$ 87,804	$ 87,319
Long-term	77,056	30,887
Total	$ 164,860	$ 118,206

The increase in deposits at December 31, 2014 compared with 2013 is due to WebBank's strategic decision to increase its excess liquidity in relation to contractual lending programs and anticipated growth. The average original maturity for time deposits at December 31, 2014 was 30 months compared with 22 months at December 31, 2013. The following table details the maturity of time deposits as of December 31, 2014:

	Maturity				
	< 3 Months	3 to 6 Months	6 to 12 Months	> 12 Months	Total
			(Dollars in Thousands)		
Certificate of Deposits less than $100	$ —	$ 7,712	$ 6,592	$ 71,970	$ 86,274
Certificate of Deposits of $100 or more	—	4,356	8,341	5,087	17,784
Total Certificates of Deposits	$ —	$ 12,068	$ 14,933	$ 77,057	$ 104,058

Off-Balance Sheet Risk

It is not the Company's usual business practice to enter into off-balance sheet arrangements such as guarantees on loans and financial commitments, indemnification arrangements, and retained interests in assets transferred to an unconsolidated entity for securitization purposes. Certain customers and suppliers of HNH's Joining Materials business choose to do business on a "pool" basis. Such customers or suppliers furnish precious metal to subsidiaries of H&H for return in fabricated form or for purchase from or return to the supplier. When the customer's precious metal is returned in fabricated form, the customer is charged a fabrication charge. The value of pooled precious metal is not included in HNH's balance sheet. As of December 31, 2014, customer metal in H&H's custody consisted of 191,217 ounces of silver, 518 ounces of gold, and 1,392 ounces of palladium. The market value per ounce of silver, gold and palladium as of December 31, 2014 was $15.75, $1,199.25, and $798.00, respectively.

SPLP uses the same credit policy in making commitments and conditional obligations as it does for on-balance sheet instruments.

WebBank is a party to financial instruments with off-balance sheet risk. In the normal course of business, these financial instruments include commitments to extend credit in the form of loans as part of WebBank's lending arrangements. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized on the consolidated balance sheets. The contract amounts of those instruments reflect the extent of involvement WebBank has in particular classes of financial instruments.

WebBank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments.

At December 31, 2014 and 2013, WebBank's undisbursed commitments under these instruments totaled $82,788 and $28,011, respectively. Commitments to extend credit are agreements to lend to a borrower who meets the lending criteria through one of the WebBank's lending agreements, provided there is no violation of any condition established in the contract with the counterparty to the lending arrangement. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since certain of the commitments are expected to expire without the credit being extended, the total commitment amounts do not necessarily represent future cash requirements. WebBank evaluates each prospective borrower's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by WebBank upon extension of credit is based on management's credit evaluation of the borrower and WebBank's counterparty.

Critical Accounting Policies

A summary of our accounting policies is set forth in Note 2 - "Summary of Significant Accounting Policies" to the SPLP consolidated financial statements found elsewhere in this Form 10-K. In our view, the policies that involve the most subjective judgment or that have the potential to materially affect our financial statements are set forth below.

Investments

For the Diversified Industrial, Energy, Financial Services and other operations, we evaluate our investments as consolidated subsidiaries, associated companies, available-for-sale or held-to-maturity. Held-to-maturity securities are those debt securities that the Company has the ability and intent to hold until maturity. Associated companies are companies where our ownership is between 20% and 50% of the outstanding equity and have the ability to exercise influence, but not control, over the investee. All other securities not included in held-to-maturity or associated companies are classified as available-for-sale.

Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Available-for-sale securities are recorded at fair value. Unrealized holding gains or losses on the majority of available-for-sale securities are excluded from earnings and reported, until realized, in accumulated other comprehensive income (loss) as a separate component of SPLP partners' capital. Associated companies and other investments - related party are accounted for using the equity method of accounting. In applying the equity method for investments where the fair value option has not been elected, SPLP records the initial investment at cost and subsequently increases or decreases the investment by its proportionate share of the net income or loss of the investee. Dividends received from investees are recorded as reductions in the carrying value of the investment. For equity method investments which the Company has elected to measure at fair value, unrealized gains and losses are reported in the consolidated statement of operations as part of Income from equity method investments and include (Loss) Income of associated companies, net of taxes and Income (Loss) from other investments - related party.

Impairment of Investments

We evaluate our investments for impairment on a quarterly basis and disclose when appropriate if the potential for impairment exists. Our determination of whether a security is other than temporarily impaired incorporates both quantitative and qualitative information; U.S. GAAP requires the exercise of judgment in making this assessment, rather than the application of fixed mathematical criteria. We consider a number of factors including, but not limited to, the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, the reason for the decline in fair value, changes in fair value subsequent to the balance sheet date, the ability and intent to hold investments to maturity, and other factors specific to the individual investment. Our assessment involves a high degree of judgment and accordingly, actual results may differ materially from those estimates and judgments.

Changes in the local and national economy, the federal and state legislative and regulatory environments for financial institutions, the stock market, interest rates and other external factors (such as natural disasters or significant world events) may occur from time to time, often with great unpredictability. Such factors may materially impact the fair value of our assets and liabilities. Based on their respective balances as of December 31, 2014, we estimate that in the event of a 10% adverse change in the fair values of our marketable securities and long-term investments, the fair values would decrease by approximately $13,800 and $31,000, respectively.

Impairment Testing

We review all of our long-lived assets, including goodwill and other intangible assets, for impairment indicators throughout the year and we perform impairment testing for goodwill and indefinite-lived assets annually and for all other long-lived assets whenever impairment indicators are present. If necessary, we record impairments of long-lived assets for the amount by which the fair value is less than the carrying value of these assets.

Goodwill

SPLP performs its annual impairment test in the fourth quarter of its fiscal year, and would perform testing for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

Under ASC 350, an entity can choose between two testing approaches.

a. Step 0 or Qualitative approach - An entity may assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount, including goodwill. In evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, an entity shall assess relevant events and circumstances. Examples of such events and circumstances would include pertinent macroeconomic conditions, industry and market considerations, overall financial performance and other factors.

An entity has an unconditional option to bypass this qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the goodwill impairment test. An entity may resume performing the qualitative assessment in any subsequent period.

b. Step 1 or Quantitative approach - The fair value of a reporting unit is calculated and compared with its carrying amount. If the fair value of a reporting unit exceeds its carrying amount, there is no indication of impairment and further testing is not required. If the carrying amount of a reporting unit exceeds its fair value, then a second step of testing is required (“Step 2”). The second step of the goodwill impairment test compares the implied fair value of the reporting unit’s goodwill with the carrying amount of that goodwill.

The testing of goodwill for impairment is performed at a level referred to as a reporting unit. Goodwill is allocated to each reporting unit based on the goodwill valued in connection with each business combination consummated within each reporting unit. Four reporting units of the Company, have goodwill assigned to them.

In evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company assesses relevant events and circumstance, including: macroeconomic conditions; industry and market considerations; cost factors; overall financial performance; and other entity-specific events. The Company's current expectations associated with such factors could differ from future results, and the recoverability of goodwill may be impacted if the Company's estimated future operating cash flows are not achieved. The Company also uses judgment in assessing whether

assets may have become impaired between annual impairment tests. Circumstances that could trigger an interim impairment test include, but are not limited to: the occurrence of a significant change in circumstances, such as continuing adverse business conditions or legal factors; an adverse action or assessment by a regulator; unanticipated competition; loss of key personnel; the likelihood that a reporting unit or significant portion of a reporting unit will be sold or otherwise disposed; or results of testing for recoverability of a significant asset group within a reporting unit. The Company utilized a qualitative approach to assess its goodwill at three of its reporting units and used the two-step quantitative test for one of its reporting units as of its most recent assessment date.

During 2014, the adverse effect on the Energy business of declining oil prices resulted in a goodwill impairment charge of $41,450 recorded by our Energy segment. We estimated the fair value of our Energy segment based on valuations, which relied on certain assumptions we made including projections of future revenues based on assumed long-term growth rates, estimated costs, and the appropriate discount rates. The estimates we used for long-term revenue growth and future costs are based on historical data, various internal estimates, and a variety of external sources, and were developed as part our long-range assessment of our Energy business given the recent developments in the oil services industry. After the impairment charge, the carrying value of the goodwill in the Energy segment was $19,571 at December 31, 2014. A change in assumptions, including lower long-term growth rates, higher operating costs, or higher discount rates could cause a change in the estimated fair value of the Energy segment, and therefore could result in an additional impairment of goodwill, which would have an adverse effect on our results of operations.

In 2013 we recorded a goodwill impairment of approximately $3,600 in discontinued operations and in 2012 we recorded a goodwill impairment of $192. Both impairments were recorded by the Energy segment. There were no impairments of intangible assets in 2013 or 2012.

Other Long-Lived Asset Impairment testing

Intangible assets with finite lives are amortized over their estimated useful lives. The Company also estimates the depreciable lives of property, plant and equipment, and reviews long-lived assets for impairment whenever events, or changes in circumstances, indicate the carrying amount of such assets may not be recoverable. If the carrying values of the long-lived assets exceed the sum of the undiscounted cash flows, an impairment charge is recognized in the amount by which the carrying values exceeds their fair values.

The Company performs such assessments at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities, which is generally at the plant level or the reporting unit level, dependent on the level of interdependencies in the Company's operations. Impairment losses are recorded on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. The impairment loss is measured by comparing the fair value of the asset to its carrying amount. The Company considers various factors in determining whether an impairment test is necessary, including among other things: a significant or prolonged deterioration in operating results and projected cash flows; significant changes in the extent or manner in which assets are used; technological advances with respect to assets which would potentially render them obsolete; the Company's strategy and capital planning; and the economic climate in the markets it serves. When estimating future cash flows and if necessary, fair value, the Company makes judgments as to the expected utilization of assets and estimated future cash flows related to those assets. The Company considers historical and anticipated future results, general economic and market conditions, the impact of planned business and operational strategies and other information available at the time the estimates are made. The Company believes these estimates are reasonable; however, changes in circumstances or conditions could have a significant impact on its estimates, which might result in material impairment charges in the future.

In 2014, the adverse effect on the Energy business of declining oil prices resulted in the need for the Company to assess the recoverability of certain of its finite-lived intangible assets and property and equipment in its Energy segment. The undiscounted cash flows expected to be generated by such assets exceeded their carrying value, and therefore the Company has not recognized any impairment charges on its long-lived assets in its Energy segment. A change in the business climate in the Company's Energy segment in future periods, including an inability to effectively integrate new businesses in which significant investments have been made or a general downturn in the Company’s Energy segment could lead to a required assessment of the recoverability of the long-lived assets in its Energy segment, which may subsequently result in an impairment charge.

Long-lived assets consisting of land and buildings used in previously operating businesses are carried at the lower of cost or fair value and are included primarily in other non-current assets on the consolidated balance sheet. A reduction in the carrying value of such long-lived assets used in previously operating businesses is recorded as an asset impairment charge in the consolidated statement of operations.

Business Combinations

When we acquire a business, we allocate the purchase price to the assets acquired, liabilities assumed and any noncontrolling interests based on their fair values at the acquisition date. Significant judgment may be used to determine these fair values including the use of appraisals, discounted cash flow models, market value for similar purchases, or other methods applicable to the circumstances. The excess of any purchase price we pay over the fair value of the net assets acquired is recorded as Goodwill. If the fair value of the net assets exceeds the purchase price the excess is treated as a bargain purchase and recognized in income. Transaction costs are expensed as incurred.

Subsequent to the finalization of the purchase price allocation, any adjustments to the recorded values of acquired assets and liabilities would be reflected in the Company's consolidated statement of operations. Once final, the Company is not permitted to revise the allocation of the original purchase price, even if subsequent events or circumstances prove the Company's original judgments and estimates to be incorrect.

In addition, long-lived assets recorded in a business combination such as property and equipment, intangible assets and goodwill may be deemed to be impaired in the future resulting in the recognition of an impairment loss. The assumptions and judgments made by the Company when recording business combinations will have an impact on reported results of operations in the future.

Fair Value Measurements

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. Fair value measurements are classified into three levels based on the reliability of inputs as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The valuation under this approach does not entail a significant degree of judgment (“Level 1”).

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (e.g. interest rates and yield curves observable at commonly quoted intervals or current market) and contractual prices for the underlying financial instrument, as well as other relevant economic measures ("Level 2").

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date ("Level 3").

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. Significant transfers, if any, between the levels within the fair value hierarchy are recognized at the beginning of the reporting period.

Legal, Environmental and Other Contingencies

The outcomes of legal proceedings and claims brought against us are subject to significant uncertainty. An estimated loss from a loss contingency such as a legal proceeding or environmental remediation obligation or claim is accrued by a charge to income if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Disclosure of a contingency is required if there is at least a reasonable possibility that a loss has been incurred. In determining whether a loss should be accrued we evaluate, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Changes in these factors could materially impact our financial statements.

Income Taxes

As a limited partnership, we are generally not responsible for federal and state income taxes and our profits and losses are passed directly to our limited partners for inclusion in their respective income tax returns. Our subsidiaries that are corporate subsidiaries are subject to federal and state income taxes. The table in Note 19 - "Income Taxes" to the SPLP consolidated financial statements, found elsewhere in this Form 10-K, reconciles a hypothetical calculation of federal income taxes based on the federal statutory rate of 35% applied to the (loss) or income from continuing operations before income taxes and associated companies. The tax effect of income passed through to common unitholders is subtracted from the hypothetical calculation.

Our subsidiaries that are subject to income taxes use the liability method of accounting for such taxes. Under the liability method, deferred tax assets and deferred tax liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and deferred tax liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and deferred tax liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Our subsidiaries and associated companies evaluate the recoverability of deferred tax assets and establish a valuation allowance when it is more likely than not that some portion of the deferred tax assets will not be realized.

When tax returns are filed, it is highly certain that most positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet, along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Recent Accounting Standards

See Note 2 - "Summary of Significant Accounting Policies" to the SPLP consolidated financial statements found elsewhere in this Form 10-K for information on recent accounting standards.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

In this "Quantitative and Qualitative Disclosure About Market Risk" section, all dollar amounts are in thousands, except for per share amounts.

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Our significant market risks are primarily associated with interest rates, equity prices and, to a lesser extent, derivatives. The following sections address the significant market risks associated with our business activities.

SPLP's quantitative and qualitative disclosures about market risk include forward-looking statements with respect to management's opinion about the risk associated with the Company's financial instruments. These statements are based on certain assumptions with respect to market prices, interest rates and other industry-specific risk factors. To the extent these assumptions prove to be inaccurate, future outcomes may differ materially from those discussed herein.

Risks Relating to Investments

The Company's investments are primarily classified as marketable securities or long-term investments and are primarily recorded on the balance sheet at fair value. These investments are subject to equity price risk. The Company evaluates its investments for impairment on a quarterly basis.

At December 31, 2014, marketable securities aggregated approximately $138,457, of which $108,800 represented mutual funds and corporate equities that are reported at fair value. A change in the equity price of these securities would result in a change in value of such securities in future periods.

Included in the Company's Long-term investments are available-for-sale equity securities and certain associated company investments which are both subject to equity price risk.

- The available-for-sale securities are recorded in the balance sheet at an aggregate fair value of $131,094 (see Note 5 - "Investments" to the SPLP consolidated financial statements found elsewhere in this Form 10-K). A change in the equity price of these securities would result in a change in value of such securities in future periods.

- The Company's associated company investments include its investments in ModusLink, SLI, JPS and API Tech, for which it has elected the fair value option. At December 31, 2014, these investments are carried at a total fair value of $155,646 (see Note 5 - "Investments" to the SPLP consolidated financial statements found elsewhere in this Form 10-K). A change in the equity price of our investment in these securities would result in a change in value of such securities and would impact our results in future periods.

Risks Relating to Interest Rates

WebBank

The Company through its WebBank subsidiary derives a portion of its income from the excess of interest collected over interest paid. The rates of interest WebBank earns on assets and pays on liabilities generally are established contractually for a period of time. Market interest rates change over time. Accordingly, WebBank's results of operations, like those of most financial institutions, are impacted by changes in interest rates and the interest rate sensitivity of its assets and liabilities. The risk associated with changes in interest rates and the ability to adapt to these changes is known as interest rate risk.

WebBank monitors and measures its exposure to changes in interest rates in order to comply with applicable government regulations and risk policies established by WebBank's Board of Directors, and in order to preserve shareholder value. In monitoring interest rate risk, WebBank analyzes assets and liabilities based on characteristics including size, coupon rate, repricing frequency, maturity date, and likelihood of prepayment.

If WebBank's assets mature or reprice more rapidly or to a greater extent than its liabilities, then net portfolio value and net interest income would tend to increase during periods of rising rates and decrease during periods of falling interest rates. Conversely, if WebBank's assets mature or reprice more slowly or to a lesser extent than its liabilities, then net portfolio value and net interest income would tend to decrease during periods of rising interest rates and increase during periods of falling interest rates.

WebBank currently focuses lending efforts toward originating competitively priced adjustable-rate or fixed-rate loan products with short to intermediate terms to maturity, generally 7 years or less. This theoretically allows WebBank to maintain a portfolio of loans that will have relatively little sensitivity to changes in the level of interest rates, while providing a reasonable spread to the cost of liabilities used to fund the loans.

The principal objective of WebBank's asset/liability management is to manage the sensitivity of Market Value of Equity (MVE) to changing interest rates. Asset/liability management is governed by policies reviewed and approved annually by WebBank's Board of Directors. WebBank's Board of Directors has delegated the responsibility to oversee the administration of these policies to WebBank's asset/liability committee, or ALCO. The interest rate risk strategy currently deployed by ALCO is to primarily use "natural" balance sheet hedging (as opposed to derivative hedging). ALCO fine tunes the overall MVE sensitivity by recommending lending and deposit strategies. WebBank then executes the recommended strategy by increasing or decreasing the duration of the loan and deposit products, resulting in the appropriate level of market risk WebBank's Board of Directors wants to maintain.

WebBank measures interest rate sensitivity as the difference between amounts of interest earning assets and interest-bearing liabilities that mature or reprice within a given period of time. The difference provides an indication of the extent to which an institution's interest rate spread will be affected by changes in interest rates. If the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities, then the bank is considered to be asset sensitive. If the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets, then the bank is considered to be liability sensitive. In a rising interest rate environment, an institution that is asset sensitive would be in a better position than an institution that is liability sensitive because the yield on its assets would increase at a faster pace than the cost of its interest bearing liabilities. During a period of falling interest rates, however, an institution that is asset sensitive would tend to have its assets reprice at a faster rate than its liabilities, which would tend to reduce the growth in its net interest income. The opposite is true if the institution is liability sensitive.

WebBank's Board of Directors and relevant government regulations establish limits on the level of acceptable interest rate risk at WebBank, to which management adheres. There can be no assurance, however, that, in the event of an adverse change in interest rates, WebBank's efforts to limit interest rate risk will be successful.

HNH

At HNH, the fair value of cash and cash equivalents, trade and other receivables, trade payables and short-term borrowings approximate their carrying values and are relatively insensitive to changes in interest rates due to the short-term maturities of these instruments or the variable nature of the associated interest rates.

At December 31, 2014, HNH's portfolio of long-term debt was comprised primarily of variable rate instruments. Accordingly, the fair value of such instruments may be relatively sensitive to effects of interest rate fluctuations. An increase or decrease in interest expense from a 1% change in interest rates would be approximately $2,000 on an annual basis based on HNH's total debt outstanding as of December 31, 2014. In addition, the fair value of such instruments is also affected by investors' assessments of the risks associated with industries in which HNH operates, as well as its overall creditworthiness and ability to satisfy such obligations upon their maturity.

To manage their interest rate risk exposure, HNH entered into two interest rate swap agreements to reduce our exposure to interest rate fluctuations. The terms of these agreements are described in Note 14 - "Debt and Capital Lease Obligations" to the SPLP consolidated financial statements found elsewhere in this Form 10-K.

A reduction in long-term interest rates could also materially increase HNH's cash funding obligations to the WHX Pension Plan.

Steel Excel

Steel Excel is exposed to interest rate risk in connection with its borrowings under a credit facility that aggregated $79,300 at December 31, 2014. Interest rates on funds borrowed under the credit facility vary based on changes to the prime rate, LIBOR, or the Federal funds rate. A change in interest rates of 1.0% would result in an annual change in income before taxes of $800 based on the outstanding balance under the credit facility at December 31, 2014.

Steel Excel is also exposed to interest rate risk related to certain of its investments in marketable securities. At December 31, 2014, Steel Excel's marketable securities aggregated $138,457, of which $29,600 represented corporate

obligations that pay a fixed rate of interest and are reported at fair value. A change in interest rates would result in a change in the value of such securities in future periods. Although a change in interest rates in future periods will not affect the amount of interest income earned on the specific securities held at December 31, 2014, a change in interest rates of 1.0% would result in an annual change in income before taxes of $300 in future periods if comparable amounts were invested in similar securities.

Risks Relating to Commodity Prices

In the normal course of business, HNH and its subsidiaries are exposed to market risk or price fluctuations related to the purchase of natural gas, electricity, precious metals, steel products and certain non-ferrous metals used as raw materials. HNH is also exposed to the effects of price fluctuations on the value of its commodity inventories, in particular, its precious metal inventory. The raw materials and energy which we use are largely commodities, subject to price volatility caused by changes in global supply and demand and governmental controls.

HNH's market risk strategy has generally been to obtain competitive prices for its products and services, sourced from more than one vendor, and allow operating results to reflect market price movements dictated by supply and demand.

HNH enters into commodity futures and forward contracts to mitigate the impact of price fluctuations on its precious and certain non-precious metal inventories that are not subject to fixed price contracts. The Company's hedging strategy is designed to protect it against normal volatility; therefore, abnormal price changes in these commodities or markets could negatively impact HNH's earnings. Certain of these derivatives are not designated as accounting hedges under Accounting Standards Codification Subtopic 815-10, *Derivatives and Hedging*. As of December 31, 2014, HNH had entered into futures contracts, with settlement dates ranging from February 2015 to March 2015, for silver with a total value of $10,500, for gold with a total value of $2,000, for copper with a total value of $800 and for tin with a total value of $700.

Certain customers and suppliers of HNH choose to do business on a “pool” basis. Such customers or suppliers furnish precious metal to subsidiaries of H&H for return in fabricated form ("customer metal") or for purchase from or return to the supplier. When the customer's precious metal is returned in fabricated form, the customer is charged a fabrication charge. The value of pooled precious metal is not included in the Company's Consolidated Balance Sheets. As of December 31, 2014, customer metal in H&H's custody consisted of 191,217 ounces of silver, 518 ounces of gold, and 1,392 ounces of palladium.

To the extent that we have not mitigated our exposure to rising raw material and energy prices, we may not be able to increase our prices to our customers to offset such potential raw material or energy price increases, which could have a material adverse effect on our results of operations and operating cash flows.

Risks Relating to Foreign Currency Exchange

The Company, primarily through its HNH subsidiary, manufactures and sells its products in a number of countries throughout the world and, as a result, is exposed to movements in foreign currency exchange rates. The Company's major foreign currency exposures involve the markets in Asia, Europe, Canada and Mexico. The Company is subject to the risk of price fluctuations related to anticipated revenues and operating costs, firm commitments for capital expenditures and existing assets or liabilities denominated in currencies other than the U.S. dollar. The Company and HNH have not generally used derivative instruments to manage these specific risks. For the year ended December 31, 2014 the Company recorded a gain from foreign currency financial instruments of $838 and incurred losses $174 and $787 for the years ended December 31, 2013 and 2012, respectively.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Steel Partners Holdings L.P.
New York, New York

We have audited the accompanying consolidated balance sheets of Steel Partners Holdings L.P. and subsidiaries (the "Company") as of December 31, 2014 and 2013 and the related consolidated statements of operations, comprehensive (loss) income, changes in capital and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Steel Partners Holdings L.P. and subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Steel Partners Holdings L.P.'s internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 16, 2015 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

New York, New York
March 16, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Steel Partners Holdings L.P.
New York, New York

We have audited Steel Partners Holdings L.P.'s internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Steel Partners Holdings L.P.'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 appearing under Item 9A. 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, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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.

In our opinion, Steel Partners Holdings L.P. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, 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 Steel Partners Holdings L.P. as of December 31, 2014 and 2013 and the related consolidated statements of operations, comprehensive (loss) income, changes in capital and cash flows for the years then ended, and our report dated March 16, 2015 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

New York, New York

March 16, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Steel Partners Holdings, L.P.

We have audited the consolidated balance sheet of Steel Partners Holdings, L.P. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2012 (not presented herein), and the related consolidated statements of operations, comprehensive (loss) income, changes in capital, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Steel Excel Inc. and Subsidiaries (from May 31, 2012, date of consolidation through December 31, 2012), WebFinancial Holding Corporation and WF Asset Corp., which statements reflect total assets constituting $563 million of the consolidated total assets as of December 31, 2012 (not presented herein), and total revenues of $93.6 million of the consolidated total revenues for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Steel Excel Inc. and Subsidiaries, WebFinancial Holding Corporation and WF Asset Corp., is based solely on the reports of the other auditors.

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 the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Steel Partners Holdings, L.P. and subsidiaries as of December 31, 2012, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP

New York, New York

March 21, 2013 (except Note 4, as to which the date is March 16, 2015)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Steel Excel, Inc.
San Ramon, California

We have audited the consolidated balance sheet of Steel Excel Inc. (formerly ADPT Corporation) as of December 31, 2012 and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for the year then ended (not presented herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Steel Excel Inc. at December 31, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

San Jose, California
March 8, 2013

H | B | M

HANSEN, BARNETT & MAXWELL, P.C.
Certified Public Accountants

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
WebFinancial Holding Corporation and subsidiaries

We have audited the accompanying consolidated balance sheet of WebFinancial Holding Corporation and subsidiaries as of December 31, 2012 (not presented herein) and the related consolidated statements of operations, equity and cash flows for the year then ended. WebFinancial Holding Corporation's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements 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 the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WebFinancial Holding Corporation as of December 31, 2012 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/HANSEN, BARNETT & MAXWELL P.C.

Salt Lake City, Utah
February 21, 2013

Registered with the Public Company Accounting Oversight Board

5 Triad Center, Suite 750, Salt Lake City, Utah 84180-1128
TEL 801-532-2200 FAX 801-532-7944 www.hbmcpas.com
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HANSEN, BARNETT & MAXWELL, P.C.
Certified Public Accountants

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
WF Asset Corp

We have audited the accompanying consolidated balance sheet of WF Asset Corp as of December 31, 2012 (not presented herein) and the related consolidated statements of operations, equity and cash flows for the year then ended. WF Asset Corp's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements 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 the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WF Asset Corp as of December 31, 2012 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/HANSEN, BARNETT & MAXWELL P.C.

Salt Lake City, Utah
February 21, 2013

Registered with the Public Company Accounting Oversight Board

5 Triad Center, Suite 750, Salt Lake City, Utah 84180-1128
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STEEL PARTNERS HOLDINGS L.P.
Consolidated Balance Sheets
(in thousands except common units)

	December 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 188,983	$ 203,980
Restricted cash	21,311	26,340
Marketable securities	138,457	178,485
Trade and other receivables (net of allowance for doubtful accounts of $2,149 in 2014 and $1,981 in 2013)	87,440	88,640
Receivable from related parties	838	1,050
Loans receivable, net	41,547	26,360
Inventories, net	64,084	60,059
Deferred tax assets - current	30,262	21,722
Prepaid and other current assets	15,082	17,218
Assets of discontinued operations	76,418	76,295
Total current assets	664,422	700,149
Long-term loans receivable, net	76,382	49,956
Goodwill	45,951	87,362
Other intangible assets, net	118,550	131,121
Deferred tax assets - non-current	45,669	33,096
Other non-current assets	45,666	43,013
Property, plant and equipment, net	184,314	182,108
Long-term investments	311,951	295,440
Total Assets	$ 1,492,905	$ 1,522,245

See accompanying Notes to Consolidated Financial Statements

STEEL PARTNERS HOLDINGS L.P.
Consolidated Balance Sheets
(in thousands except common units)
(continued)

	December 31, 2014	December 31, 2013
LIABILITIES AND CAPITAL		
Current liabilities:		
Accounts payable	$ 34,686	$ 33,804
Accrued liabilities	41,133	41,784
Financial instruments	21,311	25,090
Deposits	87,804	87,319
Payable to related parties	3,404	2,572
Short-term debt	602	650
Current portion of long-term debt	19,592	26,033
Deferred tax liabilities - current	271	3,045
Other current liabilities	8,250	4,586
Liabilities of discontinued operations	13,201	12,237
Total current liabilities	230,254	237,120
Long-term deposits	77,056	30,887
Long-term debt	296,282	223,355
Accrued pension liability	208,390	142,540
Deferred tax liabilities - non-current	5,301	3,218
Other liabilities	11,516	12,465
Total Liabilities	828,799	649,585
Commitments and Contingencies	—	—
Capital:		
Partners' capital common units: 27,566,200 and 31,129,065 issued and outstanding (after deducting 8,964,049 and 5,373,241 held in treasury, at cost of $138,363 and $78,977) at December 31, 2014 and December 31, 2013, respectively	492,054	574,998
Accumulated other comprehensive income	2,805	41,584
Total Partners' Capital	494,859	616,582
Noncontrolling interests in consolidated entities	169,247	256,078
Total Capital	664,106	872,660
Total Liabilities and Capital	$ 1,492,905	$ 1,522,245

See accompanying Notes to Consolidated Financial Statements

STEEL PARTNERS HOLDINGS L.P.
Consolidated Statements of Operations
(in thousands except common units and per common unit data)

	Year Ended December 31,		
	2014	2013	2012
Revenue			
Diversified industrial net sales	$ 600,468	$ 571,164	$ 498,713
Energy net sales	210,148	120,029	92,834
Financial services revenue	36,647	28,185	21,155
Investment and other income	1,346	665	2,347
Net investment gains	921	1,071	15,722
Total revenue	849,530	721,114	630,771
Costs and expenses			
Cost of goods sold	587,069	496,757	416,826
Selling, general and administrative expenses	189,495	202,121	155,522
Goodwill impairment	41,450	—	—
Asset impairment charges	2,537	2,689	1,602
Finance interest expense	815	698	1,176
Recovery of loan losses	(50)	(80)	(415)
Interest expense	11,073	10,454	14,804
Realized and unrealized gain on derivatives	(1,307)	(1,195)	(1,352)
Deferred fee liability to related party - increase	—	—	11,448
Other income, net	(6,825)	(6,855)	(802)
Total costs and expenses	824,257	704,589	598,809
Income from continuing operations before income taxes and equity method income (loss)	25,273	16,525	31,962
Income tax provision	24,288	6,477	13,068
Income from equity method investments and investments held at fair value:			
(Loss) Income of associated companies, net of taxes	(3,379)	27,786	14,204
Income (Loss) from other investments - related party	891	(271)	(8,329)
(Loss) Income from investments held at fair value	(16,069)	811	18,967
Net (loss) income from continuing operations	(17,572)	38,374	43,736
Discontinued operations:			
Income (Loss) from discontinued operations, net of taxes	10,262	(227)	12,866
Gain on sale of discontinued operations, net of taxes	42	6,673	7,163
Income from discontinued operations	10,304	6,446	20,029
Net (loss) income	(7,268)	44,820	63,765
Net loss (income) attributable to noncontrolling interests in consolidated entities:			
Continuing operations	3,882	(23,227)	(13,589)
Discontinued operations	(4,169)	(2,133)	(9,158)
	(287)	(25,360)	(22,747)
Net (loss) income attributable to common unitholders	$ (7,555)	$ 19,460	$ 41,018
Net (loss) income per common unit - basic			
Net (loss) income from continuing operations	$ (0.48)	$ 0.51	$ 1.01
Net income from discontinued operations	0.21	0.14	0.37
Net (loss) income attributable to common unitholders	$ (0.27)	$ 0.65	$ 1.38
Net (loss) income per common unit - diluted			
Net (loss) income from continuing operations	$ (0.48)	$ 0.49	$ 1.01
Net income from discontinued operations	0.21	0.14	0.37
Net (loss) income attributable to common unitholders	$ (0.27)	$ 0.63	$ 1.38
Weighted average number of common units outstanding - basic	28,710,220	29,912,993	29,748,746
Weighted average number of common units outstanding - diluted	28,710,220	30,798,113	29,774,527

See accompanying Notes to Consolidated Financial Statements

STEEL PARTNERS HOLDINGS L.P.
Consolidated Statements of Comprehensive (Loss) Income
(in thousands)

	Year Ended December 31,		
	2014	**2013**	**2012**
Net (loss) income	$ (7,268)	$ 44,820	$ 63,765
Other comprehensive income (loss), net of tax:			
Unrealized (losses) gains on available for sale securities, net of tax (a)	(11,312)	44,193	8,337
Currency translation adjustments	(2,090)	(2,812)	(477)
Change in net pension liability and post-retirement benefit obligations, net of tax (b)	(55,412)	39,147	(32,881)
Other comprehensive (loss) income	(68,814)	80,528	(25,021)
Comprehensive (loss) income	(76,082)	125,348	38,744
Comprehensive loss (income) attributable to non-controlling interests	29,748	(46,442)	(3,851)
Comprehensive (loss) income attributable to common unit holders	$ (46,334)	$ 78,906	$ 34,893

(a) There was no tax benefit recorded in 2014. Includes a net tax benefit of $6,565 and a net tax provision of $5,826 for the twelve months ended December 31, 2013 and 2012, respectively.

(b) Includes a net tax benefit of $33,993, for the twelve months ended December 31, 2014, a net tax provision of $28,773 for the twelve months ended December 31, 2013 and a net tax benefit of $16,635, for the twelve months ended 2012.

See accompanying Notes to Consolidated Financial Statements

STEEL PARTNERS HOLDINGS L.P.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2014	2013	2012
Cash flows from operating activities:			
Net (loss) income	$ (7,268)	$ 44,820	$ 63,765
Income from discontinued operations	(10,304)	(6,446)	(20,029)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Net investment gains	(921)	(1,071)	(15,722)
Recovery of loan losses	(50)	(80)	(415)
Loss (Income) of associated companies	3,379	(27,786)	(14,204)
(Income) Loss from other investments - related party	(891)	271	8,329
Loss (Income) from investments held at fair value	16,069	(811)	(18,967)
Deferred income taxes	12,289	5,653	11,439
Income tax benefit from release of deferred tax valuation allowance	(45)	(7,236)	(5,500)
Non-cash (income) loss from derivatives	(213)	1,051	(1,379)
Accrued interest not paid in cash	—	—	(125)
Depreciation and amortization	38,438	30,990	24,750
Loss on extinguishment of debt	—	1,782	—
Amortization of debt related costs	1,480	852	2,551
Reclassification of net cash settlements on derivative instruments	(1,093)	(2,346)	(193)
Stock based compensation	8,470	34,282	7,452
Asset impairment charges	2,537	2,689	1,602
Goodwill impairment	41,450	—	—
Other	(301)	(2,486)	2,199
Net change in operating assets and liabilities:			
Receivables	(3,268)	8,672	13,190
Receivables from related parties	212	(797)	428
Inventories	(4,697)	2,812	(458)
Prepaid and other assets	2,109	(698)	1,642
Accounts payable, accrued and other liabilities	(21,172)	(25,107)	(15,220)
Payable to related parties	486	(136)	(3,745)
Increase in deferred fee liability to related party	—	—	11,448
Net (increase) decrease in loans held for sale	(17,251)	26,379	(20,142)
Net cash provided by operating activities continuing operations	59,445	85,253	32,696
Net cash provided by operating activities of discontinued operations	18,588	9,699	32,802
Net cash provided by operating activities	78,033	94,952	65,498
Cash flows from investing activities:			
Purchases of investments	(111,648)	(226,548)	(201,587)
Proceeds from sales of investments	120,235	104,545	263,334
Maturities of marketable securities	4,354	146,491	—
Net increase in loans receivable	(25,805)	(34,619)	(3,796)
Purchases of property and equipment	(28,769)	(20,885)	(30,569)
Reclassification of restricted cash	3,780	(1,554)	(1,006)
Settlements of financial instruments	(24,429)	—	—
Net cash settlements on derivative instruments	1,093	2,346	193
Proceeds from sale of assets	2,457	1,081	7,731
Acquisitions, net of cash acquired	(517)	(130,528)	29,941
Investments in associated companies	(1,643)	(36,018)	(16,628)
Proceeds from sales of discontinued operations	3,732	45,334	33,505
Net cash used in investing activities of discontinued operations	(2,902)	(4,584)	(5,687)
Other	(2,996)	617	(666)
Net cash (used in) provided by investing activities	(63,058)	(154,322)	74,765

See accompanying Notes to Consolidated Financial Statements

STEEL PARTNERS HOLDINGS L.P.
Consolidated Statements of Cash Flows (continued)
(in thousands)

	Year Ended December 31,		
	2014	2013	2012
Cash flows from financing activities:			
Proceeds from term loans	52,600	105,000	116,838
Repurchases of Subordinated Notes	(346)	(11,323)	(10,847)
Net revolver borrowings	196,212	30,950	(23,849)
Net borrowings of term loans - foreign	315	—	454
Repayments of term loans - foreign	—	(424)	—
Repayments of term loans - domestic	(182,080)	(27,158)	(95,833)
Return of capital paid to noncontrolling interest holders	—	—	(10,316)
Subsidiary's purchases of the Company's common units	(7,921)	(15,690)	(15,082)
Purchases of treasury units	(51,465)	(106)	—
Subsidiary's purchases of their common stock	(78,488)	(50,144)	(2,776)
Purchase of subsidiary shares from non-controlling interests	(3,045)	(917)	(5,452)
Deferred finance charges	(3,175)	(2,139)	(2,743)
Net change in overdrafts	186	1,761	(1,365)
Net increase (decrease) in deposits	46,654	39,567	(16,273)
Net cash used in financing activities of discontinued operations	—	(3,093)	1,093
Other	886	(834)	(3,380)
Net cash provided by (used in) financing activities	(29,667)	65,450	(69,531)
Net change for the period	(14,692)	6,080	70,732
Effect of exchange rate changes on cash and cash equivalents	(305)	(127)	268
Cash and cash equivalents at beginning of period	203,980	198,027	127,027
Cash and cash equivalents at end of period	$ 188,983	$ 203,980	$ 198,027
Cash paid during the period for:			
Interest	$ 11,471	$ 12,103	$ 13,185
Taxes	$ 12,194	$ 16,720	$ 6,611
Non-cash investing activities:			
Reclassification of available-for-sale securities to equity method investment	$ 27,647	$ —	$ —
Reclassification of investment in associated company to cost of an acquisition	$ —	$ —	$ 137,532
Securities received in exchange for financial instrument obligations	$ 20,007	$ —	$ —
Securities delivered in exchange for settlement of financial instrument obligations	$ 520	$ —	$ —
Net decrease (increase) in restricted cash from purchase of foreign currency financial instruments	$ 25,090	$ (377)	$ (1,006)
Net transfers between loans and other assets	$ —	$ 119	$ —
Non-cash financing activities:			
Sale of property for mortgage note receivable	$ —	$ —	$ 842
Contribution of note payable by non-controlling interest	$ 268	$ —	$ —
Subsidiary restricted stock awards returned in connection with net-share settlement upon vesting	$ 120	$ —	$ —

See accompanying Notes to Consolidated Financial Statements

STEEL PARTNERS HOLDINGS L.P.
Consolidated Statements of Changes in Capital
(in thousands except common units and treasury units)

	Steel Partners Holdings L.P. Common Unit Holders							
	Common	Treasury Units		Partners'	Accumulated Other Comprehensive	Total Partners'	Non-controlling Interests in Consolidated	Total
	Units	Units	Dollars	Capital	Income (Loss)	Capital	Entities	Capital
Balance at December 31, 2011	**27,991,764**	**(2,808,725)**	**$ (48,099)**	**$ 427,534**	**$ (11,737)**	**$ 415,797**	**$ 64,623**	**$ 480,420**
Net income				41,018		41,018	22,747	63,765
Unrealized gain on available-for-sale investments					12,170	12,170	(3,833)	8,337
Currency translation adjustment					(214)	(214)	(263)	(477)
Changes in pension liabilities and post-retirement benefit obligations					(18,081)	(18,081)	(14,800)	(32,881)
Deferred fee liability settlement	6,939,647			70,195		70,195	—	70,195
Vesting of restricted units	9,060					—	—	—
Steel Excel acquisition						—	189,598	189,598
Return of capital to noncontrolling interest holders						—	(10,316)	(10,316)
Excess of fair value received over carrying value of Sun Well in the Steel Excel acquisition				22,278		22,278	3,959	26,237
Subsidiary's purchases of the Company's common units		(1,345,646)	(15,082)	(15,082)		(15,082)	—	(15,082)
Purchases of subsidiary shares, net of issuances				(3,223)		(3,223)	(2,237)	(5,460)
Other, net				2,486		2,486	(75)	2,411
Balance at December 31, 2012	**34,940,471**	**(4,154,371)**	**(63,181)**	**545,206**	**(17,862)**	**527,344**	**249,403**	**776,747**
Net income				19,460		19,460	25,360	44,820
Unrealized gain on available-for-sale investments					39,422	39,422	4,771	44,193
Currency translation adjustment					(1,504)	(1,504)	(1,308)	(2,812)
Changes in pension liabilities and post-retirement benefit obligations					21,528	21,528	17,619	39,147
Acquisition by subsidiary						—	2,896	2,896
Incentive units and vesting of restricted units	1,561,835			26,957		26,957	—	26,957
Equity compensation - subsidiaries				4,391		4,391	3,547	7,938
Subsidiary's purchases of the Company's common units		(1,212,855)	(15,690)	(15,690)		(15,690)	—	(15,690)
Purchases of treasury units		(6,015)	(106)	(106)		(106)	—	(106)
Subsidiary's purchases of their treasury stock				(3,553)		(3,553)	(46,591)	(50,144)
Purchases of subsidiary shares from noncontrolling interests				(1,299)		(1,299)	383	(916)
Other, net				(368)		(368)	(2)	(370)
Balance at December 31, 2013	**36,502,306**	**(5,373,241)**	**(78,977)**	**574,998**	**41,584**	**616,582**	**256,078**	**872,660**
Net (loss) income				(7,555)		(7,555)	287	(7,268)
Unrealized loss on available-for-sale investments					(806)	(806)	(10,506)	(11,312)
Currency translation adjustment					(1,324)	(1,324)	(766)	(2,090)
Changes in pension liabilities and post-retirement benefit obligations					(36,649)	(36,649)	(18,763)	(55,412)
Vesting of restricted units	27,943			420		420	—	420
Equity compensation - subsidiaries				4,628		4,628	3,134	7,762
Subsidiary's purchases of the Company's common units		(473,054)	(7,921)	(7,921)		(7,921)	—	(7,921)
Purchases of treasury units		(3,117,754)	(51,465)	(51,465)		(51,465)	—	(51,465)
Subsidiary's purchases of their treasury stock				(32,682)		(32,682)	(45,806)	(78,488)
Purchases of subsidiary shares from noncontrolling interests				11,643		11,643	(14,688)	(3,045)
Other, net				(12)		(12)	277	265
Balance at December 31, 2014	**36,530,249**	**(8,964,049)**	**$ (138,363)**	**$ 492,054**	**$ 2,805**	**$ 494,859**	**$ 169,247**	**$ 664,106**

See accompanying Notes to Consolidated Financial Statements

1. NATURE OF THE BUSINESS AND BASIS OF PRESENTATION

Nature of the Business

Steel Partners Holdings L.P. ("SPLP" or the "Company") is a global diversified holding company that engages in multiple businesses, including diversified industrial products, energy, defense, supply chain management and logistics, banking, food products and services, sports, training, education, and the entertainment and lifestyle industries.

The Company works with its businesses to increase corporate value for all stakeholders and shareholders by utilizing Steel Partners Operational Excellence programs, the Steel Partners Purchasing Council, Steel Partners Corporate Services, balance sheet improvements, capital allocation policies and growth initiatives. All of the Company's programs are focused on helping SPLP companies strengthen their competitive advantage and increase their profitability, while enabling them to achieve operational excellence and enhanced customer satisfaction.

SPLP operates through the following segments: Diversified Industrial, Energy, Financial Services, and Corporate and Other which are managed separately and offer different products and services. For additional details related to the Company's reportable segments see Note 18 - "Segment Information."

Steel Partners Holdings GP Inc. (“SPH GP”), a Delaware corporation, is the general partner of SPLP and is wholly-owned by SPLP. The Company is managed by SP General Services LLC (the “Manager”), pursuant to the terms of an amended and restated management agreement (the “Management Agreement”) discussed in further detail in Note 13 - "Related party Transactions" and Note 22 - "Subsequent Events".

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its majority or wholly-owned subsidiaries, which include the following:

	Ownership as of December 31,	
	2014	2013
BNS Holding, Inc. ("BNS") and BNS Liquidating Trust ("BNS Liquidating Trust")	84.9%	84.9%
DGT Holdings Corp. ("DGT") (a)	82.7%	76.7%
Handy & Harman Ltd. ("HNH")	66.2%	54.9%
SPH Services, Inc. ("SPH Services")	100.0%	100.0%
Steel Excel Inc. ("Steel Excel")	57.9%	55.1%
WebFinancial Holding Corporation ("WebFinancial")	100.0%	100.0%

(a) DGT’s financial statements are recorded on a two-month lag, and as a result the balance sheet and statement of operations as of and for the twelve months ended December 31, 2014 includes DGT’s activity as of and for its twelve months ended October 31, 2014.

Acquired companies are presented from their dates of acquisition (see Note 3 - “Acquisitions”). Significant inter-company accounts and transactions have been eliminated in consolidation. The results of operations for businesses that have been disposed of are eliminated from the results of the Company's continuing operations and classified as discontinued operations for each period presented in the Company's consolidated income statement. Similarly, the assets and liabilities of such businesses are reclassified from continuing operations and presented as discontinued operations for each period presented in the Company's consolidated balance sheet (see note 4 - "Discontinued Operations" for additional information).

Certain prior period amounts in the Consolidated Statements of Operations, Balance Sheets and Statement of Cash Flows have been reclassified to conform to the comparable 2014 presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates in Preparation of Consolidated Financial Statements

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues, expenses, unrealized gains and losses during the reporting period. The more significant estimates include: (1) the valuation allowances of accounts receivable and inventory; (2) the valuation of goodwill, indefinite-lived intangible assets, long-lived assets and associated companies; (3) deferred tax assets; (4) environmental liabilities; (5) fair value of derivatives; (6) post-employment benefit liabilities; (7) estimates and assumptions used in the determination of fair value of certain securities, such as whether declines in value of securities are other than temporary; and (8) estimates of loan losses. Actual results may differ from the estimates used in preparing the consolidated financial statements; and, due to substantial holdings in and/or restrictions on certain investments, the value that may be realized could differ from the estimated fair value.

Cash and Cash Equivalents

Cash and cash equivalents include cash and deposits in depository institutions, financial institutions and banks. Cash at December 31, 2014 and 2013 also includes $368 and $1,483, respectively, of WebBank Federal Funds sold. The Company considers all highly liquid debt instruments with maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents exclude amounts where availability is restricted by loan agreements or other contractual provisions. Cash equivalents are stated at cost, which approximates market. There is a significant concentration of cash that, during the periods presented, exceeded the federal deposit insurance limits and exposed the Company to credit risk. SPLP does not anticipate any losses due to this concentration of cash at December 31, 2014.

Restricted Cash

Restricted cash at December 31, 2014 primarily represents cash collateral for certain short sales of corporate securities and at December 31, 2013 primarily represented cash collateral for foreign currency forward positions (see Note 7 - "Financial Instruments" for additional information). Restricted cash is reported separately as a current asset in the consolidated balance sheets at December 31, 2014 and 2013.

Trade Accounts Receivable and allowance for Doubtful Accounts

The Company's subsidiaries extend credit to customers in the normal course of business. Collateral is not generally required for trade accounts receivable. Allowances for accounts that may become uncollectible are made and such amounts are charged to the statement of operations. This estimated allowance is based primarily on management's evaluation of the financial condition of the customer, historical experience, credit quality, whether any amounts are currently past due, the length of time accounts may be past due, previous loss history and management's determination of a customer's current ability to pay its obligations. Trade accounts receivable balances are charged off against the allowance when it is determined that the receivable will not be recovered, and payments subsequently received on such receivables are credited to recovery of accounts written off. Interest is generally not charged on past due receivables. The Company believes that the credit risk with respect to trade accounts receivable is limited due to this credit evaluation process, the allowance for doubtful accounts that has been established, and the diversified nature of its customer base. As of December 31, 2014, the top 10 of the Company's largest customer balances accounted for 32.2% of the Company's trade receivables.

Loans Receivable

WebBank's loan activities include several lending arrangements with companies where it originates private label credit card and other loans for consumers and small businesses. These loans are classified as Loans receivable, net and are typically sold after origination. As part of these arrangements WebBank earns origination fees that are recorded in interest income. Minimum activity fees earned from these lending arrangements are recorded as fee income. WebBank also purchases participations in commercial and industrial loans through loan syndications. Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is

accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield over the estimated life of the loan.

Loans receivable, net are carried at the lower of cost or estimated market value in the aggregate. A valuation allowance is recorded when cost exceeds fair value based on our determination at the time of reclassification and periodically thereafter. Gains and losses are recorded in noninterest income based on the difference between sales proceeds and carrying value and impairments from reductions in carrying value.

Loans are reported as past due when either principal or interest is due and unpaid for a period of 30 days or more. The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan Impairment and Allowance for Loan Losses

A loan is considered impaired when, based on current information and events, it is probable that WebBank will be unable to collect all amounts due according to the contractual terms of the loan agreement, including schedules interest payments. When a loan has been identified as being impaired, the amount of impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, when appropriate, the loan's observable fair value or the fair value of the collateral (less any selling costs) if the loan is collateral-dependent. If the measurement of the impaired loan is less than the recorded investment in the loan (including accrued interest, net of deferred loan fees or costs and unamortized premium or discount), an impairment is recognized by creating or adjusting an existing allocation of the allowance for loan losses, or by charging down the loan to its value determined in accordance with generally accepted accounting principles.

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when the uncollectibility of a loan or receivable balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for loan losses is evaluated on a regular basis and is based upon a periodic review of the collectability of the amounts due in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The allowance consists of specific and general components. The specific component relates to loans that are classified as doubtful, substandard, or loss. For such loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience and is adjusted for qualitative factors to cover uncertainties that could affect the estimate of probable losses. The allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries). The periodic evaluation of the adequacy of the allowance is based on WebBank's past loss experience, known and inherent risks in the portfolio, adverse situations that may affect the debtor's ability to repay, the estimated value of any underlying collateral and current economic conditions.

Investments

Debt and Equity Securities

SPLP determines the appropriate classifications of its investments in debt and equity securities at the acquisition date and re-evaluates the classifications at each balance sheet date. SPLP classifies its investments as held-to-maturity or available-for-sale. Held-to-maturity investments are carried at amortized cost. All other securities are classified as available-for-sale, which are recorded at estimated fair value with unrealized holding gains or losses excluded from earnings and reported, until realized, in accumulated other comprehensive income (loss) as a separate component of partners' capital.

Dividend and interest income are recognized when earned. Realized gains and losses on securities are included in earnings and are derived using the specific-identification method. Commission expense is recorded as a reduction of sales proceeds on investment sales. Commission expense on purchases is included in the cost of investments in the consolidated balance sheets.

Other Than Temporary Impairment

If the Company believes a decline in the market value of any available-for-sale or held-to-maturity security below cost is other than temporary, a loss is charged to earnings, which establishes a new cost basis for the security. Impairment losses are included in Asset impairment charges in the consolidated statements of operations. SPLP's determination of whether a security is other than temporarily impaired incorporates both quantitative and qualitative information; U.S. GAAP requires the exercise of judgment in making this assessment, rather than the application of fixed mathematical criteria. The Company considers a number of factors including, but not limited to, the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, the reason for the decline in fair value, changes in fair value subsequent to the balance sheet date, the ability and intent to hold investments to maturity, and other factors specific to the individual investment. SPLP's assessment involves a high degree of judgment and accordingly, actual results may differ materially from those estimates and judgments.

Equity Method Investments

SPLP uses the equity method of accounting for investments where it has the ability to exercise significant influence, but not control, over the operating and financial policies of the investee. Significant influence is generally presumed to exist if the Company has an ownership interest in the voting stock of the investee between 20% and 50%, although other factors, such as representation on the investee's board of directors, are considered in determining whether the equity method of accounting is appropriate. For the equity method investments where the fair value option has not been elected, SPLP records the investment at cost and subsequently increases or decreases the investment by its proportionate share of the net income or losses and other comprehensive income of the investee. Dividends received from investees are recorded as reductions in the carrying value of the investment. For equity method investments where the fair value option has been elected, unrealized gains and losses are reported in the consolidated statement of operations as part of income (loss) from equity method investments and includes income (loss) of certain associated companies and income (loss) from other investments - related party. In applying the equity method with respect to investments previously accounted for as available-for-sale, and if the fair value option has not been elected, the carrying value of the investment is adjusted as if the equity method had been applied from the time the investment was first acquired.

Variable Interest Entities

For each Variable Interest Entity (“VIE”) in which it holds a variable interest, the Company initially determines whether it is the primary beneficiary of the VIE by performing a quantitative and qualitative analysis of the Company's obligation to absorb expected losses and its right to receive expected residual benefits of the VIE and evaluating the VIE's capital structure, the contractual terms affecting the management and operation of the VIE, related party relationships of SPLP, and which interests create and absorb variability. The determination of whether the Company is the primary beneficiary of each variable interest entity is reviewed upon the occurrence of certain reconsideration events.

The Company holds variable interests in each series of the SPII Liquidating Trust (see Note 5 - “Investments"). The purpose of the SPII Liquidating Trust is to effect the orderly liquidation of certain assets previously held by SPII. The Company determined that each VIE in which it held a variable interest since January 1, 2010 met the deferral criteria of Accounting Standards Codification ("ASC") 810. Accordingly, these VIEs will continue to be assessed under the overall guidance on the consolidation of VIEs or other applicable guidance.

The Company has determined that it is not the primary beneficiary of any series of the SPII Liquidating Trust because it does not absorb a majority of the expected losses or receive a majority of the expected residual returns based on its equity ownership interests in each of the series. In addition, there are no related parties of SPLP that, when considered together as a group, would cause the Company and its related party group to absorb a majority of expected losses or receive a majority of the expected residual returns. There are also no other contractual arrangements that would cause the Company to absorb a majority of the expected losses or receive a majority the expected residual returns. The Company also does not have a defacto agency relationship with any series of the SPII Liquidating Trust.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the last-in, first-out ("LIFO") method for certain precious metal inventory held in the United States. Non-precious metal inventories and remaining precious metal inventory are stated at the lower of cost (determined by the first-in, first-out method or average cost method) or market. For precious metal inventory, no segregation among raw materials, work in process and finished products is practicable.

Non-precious metal inventories are evaluated for estimated excess and obsolescence based upon assumptions about future demand and market conditions and are adjusted accordingly. If actual market conditions are less favorable than those projected, future write-downs may be required.

Derivatives and Risks

Precious Metals Risk

H&H's precious metal and commodity inventories are subject to market price fluctuations. H&H enters into commodity futures and forward contracts to mitigate the impact of price fluctuations on its precious and certain non-precious metal inventories that are not subject to fixed price contracts. The Company's hedging strategy is designed to protect it against normal volatility; therefore, abnormal price changes in these commodities or markets could negatively impact H&H's earnings. H&H does not enter into derivatives or other financial instruments for trading or speculative purposes. H&H accounts for these contracts as either fair value hedges or economic hedges under the guidance in ASC 815, *Derivatives and Hedging*.

Fair Value Hedges. The fair values of these derivatives are recognized as derivative assets and liabilities on the consolidated balance sheet. The net change in fair value of the derivative assets and liabilities and the change in the fair value of the underlying hedged inventory are recognized in the consolidated income statement, and such amounts principally offset each other due to the effectiveness of the hedges. The fair value hedges are associated primarily with HNH's precious metal inventory carried at fair value.

Economic Hedges. As these derivatives are not designated as accounting hedges under ASC 815, they are accounted for as derivatives with no hedge designation. The derivatives are marked to market and both realized and unrealized gains and losses are recorded in current period earnings in the consolidated income statement. The economic hedges are associated primarily with the Company's precious metal inventory valued using the LIFO method.

Interest Rate Risk

HNH enters into interest rate swap agreements in order to economically hedge a portion of its debt, which is subject to variable interest rates. As these derivatives are not designated as accounting hedges under U.S. GAAP, they are accounted for as derivatives with no hedge designation. HNH records the gains and losses both from the mark-to-market adjustments and net settlements in interest expense in the consolidated income statement as the hedges are intended to offset interest rate movements.

Financial Instruments/Foreign Currency Exchange Rate Risk

The Company recognizes a liability for short sale transactions on certain financial instruments in which the Company receives proceeds from the sale of such financial instruments and incurs obligations to deliver or purchase securities at a later date. Subsequent changes in the fair value of such obligations, determined based on the closing market price of the financial instruments, are recognized currently as gains or losses, with a comparable reclassification made between the amounts of the Company's unrestricted and restricted cash.

HNH is subject to the risk of price fluctuations related to anticipated revenues and operating costs, firm commitments for capital expenditures and existing assets or liabilities denominated in currencies other than U.S. dollars. HNH has not generally used derivative instruments to manage this risk.

Goodwill and Other Intangibles, net

Goodwill represents the difference between the purchase price and the fair value of net assets acquired in a business combination. Goodwill and certain other intangible assets deemed to have indefinite lives are not amortized. Intangible assets with finite lives are amortized over their estimated useful lives.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Depreciation of property, plant and equipment is recorded principally on the straight line method over the estimated useful lives of the assets, which range is as follows: machinery & equipment 3 to 15 years and buildings and improvements 10 to 30 years. Leasehold improvements are amortized over the shorter of the terms of the related leases or the estimated useful lives of the improvements. Interest cost is capitalized for qualifying assets during the assets' acquisition period. Maintenance and repairs are charged to expense and renewals and betterments are capitalized. Gain or loss on dispositions is recorded in other income.

Impairment Testing

All of the Company's long-lived assets, including goodwill and other intangible assets, are reviewed for impairment indicators throughout the year. Impairment testing is performed for goodwill and indefinite-lived assets annually in the Company's fourth quarter, and for all other long-lived assets whenever impairment indicators are present. The Company also uses judgment in assessing whether assets may have become impaired between annual impairment tests. Circumstances that could trigger an interim impairment test include, but are not limited to: the occurrence of a significant change in circumstances, such as continuing adverse business conditions or legal factors; an adverse action or assessment by a regulator; unanticipated competition; loss of key personnel; the likelihood that a reporting unit or significant portion of a reporting unit will be sold or otherwise disposed; or results of testing for recoverability of a significant asset group within a reporting unit.

Goodwill Impairment Testing

The testing of goodwill for impairment is performed at a level referred to as a reporting unit. Goodwill is allocated to each reporting unit based on actual goodwill valued in connection with each business combination consummated within each reporting unit. Four reporting units of the Company have goodwill assigned to them. SPLP performs its annual impairment test in the 4th quarter of its fiscal year, and would perform testing for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Under ASC 350, an entity can choose between two testing approaches.

a. Step 0 or Qualitative approach - An entity may assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount, including goodwill. In evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, an entity shall assess relevant events and circumstances. Examples of such events and circumstances would include pertinent macroeconomic conditions, industry and market considerations, overall financial performance and other factors.

An entity has an unconditional option to bypass this qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the goodwill impairment test. An entity may resume performing the qualitative assessment in any subsequent period.

b. Step 1 or Quantitative approach - The fair value of a reporting unit is calculated and compared with its carrying amount. If the fair value of a reporting unit exceeds its carrying amount, there is no indication of impairment and further testing is not required. If the carrying amount of a reporting unit exceeds its fair value, then a second step of testing is required (“Step 2”). The second step of the goodwill impairment test compares the implied fair value of the reporting unit’s goodwill with the carrying amount of that goodwill.

For 2014, the Company utilized a qualitative approach for three of its reporting units to assess its goodwill as of its most recent assessment date and used the quantitative approach to test the goodwill of one of its reporting units, Energy. As a result of the assessment of the Energy reporting unit, we recorded a goodwill impairment in our Energy segment in the fourth quarter of 2014 (see Note 11 - "Goodwill and Intangible Assets" for additional information).

Other Long-Lived Asset Impairment testing

Intangible assets with finite lives are amortized over their estimated useful lives. The Company also estimates the depreciable lives of property, plant and equipment, and reviews long-lived assets for impairment whenever events, or changes in circumstances, indicate the carrying amount of such assets may not be recoverable. If the carrying values of the long-lived assets exceed the sum of the undiscounted cash flows, an impairment charge is recognized in the amount by which the carrying values exceeds their fair values.

The Company performs such assessments at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities, which is generally at the plant level or the reporting unit level, dependent on the level of interdependencies in the Company's operations. Impairment losses are recorded on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. The impairment loss is measured by comparing the fair value of the asset to its carrying amount. The Company considers various factors in determining whether an impairment test is necessary, including among other things: a significant or prolonged deterioration in operating results and projected cash flows; significant changes in the extent or manner in which assets are used; technological advances with respect to assets which would potentially render them obsolete; the Company's strategy and capital planning; and the economic climate in the markets it serves. When estimating future cash flows and if necessary, fair value, the Company makes judgments as to the expected utilization of assets and estimated future cash flows related to those assets. The Company considers historical and anticipated future results, general economic and market conditions, the impact of planned business and operational strategies and other information available at the time the estimates are made. The Company believes these estimates are reasonable; however, changes in circumstances or conditions could have a significant impact on its estimates, which might result in material impairment charges in the future.

Long-lived assets consisting of land and buildings used in previously operating businesses are carried at the lower of cost or fair value and are included primarily in other non-current assets on the consolidated balance sheet. A reduction in the carrying value of such long-lived assets used in previously operating businesses is recorded as an asset impairment charge in the consolidated statement of operations.

Impairment Testing of Indefinite-Lived Intangible Assets

For intangible assets with indefinite lives, the Company calculates fair value using a discounted cash flow approach that requires significant management judgment with respect to future revenue and expense growth rates, changes in working capital use, inflation and the selection of an appropriate discount rate. Any excess of carrying value over the estimated fair value is recognized as an impairment loss.

Accounting Standards Update ("ASU") 2012-02 provides an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (more than 50%) that the estimated fair value of indefinite-lived intangible assets is less than their carrying amounts. If an entity elects to perform a qualitative assessment and determines that an impairment is more likely than not, the entity is then required to calculate the fair value as described above; otherwise no further analysis is required. An entity also may elect not to perform the qualitative assessment and, instead, proceed directly to a quantitative impairment test. The ultimate outcome of the impairment testing is the same whether an entity chooses to perform the qualitative assessment or proceeds directly to the quantitative impairment test.

The Company utilized a qualitative approach as prescribed in ASU 2012-02 to assess its indefinite-lived assets as of its most recent assessment date and the results indicated no impairments in 2014.

Testing Approaches

The income approach is based on a discounted cash flow analysis ("DCF") and calculates the fair value by estimating the after-tax cash flows attributable to a reporting unit and then discounting the after-tax cash flows to a present value using a risk-adjusted discount rate. The discount rates, which are intended to reflect the risks inherent in future cash flow projections, used in the DCF are based on estimates of the weighted-average cost of capital of a market participant. Such estimates are derived from our analysis of peer companies and considered the industry weighted-average return on debt and equity from a market participant perspective.

A market approach values a business by considering the prices at which shares of capital stock, or related underlying assets, of reasonably comparable companies are trading in the public market, or the transaction price at which similar companies have been acquired.

Relative weights are then given to the results of each of these approaches, based on the facts and circumstances of the business being valued. The use of multiple approaches (income and market approaches) is considered preferable to a single method. The Company gives more weight to the income approach because it generally provides a reliable estimate of value for an ongoing business which has a reliable forecast of operations, and suitable comparable public companies are generally not available to be used under the market approach.

Business Combinations

When the Company acquires a business, it allocates the purchase price to the assets acquired, liabilities assumed and any noncontrolling interests based on their fair values at the acquisition date. Significant judgment may be used to determine these fair values including the use of appraisals, discounted cash flow models, market value for similar purchases, or other methods applicable to the circumstances. The excess of any purchase price we pay over the fair value of the net assets acquired is recorded as Goodwill. If the fair value of the net assets exceeds the purchase price the excess is treated as a bargain purchase and recognized in income. Transaction costs are expensed as incurred.

Subsequent to the finalization of the purchase price allocation, any adjustments to the recorded values of acquired assets and liabilities would be reflected in the Company's consolidated statement of operations. Once final, the Company is not permitted to revise the allocation of the original purchase price, even if subsequent events or circumstances prove the Company's original judgments and estimates to be incorrect.

In addition, long-lived assets recorded in a business combination such as property and equipment, intangible assets and goodwill may be deemed to be impaired in the future resulting in the recognition of an impairment loss. The assumptions and judgments made by the Company when recording business combinations will have an impact on reported results of operations in the future.

Revenue Recognition

HNH recognizes revenue when the title and risk of loss has passed to the customer, the price is fixed or determinable and collection is reasonably assured. This condition is normally met when product has been shipped or the service performed. An allowance is provided for estimated returns and discounts based on experience. Cash received from customers prior to shipment of goods, or otherwise not yet earned, is recorded as deferred revenue. Rental revenues are derived from the rental of production facilities and certain equipment to the food industry where customers prepay for the rental period - usually 3 to 6 month periods. For prepaid rental contracts, sales revenue is recognized on a straight-line basis over the term of the contract. Service revenues consist of repair and maintenance work performed on equipment used at mass merchants, supermarkets and restaurants.

HNH experiences a certain degree of sales returns that varies over time, but is able to make a reasonable estimation of expected sales returns based upon history. HNH records all shipping and handling fees billed to customers as revenue, and related costs are charged principally to cost of goods sold, when incurred. HNH has also entered into agreements with certain customers under which the Company has agreed to pay rebates to such customers. These programs are typically structured to incentivize the customers to increase their annual purchases from HNH. The rebates are usually calculated as a percentage of the purchase amount, and such percentages may increase as the customer’s level of purchases rise. Rebates are recorded as a reduction of net sales in the consolidated income statement and are accounted for on an accrual basis. As of December 31, 2014 and 2013, accrued rebates payable totaled $6,100 and $5,400, respectively, and are included in accrued liabilities on the consolidated balance sheet. In limited circumstances, HNH is required to collect and remit sales tax on certain of its sales. HNH accounts for sales taxes on a net basis, and such sales taxes are not included in net sales in the consolidated income statement.

Steel Excel recognizes revenue upon providing the product or service related to its energy or sports businesses. Steel Excel recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collection is reasonably assured. Revenue is recognized net of estimated allowances. Revenue is generated by short-term projects, most of which are governed by master service agreements (“MSAs”) that are short-term in nature. The MSAs establish per day or per usage rates for equipment services. Revenue related to its energy business is recognized daily on a proportionate performance method, based on services rendered. Revenue is reported net of sales tax collected. For sports services revenues, Steel Excel does not recognize revenue until the tournament or league occurs. For sports products, Steel Excel recognizes revenue upon shipment.

Concentration of Revenue

No single customer accounted for 5% or more of the Company's consolidated revenues in 2014, 2013 or 2012. In 2014, 2013 and 2012 the 10 largest customers accounted for approximately 28%, 20% and 21%, respectively, of the Company's consolidated revenues.

Fair Value Measurements

The Company measures certain assets and liabilities at fair value (see Note 6 - "Fair Value Measurements"). 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. Fair value measurements are classified into three levels based on the reliability of inputs as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The valuation under this approach does not entail a significant degree of judgment ("Level 1").

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (e.g. interest rates and yield curves observable at commonly quoted intervals or current market) and contractual prices for the underlying financial instrument, as well as other relevant economic measures ("Level 2").

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date ("Level 3").

Investments in equity securities are classified as Level 1 or Level 2 based on its trading activity in the period. Investments may move between Level 1 and Level 2 if the market activity increases or decreases in the period.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. Significant transfers, if any, between the levels within the fair value hierarchy are recognized at the beginning of the reporting period.

Fair Value Option

The Company has the one-time option to elect fair value for financial assets or liabilities as of the election date. Changes in fair value of these financial instruments are recorded as unrealized gain (loss) in the consolidated statements of operations. The factors considered in electing the fair value option include the availability of otherwise required financial information, differing fiscal year end of an investee and differing basis of financial reporting used by investee companies.

Stock-Based Compensation

The Company accounts for stock options and restricted stock units granted to employees and non-employee directors as compensation expense, which is recognized in exchange for the services received. The compensation expense is based on the fair value of the equity instruments on the grant-date and is recognized as an expense over the service period of the recipients.

Income Taxes

SPLP and certain of its subsidiaries, as limited partnerships, are generally not responsible for federal and state income taxes and their profits and losses are passed directly to their partners for inclusion in their respective income tax returns. SPLP's subsidiaries that are corporate entities are subject to federal and state income taxes and file corporate income tax returns.

SPLP's subsidiaries that are subject to income taxes use the liability method of accounting for such taxes. Under the liability method, deferred tax assets and deferred tax liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and deferred tax liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and deferred tax liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Such subsidiaries evaluate the recoverability of deferred tax assets and establish a valuation allowance when it is more likely than not that some portion of the deferred tax assets will not be realized.

When tax returns are filed, it is highly certain that most positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is provided for and reflected as a liability for unrecognized tax benefits in the accompanying consolidated balance sheets, along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

SPLP's policy is to record estimated interest and penalties related to the underpayment of income taxes as income tax expense in the statements of operations.

Other Taxes

Certain foreign dividend income is subject to a withholding tax. Such withholding tax is netted against dividend income in the consolidated statements of operations.

Net Income (Loss) per Common Unit

Net income (loss) per common unit - basic is computed by dividing net income (loss) by the weighted-average number of common units outstanding for the period. Net income (loss) per common unit - diluted gives effect to potentially dilutive units as if they had been outstanding during the period.

Foreign Currency Translation

Assets and liabilities of foreign subsidiaries are translated at current exchange rates and related revenues and expenses are translated at average rates of exchange in effect during the year. Resulting cumulative translation adjustments are recorded as a separate component of Accumulated other comprehensive income (loss).

Advertising Costs

Advertising costs consist of sales promotion literature, samples, cost of trade shows and general advertising costs, and are included in selling, general and administrative expenses on the consolidated statements of operations. Advertising, promotion and trade show costs totaled approximately $3,400, $2,777 and $2,335 for the years ended December 31, 2014, 2013 and 2012, respectively.

Legal Contingencies

The Company provides for legal contingencies when the liability is probable and the amount of the associated costs is reasonably estimable. The Company regularly monitors the progress of legal contingencies and revises the amounts recorded in the period in which a change in estimate occurs.

Environmental Liabilities

The Company accrues for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study.

Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable.

Recently Issued Accounting Standards

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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.* Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on an organization's operations and financial results. In addition, the new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income and expenses of discontinued operations. The new guidance also requires disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. The ASU is effective for fiscal years beginning after December 15, 2014, with early adoption allowed.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, and the guidance defines a five step process to achieve this core principle. The ASU is effective for the Company's 2017 fiscal year and may be applied either (i) retrospectively to each prior reporting period presented with an election for certain specified practical expedients, or (ii) retrospectively with the cumulative effect of initially applying the ASU recognized at the date of initial application, with additional disclosure requirements. The Company is evaluating the potential impact of this new guidance, but does not currently anticipate that the application of ASU No. 2014-09 will have a significant effect on its financial condition, results of operations or its cash flows. We have not yet determined the method by which we will adopt the standard in 2017.

3. ACQUISITIONS

2014 Acquisitions

There were no significant acquisitions during the year ended December 31, 2014.

2013 Acquisitions

Wolverine Joining Technologies, LLC

On April 16, 2013, HNH and its indirect subsidiary, Lucas-Milhaupt Warwick LLC (collectively, the "Buyer"), entered into an asset purchase agreement ("Purchase Agreement") with Wolverine Tube, Inc. ("Wolverine") and its subsidiary, Wolverine Joining Technologies, LLC ("Wolverine Joining" and, together with Wolverine, "Seller"), pursuant to which the Buyer agreed to purchase substantially all of the assets of the Seller used in the business of Wolverine Joining, consisting of assets used for the development, manufacturing and sale of brazing, flux and soldering products and the alloys for electrical, catalyst and other industrial specialties, other than certain leased real property, and to assume certain liabilities related to such business. By acquiring Wolverine Joining, HNH increased its capacity to produce brazing filler metals and fluxes, and broadened its platform for continued global expansion. The purchase price for the acquisition was approximately $59,700, reflecting a final working capital adjustment and certain other reductions totaling approximately $300 as provided in the Purchase Agreement. The closing of this transaction occurred on April 26, 2013. Funding of the purchase price for the acquisition was from cash on hand and borrowings under HNH's then existing senior secured credit facility, which was amended in connection with the acquisition.

In connection with the acquisition of Wolverine Joining, HNH incurred employee termination charges totaling
approximately $400 associated with HNH's integration activities which were primarily recorded and paid in fiscal 2013 and reflected in Selling, General and Administrative expenses.

The following table summarizes the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

Trade and other receivables	$ 9,491
Inventories	17,864
Prepaid and other current assets	81
Property, plant and equipment	5,549
Goodwill	14,767
Other intangibles	13,657
Total assets acquired	61,409
Trade payables	(1,167)
Accrued liabilities	(495)
Net assets acquired	$ 59,747

The goodwill of $14,767 arising from the acquisition consists largely of the synergies expected from combining the operations of the Buyer and Seller. All of the goodwill is assigned to SPLP's Diversified Industrial segment and is expected to be deductible for income tax purposes. Other intangibles consist primarily of acquired trade names of $4,600 and customer relationships of $9,000. The intangible assets have been assigned 20-year useful lives based on the long operating history, broad market recognition and continued demand for the associated brands, and the limited turnover and long-standing relationships Wolverine Joining has with its existing customer base. The valuation of acquired trade names was performed utilizing a relief from royalty method, and significant assumptions used in the valuation included the royalty rate assumed and the expected level of future sales. The acquired customer relationships were valued using an excess earnings approach, and significant assumptions used in the valuation included the customer attrition rate assumed and the expected level of future sales.

The amount of net sales and operating income of the acquired business, net of sales volume transferred to or from the acquired business unit as part of the Company's integration activities, included in the consolidated income statement for the twelve months ended December 31, 2013 was approximately $43,300 and $1,600, respectively, including $3,500 of intercompany sales which were eliminated in consolidation. The results of operations of the acquired business are reported within the Company's Diversified Industrial segment.

PAM Fastening Technology, Inc.

On November 7, 2013, HNH, through its indirect subsidiary, OMG, Inc., acquired 100% of the stock of PAM Fastening Technology, Inc. ("PAM") for a cash purchase price of $9,200, net of cash acquired. PAM is a distributor of screw guns, collated screws and hot melt systems to the manufacturing and building industries in North America. The assets acquired and liabilities assumed included net working capital of trade receivables, inventories and trade payables; property, plant and equipment; and intangible assets, primarily trade names and customer relationships, valued at $2,500, $200 and $5,000, respectively. This acquisition provides HNH with an add on product category to its existing fastening system product line. The amount of net sales and operating income of the acquired business included in the consolidated income statement for the year ended December 31, 2013 was approximately $1,500 and $200, respectively. The results of operations of the acquired business are reported within the Company's Diversified Industrial segment. In connection with the PAM acquisition, HNH has recorded goodwill totaling approximately $3,500, which is not expected to be deductible for income tax purposes, as well as deferred income tax liabilities associated with the acquired intangible assets of approximately $2,000.

Steel Excel - Black Hawk Acquisition

On December 16, 2013, Steel Excel acquired the business and substantially all of the assets of Black Hawk Energy Services, Inc. (“Black Hawk”), a provider of drilling and production services to the oil and gas industry, for approximately $59,600 in cash, subject to a post-closing working capital adjustment. The acquisition was funded with approximately $34,600 from Steel Excel's cash reserves and $25,000 in proceeds from additional borrowings under an existing credit facility (see Note 14 - "Debt and Capital Lease Obligations"). Steel Excel acquired Black Hawk to further solidify its presence in North Dakota in the Bakken basin and to expand its business into other regions, including Texas and New Mexico.

The estimated fair value of the assets and liabilities acquired in connection with the Black Hawk transaction was as follows:

		Amount
Accounts receivable	$	10,114
Prepaid expenses and other current assets		319
Property and equipment		30,088
Intangible Assets		12,210
Accounts payable		(1,584)
Accrued expenses		(2,160)
Total net identifiable assets		48,987
Goodwill		10,576
Net assets acquired	$	59,563

The goodwill recognized, which is fully deductible for tax purposes, arose from the growth potential Steel Excel anticipates along with expected synergies within Steel Excel's Energy business. The intangible assets acquired represented customer relationships, a trade name, and a non-compete arrangement all of which are being amortized over five-year periods. The fair value of trade accounts receivable was based on their carrying value at the date of acquisition and was expected to be fully collected.

Steel Excel - Sports Acquisitions

During 2013, Steel Excel's sports business made two acquisitions totaling $3,250 that were not material to SPLP's operations. Steel Excel has determined that one of these acquisitions is a variable interest entity and that Steel Excel is the primary beneficiary. Accordingly, Steel Excel accounts for its acquisition of its 30% membership interest as a business combination and has consolidated this company in accordance with ASC 805.

2012 Acquisitions

Steel Excel Acquisition

On May 31, 2012, (the "Acquisition Date") Steel Excel acquired all of the capital stock of SWH, Inc. ("SWH"), a wholly owned subsidiary of BNS and the parent company of Sun Well Services, Inc. ("Sun Well"), for a net acquisition price of $68,747. The acquisition price was paid through a combination of 2,027,500 shares of common stock of Steel Excel and $7,922 in cash. The $68,747 exceeded the carrying value of Sun Well by $26,237. Pursuant to ASC 810-10-45-23 this was deemed a transaction between entities under common control, and accordingly the excess of fair value received over the carrying value of Sun Well of $26,237 was credited to Capital. Also, Sun Well's assets and liabilities were maintained at their historical basis in the consolidated financial statements.

As a result of the transaction, Steel Excel became a majority-owned controlled subsidiary and is consolidated with SPLP from that date. Prior to obtaining a controlling interest on the Acquisition Date, SPLP owned 4,584,399 shares of Steel Excel (42.0% of the outstanding shares), and its investment was accounted for under the equity method at fair value. The additional shares of Steel Excel acquired on the Acquisition Date brought the total number of shares owned by SPLP to 6,611,899, representing 51.1% of the outstanding shares of Steel Excel.

The Company's previously held equity interest and the noncontrolling interest in Steel Excel were valued at $30 per share, which is the fair value of Steel Excel shares specified in the Share Acquisition Agreement.

The acquisition-date fair value of the Company's equity interest in Steel Excel was $137,532 prior to the 2,027,500 shares acquired on the Acquisition Date. As a result of remeasuring our equity interest to fair value, the Company recognized an investment gain of $13,524 in 2012 which is included in Net investment (loss) gain in the consolidated statements of operations.

The following table summarizes the consideration paid for the controlling interest in Steel Excel:

	Consideration Paid	
Acquisition-date fair value of previously held equity interest	$	137,532
Fair value of SWH transferred to Steel Excel		68,747
Less: cash received from Steel Excel for SWH		(7,922)
Total	$	198,357

The following table summarizes the fair values of the assets acquired and liabilities assumed at the Acquisition Date and the fair value of the noncontrolling interest in Steel Excel on the Acquisition Date:

	Amount	
Assets:		
Cash and cash equivalents	$	41,963
Marketable securities		217,526
Accounts receivable		23,435
Prepaid expenses and other current assets		3,129
Property, plant and equipment		74,880
Goodwill		48,468
Identifiable intangible assets		22,793
Other assets		4,088
Total assets acquired	$	436,282
Liabilities:		
Accounts payable and accrued liabilities	$	10,842
Debt		17,968
Other long-term liabilities		19,517
Total liabilities assumed		48,327
Fair value of non-controlling interests		189,598
Net assets acquired	$	198,357

In the fourth quarter of 2014, the Company recognized a goodwill impairment charge related to the goodwill from the Steel Excel acquisition (see Note 11 - "Goodwill and Other Intangible Assets, Net" for additional information).

HNH Acquisitions

Zaklad Przetwórstwa Metali INMET Sp. z o.o.

On November 5, 2012, a subsidiary of Handy & Harman ("H&H") acquired 100% of the stock of Zaklad Przetwórstwa Metali INMET Sp. z o.o., a Polish manufacturer of brazing alloys and contact materials, for a cash purchase price of $4,000, net of cash acquired. The assets acquired and liabilities assumed included net working capital of accounts receivable, inventories and trade payables totaling $3,100; property, plant and equipment of $2,200; as well as assumed debt of $1,600. This acquisition provides H&H with a new family of fabricated joining materials and a broader presence in the European market. The amount of net sales and operating loss of the acquired business included in the consolidated income statement was $1,700 and $100, respectively, for the period from acquisition through December 31, 2012, including $1,200 of intercompany sales which were eliminated in consolidation. The results of operations of the acquired business are reported within the Company's Diversified Industrial segment.

W.P. Hickman Company

On December 31, 2012, a subsidiary of H&H acquired substantially all of the assets of W.P. Hickman Company ("Hickman"), a North American manufacturer of perimeter metal roof edges for low slope roofs. The initial purchase price was $8,400, which reflects proceeds from a final working capital adjustment of $300 received in February 2013. The assets acquired and liabilities assumed included net working capital of accounts receivable, inventories and trade payables; property, plant and equipment; and intangible assets, primarily trade names and customer relationships, valued at $2,600, $1,200 and $1,800, respectively. This acquisition provides H&H with an add on product category to its existing roofing business. The amount of net sales and operating income of the acquired business included in the consolidated income statement for the year ended December 31, 2013 was approximately $17,100 and $1,300, respectively. The results of operations of the acquired business are reported within the Company's Building Materials segment. In connection with the Hickman acquisition, HNH has recorded goodwill totaling $2,800 which is expected to be deductible for income tax purposes.

There is additional contingent consideration that could be due from the Company under the Hickman asset purchase agreement if the combined net sales of certain identified products exceed the parameters set forth in the asset purchase agreement in 2013 and 2014. In no event shall the additional contingent consideration exceed $1,500. In accordance with ASC 805, Business Combinations, the estimated fair value, $200, related to the contingent portion of the purchase price was recognized at the acquisition date. There was no significant change in the estimated fair value of this liability during the year ended December 31, 2013.

Pro Forma Results

The following unaudited pro forma results of operations for the years ended December 31, 2013 and 2012 assumes that the above acquisitions were made at the beginning of the year prior to acquisition. This unaudited pro forma information does not purport to be indicative of the results that would have been obtained if the acquisitions had actually occurred at the beginning of the year prior to acquisition, nor of the results that may be reported in the future. The 2013 supplemental pro forma earnings reflect adjustments to exclude $600 of acquisition-related costs incurred in 2013 and $500 of nonrecurring expense related to the fair value adjustment to acquisition-date inventories. The 2012 supplemental pro forma earnings were adjusted to include these charges.

	Year Ended December 31,	
	2013	**2012**
Revenue	$ 806,517	$ 777,454
Net income attributable to common unitholders	26,190	46,624
Net income per common unit - basic	0.88	1.57
Net income per common unit - diluted	0.85	1.57

4. DISCONTINUED OPERATIONS

Assets and Liabilities of discontinued operations at December 31, 2014 and 2013 include assets and liabilities relating to HNH's discontinued operations, primarily Arlon LLC ("Arlon"), a sports business owned by Steel Excel and a building owned by DGT, which is held for sale.

	December 31,	
	2014	2013
Assets of discontinued operations:		
Trade and other receivables	$ 16,044	$ 14,224
Inventories	8,294	6,580
Other current assets	811	1,266
Goodwill	6,582	6,582
Other intangibles, net	14,230	15,306
Property, plant and equipment, net	30,457	32,273
Other assets	—	64
Total assets	$ 76,418	$ 76,295
Liabilities of discontinued operations:		
Trade payables and accrued liabilities	$ 6,702	$ 6,857
Other current liabilities	3,986	3,533
Accrued pension liability	1,794	1,165
Other liabilities	719	682
Total liabilities	$ 13,201	$ 12,237

Summary results for our discontinued operations included in the Company's Consolidated Statements of Operations are detailed in the table below.

	Year Ended December 31,		
	2014 (a)	2013 (b)	2012 (c)
Sales	$ 103,392	$ 105,194	$ 178,279
Net income (loss) from operations	10,262	(227)	12,866
Gain after taxes and noncontrolling interests	6,112	703	6,844
Gain on sale of discontinued operations after taxes and noncontrolling interests	23	3,610	4,026

(a) Includes the operations of Arlon.
(b) Includes the operations of Arlon, Continental, CMCC and ITM through their respective sale dates as well as the operations of a sports business owned by Steel Excel.
(c) Includes the operations of Arlon, Continental, CMCC and ITM. Also includes DGT's RFI Corporation ("RFI") subsidiary and DGT's Villa Sistemi Medicali S.p.A. ("Villa") subsidiary through their respective sale dates. SPLP's net gain on the sale of RFI, which was recorded in SPLP's fourth quarter of 2012 due to the recording of DGT's results of operations on a two-month lag, was approximately $4,600. SPLP's net after-tax gain on the sale of Villa, which was recorded in SPLP's year ended December 31, 2012, was $2,585.

HNH's Discontinued Operations

Arlon

On December 18, 2014, HNH entered into a contract to sell its Arlon business for $157,000 in cash, subject to a working capital adjustment and certain potential reductions as provided in the stock purchase agreement. The operations of Arlon, which manufactures high performance materials for the printed circuit board industry and silicone rubber-based materials, were part of SPLP's Diversified Industrial reporting segment. The closing of the sale occurred in January 2015 (see Note 22 - "Subsequent Events").

Continental Industries

In January 2013, HNH divested substantially all of the assets and existing operations of its Continental Industries business unit for a cash sales price totaling approximately $37,400 less transaction fees, reflecting a working capital adjustment of approximately $100 paid in the third quarter of 2013. Proceeds of $3,700 were held in escrow as of December 31, 2013 pending resolution of certain indemnification provisions contained in the sales agreement and were included in Trade and other receivables in the Company's Consolidated Balance Sheet. This escrow balance was released and received in July 2014. Continental Industries manufactures plastic and steel fittings and connectors for natural gas, propane and water distribution service lines along with exothermic welding products for electrical grounding, cathodic protection and lightning protection. It was part of SPLP's Diversified Industrial reporting segment.

Canfield Metal Coating Corporation

In June 2013, HNH divested substantially all of the assets and existing operations of its CMCC business unit for a cash sales price totaling approximately $9,500 less transaction fees, reflecting a preliminary working capital adjustment of approximately $500. CMCC manufactured electro-galvanized and painted cold rolled sheet steel products primarily for the construction, entry door, container and appliance industries. It was part of SPLP's Diversified Industrial reporting segment.

Indiana Tube Mexico

In July 2013, HNH divested substantially all of the equipment owned or utilized by ITM for the manufacture of refrigeration condensers for a cash sales price totaling $3,700, less transaction fees. ITM's operations were part of SPLP's Diversified Industrial segment.

In connection with the shut-down of ITM's operations, HNH initiated a series of restructuring activities, which will include the termination of all of ITM's employees and certain building lease termination costs. The total cost of these restructuring activities was $900. Payment for the majority of these costs occurred during the third quarter of 2013, and the remaining restructuring payments were completed by the end of 2013.

Indiana Tube Denmark

In 2008, the HNH decided to exit the welded specialty tubing market in Europe and close its Indiana Tube Danmark
A/S subsidiary ("ITD"). During 2009, ITD ceased operations and sold or disposed of its inventory and most of its equipment. HNH completed the final liquidation of ITD in July 2013 and recognized $2,600 in foreign currency translation gains in earnings during the third quarter of 2013, which were previously reported in Accumulated other comprehensive loss on the Consolidated Balance Sheet.

5. INVESTMENTS

A. Short-Term Investments

Marketable Securities

The Company's short-term investments primarily consist of its marketable securities portfolio held by its subsidiary, Steel Excel. Steel Excel's marketable securities as of December 31, 2014, and 2013, were classified as "available-for-sale" securities, with changes in fair value recognized in stockholders' equity as Other comprehensive income (loss). Classification of marketable securities as a current asset is based on the intended holding period and realizability of the investment.

The Company's portfolio of marketable securities at December 31, 2014 and 2013 was as follows:

	December 31, 2014				December 31, 2013			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair value
Available for sale securities								
Short-term deposits	$ 42,681	$ —	$ —	$ 42,681	$ 60,909	$ —	$ —	$ 60,909
Mutual funds	17,030	4,262	(322)	20,970	15,723	5,060	—	20,783
United States government securities	—	—	—	—	50,356	23	—	50,379
Equity securities	103,761	7,821	(23,732)	87,850	69,720	10,020	(5,181)	74,559
Commercial paper	—	—	—	—	1,799	—	—	1,799
Corporate obligations	32,486	592	(3,441)	29,637	31,356	885	(276)	31,965
Total marketable securities	195,958	12,675	(27,495)	181,138	229,863	15,988	(5,457)	240,394
Amounts classified as cash equivalents	(42,681)	—	—	(42,681)	(61,909)	—	—	(61,909)
Amounts classified as marketable securities	$ 153,277	$ 12,675	$ (27,495)	$ 138,457	$ 167,954	$ 15,988	$ (5,457)	$ 178,485

Proceeds from sales of marketable securities were $116,300, $75,800 and $192,380 in 2014, 2013 and the seven months ended December 31, 2012, respectively. The Company determines gains and losses from sales of marketable securities based on specific identification of the securities sold. Gross realized gains and losses from sales of marketable securities, all of which are reported as a component of Other income, net in the consolidated statements of operations, were as follows:

	Year Ended December 31,		
	2014	2013	2012
Gross realized gains	$ 8,065	$ 6,984	$ 500
Gross realized losses	(4,300)	(4,376)	(340)
Realized gains, net	$ 3,765	$ 2,608	$ 160

The fair value of marketable securities with unrealized losses at December 31, 2014, all of which had unrealized losses for periods of twelve months or less, were as follows:

	Fair Value	Gross Unrealized Losses
Corporate securities	$ 39,869	$ (23,732)
Corporate obligations	13,530	(3,441)
Mutual funds	4,873	(322)
Total	$ 58,272	$ (27,495)

The fair value of the Company's marketable securities with unrealized losses at December 31, 2013, and the duration of time that such losses had been unrealized, were as follows:

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Corporate securities	$ 15,609	$ (4,730)	$ 803	$ (451)	$ 16,412	$ (5,181)
Corporate obligations	10,477	(276)	—	—	10,477	(276)
Total	$ 26,086	$ (5,006)	$ 803	$ (451)	$ 26,889	$ (5,457)

Gross unrealized losses primarily related to losses on corporate securities. The Company has evaluated such securities, which primarily consist of investments in equity securities of publicly-traded entities, as of December 31, 2014, and has determined that there was no indication of other-than-temporary impairments. This determination was based on several factors, including the length of time and extent to which fair value has been less than the cost basis, the financial condition and near-term prospects of the entity, and the Company's intent and ability to hold the corporate securities for a period of time sufficient to allow for any anticipated recovery in market value.

The amortized cost and estimated fair value of available-for-sale debt securities and marketable securities with no contractual maturities as of December 31, 2014, by contractual maturity, were as follows:

	Cost	Estimated Fair Value
Mature in one year or less	$ 212	$ 186
Mature after one year through three years	—	—
Mature after three years	32,274	29,451
Total debt securities	32,486	29,637
Securities with no contractual maturities	163,472	151,501
	$ 195,958	$ 181,138

B. Long-Term Investments

The following table summarizes the Company's long-term investments as of December 31, 2014 and 2013. For those investments at fair value, the carrying amount of the investment equals its respective fair value.

			Investment Balance		Income (Loss) Recorded in Statement of Operations		
					Year Ended December 31,		
			December 31, 2014	December 31, 2013	2014	2013	2012
(A) AVAILABLE-FOR-SALE SECURITIES							
Fair Value Changes Recorded in OCI:							
Equity securities - U.S. (1), (2)							
Computer Software and Services			$ —	$ 2,665			
Aerospace/Defense			76,512	75,341			
Restaurants			35,637	22,456			
Other			572	558			
			112,721	101,020			
Fair Value Changes Recorded in Consolidated Statement of Operations:							
API Group plc ("API")(1)			18,373	30,841	$ (12,437)	$ (1,837)	$ 16,859
Barbican Group Holdings Limited ("Barbican")			—	—	—	—	2,108
			131,094	**131,861**	**$ (12,437)**	**$ (1,837)**	**$ 18,967**
(B) EQUITY METHOD INVESTMENTS							
Investments in Associated Companies:	**December 31, 2014**	**December 31, 2013**					
At Cost:	**Ownership**						
CoSine	48.3%	48.6%	5,521	5,876	$ (405)	$ (418)	$ (328)
Other (7)			5,705	8,339	(2,634)	(863)	—
At Fair Value:							
ModusLink Global Solutions, Inc. ("MLNK") (1)	27.7%	27.1%	54,086	79,972	(22,940)	23,154	—
SL Industries, Inc. ("SLI") (1)	24.0%	24.1%	38,799	26,960	11,838	9,053	1,796
JPS Industries, Inc. ("JPS") (1)	38.7%	39.3%	38,406	24,129	14,277	9,204	—
Fox & Hound (3)	—%	50.0%	—	—	—	(11,521)	(403)
API Technologies Corp. ("API Tech") (1)	20.6%	—%	24,355	—	(3,436)	—	—
Other (3)	43.8%	43.8%	2,163	2,243	(79)	(823)	—
Steel Excel (1)	—%	55.1%	—	—	—	—	13,139
			169,035	**147,519**	**$ (3,379)**	**$ 27,786**	**$ 14,204**
Other Investments at Fair Value - Related Party:							
SPII Liquidating Trust - Series B (Barbican) (3)			—	—	$ —	$ (16)	$ 2,382
SPII Liquidating Trust - Series D (Fox & Hound)(3)			—	507	(3)	(35)	(11,242)
SPII Liquidating Trust - Series G (SPCA) (3), (4)			6,811	5,771	1,040	(245)	489
SPII Liquidating Trust - Series H (SPJSF) (3), (5)			2,812	3,950	(146)	60	394
SPII Liquidating Trust - Series I (3), (6)			—	—	—	(35)	(352)
			9,623	**10,228**	**$ 891**	**$ (271)**	**$ (8,329)**
(C) OTHER INVESTMENTS							
ModusLink Warrants (3)			**2,199**	**5,832**	**$ (3,632)**	**$ 2,648**	**$ —**
Total Long-Term Investments			**$ 311,951**	**$ 295,440**			

(1) Level 1 investment. Equity securities totaling $112,721 and $98,355 were classified as Level 1 investments as of December 31, 2014 and 2013, respectively.

(2) Level 2 investment. Equity securities totaling $0 and $2,665 were classified as Level 2 investments as of December 31, 2014 and 2013, respectively.
(3) Level 3 investment. For additional information related to the Company's Level 3 investments, see Note 6 - "Fair Value Measurements."
(4) Steel Partners China Access I L.P.
(5) Steel Partners Japan Strategic Fund, L.P.
(6) Sold in the second quarter of 2013. See Note 13 - "Related Party Transactions" for additional information.
(7) Represents Steel Excel's investments in a sports business and iGo, Inc. ("iGo") of 40% and 46.9%, respectively, at December 31, 2014.

The following table presents activity for the available-for-sale securities presented in the table above for the years ended December 31, 2014, 2013 and 2012:

	Year Ended December 31,		
	2014	2013	2012
(A) AVAILABLE-FOR-SALE SECURITIES			
Fair Value Changes Recorded in OCI:			
Proceeds from sales	$ 2,394	$ 3,964	$ 29,317
Gross gains from sales	$ 98	$ 1,245	$ 2,985
Gross losses from sales	(16)	—	—
Net investment gain	$ 82	$ 1,245	$ 2,985
Change in net unrealized holding gains included in other comprehensive income	$ 14,273	$ 53,955	$ 336
Reclassified out of Accumulated other comprehensive income:			
Unrealized gains	$ 261	$ 14,217	$ 3,118
Unrealized losses	—	(2,632)	(828)
Total	$ 261	$ 11,585	$ 2,290

(A) AVAILABLE-FOR-SALE SECURITIES

Fair Value Changes Recorded in OCI

For purposes of determining gross realized gains and losses, the cost of securities sold is based on specific identification. Gross unrealized gains and gross unrealized losses are reported in Accumulated other comprehensive income (loss) in the consolidated balance sheets. In 2013 and 2012 the Company recognized other than temporary impairment losses of approximately $1,010 and $829, respectively related to two available-for-sale securities which are included in Asset impairment charges in the Consolidated Statements of Operations. In January 2015 the Company contributed Nathan's Famous, Inc. ("Nathan's"), one if its available -for-sale securities, to CoSine in exchange for additional CoSine equity (see Note - 22 - "Subsequent Events" for additional information).

The cost basis and unrealized gains and losses related to our available for sale securities is as follows:

	December 31, 2014				December 31, 2013			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Computer Software and Services	$ —	$ —	$ —	$ —	$ 2,312	$ 353	$ —	$ 2,665
Aerospace/Defense	11,675	64,837	—	76,512	11,675	63,666	—	75,341
Restaurants	5,974	29,663	—	35,637	5,974	16,482	—	22,456
Other	575	—	(3)	572	575	—	(17)	558
	$ 18,224	$ 94,500	$ (3)	$ 112,721	$ 20,536	$ 80,501	$ (17)	$ 101,020

Fair Value Changes Recorded in Consolidated Statement of Operations

Available for sale securities also includes the Company's investment in API. In January 2015 the Company contributed this investment to CoSine in exchange for additional CoSine equity (see Note - 22 - "Subsequent Events" for additional information). The investment in Barbican was sold in the fourth quarter of 2012. Changes in the fair value of these investments were reported in the consolidated statement of operations as (Loss) Income from investments held at fair value.

(B) EQUITY METHOD INVESTMENTS

Investments in Associated Companies

The Company's investments in associated companies are accounted for under the equity method of accounting (see Note 2 - "Summary of Significant Accounting Policies" for additional information). The Company elected to record certain investments under the equity method at fair value beginning on the dates these investments became subject to the equity method of accounting. Associated companies are included in either the Diversified Industrial, Energy or Corporate and Other segments. Certain associated companies have a fiscal year end that differs from December 31. Additional information for each of SPLP's investments in associated companies that have impacted the Consolidated Statement of Operations during 2014, 2013 or 2012 follows:

Equity Method:

- CoSine is currently in the business of seeking to acquire one or more business operations. SPLP recorded $50, $(373) and $52 as its share of capital changes for the twelve months ended December 31, 2014, 2013 and 2012, respectively. The aggregate market value of the Company's interest in CoSine was $9,559 and $9,894 at December 31, 2014 and 2013, respectively. In January 2015 the Company increased its ownership in CoSine to approximately 80%. For additional information see Note 22 - "Subsequent Events".

- Steel Excel has an investment in a sports business and in iGo, a mobile device accessories provider company. These investments are being accounted for under the traditional equity method as associated companies. Based on the closing market price of iGo's publicly-traded shares, the value of the investment in iGo was approximately $3,400 at December 31, 2014.

Equity Method, At Fair Value:

- MLNK provides supply chain and logistics services to companies in consumer electronics, communications, computing, medical devices, software, luxury goods and retail. In March 2013, pursuant to an agreement ("Investment Agreement") between the Company and MLNK, SPLP purchased 7,500,000 shares of MLNK common stock. This investment, plus the MLNK shares already owned by the Company and its subsidiaries, gave the Company a 27.1% ownership interest in MLNK common stock. Also, at its annual meeting on March 12, 2013, the MLNK shareholders elected two members of SPLP's management team to the MLNK board of directors, one of which serves as chairman.

  As a result of the foregoing events, SPLP concluded it had significant influence over the operating and financial policies of MLNK and therefore its investment is subject to the equity method of accounting. SPLP elected the fair value option to account for MLNK in order to more appropriately reflect the value of MLNK in its financial statements, and records unrealized gains and losses in earnings. Accordingly the investment, which was previously classified as an available-for-sale security, was reclassified to an associated company as of March 12, 2013. Approximately $2,900 of unrealized losses were reclassified out of Accumulated other comprehensive income (loss) and recorded in Income (loss) of associated companies, net of taxes in the Consolidated Statement of Operations in the year ended December 31, 2013.

  MLNK also issued the Company warrants to purchase an additional 2,000,000 shares at $5.00 per share. See the "Other Investments" section of this Note for a further description of these warrants and their valuation for financial statement reporting.

  In connection with the purchase of the MLNK common stock, SPLP agreed that for a period of two years, SPLP and its affiliates' ownership may not exceed 30% of MLNK's outstanding common stock in the aggregate, except for any acquisitions of common stock in connection with the exercise of the aforementioned 2,000,000 warrants.

- SLI is a publicly traded company that designs, manufactures and markets power electronics, motion control, power protection, power quality electromagnetic and specialized communication equipment. In 2012, the Company received a dividend of approximately $2,000 from SLI which is recorded in Investment and other income in the Consolidated Statement of Operations.

- JPS is a U.S. manufacturer of extruded urethanes, ethylene vinyl acetates and mechanically formed glass and aramid substrate materials for specialty applications in a wide expanse of markets requiring highly engineered components. During the second quarter of 2013, JPS stockholders elected two members of SPLP's management team to their board to serve one-year terms, one of which will serve as chairman. As a result of the foregoing events, SPLP concluded that it had significant influence over the operating and financial policies of JPS and therefore its investment is subject to the equity method of accounting. Accordingly, the investment in JPS, which was previously classified as an available-for-sale security, was reclassified to an associated company as of June 30, 2013. Approximately $13,200 of unrealized gains were reclassified out of Accumulated other comprehensive income (loss) and recorded in Income (loss) of associated companies, net of taxes in the Consolidated Statement of Operations in the year ended December 31, 2013.

  SPLP elected the fair value option to account for JPS in order to more appropriately reflect the value of JPS in its financial statements and records unrealized gains and losses in earnings.

  On January 26, 2015, HNH announced its has commenced a tender offer to purchase up to 10,028,724 shares, or approximately 96.5% of the outstanding shares, of common stock of JPS at a price of $10.00 per share in cash to all stockholders other than SPLP and with respect to the 4,021,580 JPS shares owned by SPLP, in exchange for common stock of HNH. If all shares are tendered, HNH would exchange approximately $60,100 in cash and 863,946 shares of its common stock. For additional information see Note 22 - "Subsequent Events".

- On December 15, 2013, Fox & Hound filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware. The Bankruptcy Court approved a plan to sell the assets of Fox & Hound and the sale closed on March 12, 2014. The Company did not receive a distribution at the conclusion of the chapter 11 process. The investment in Fox & Hound was recorded under the equity method at fair value. During the third quarter of 2013 the Company wrote its investment down to zero.

- The Company has an investment in a Japanese real estate partnership. In the second quarter of 2013, the Company reclassified this investment to an associated company. SPLP has elected the fair value option to account for this investment in order to more appropriately reflect the value of the investment in its financial statements and will record future unrealized gains and losses in earnings. Prior to the second quarter of 2013, this investment was accounted for as an investment at cost. During the years ended December 31, 2013 and 2012, due to declines observed in this business, the Company recorded impairments of $1,510 and $581, respectively, which are included in Asset impairment charges in the Consolidated Statements of Operations.

- In May 2014, Steel Excel increased its holdings of the common stock of API Tech to 20.6%. API Tech is a designer and manufacturer of high performance systems, subsystems, modules, and components. Effective as of that date, the investment in API Tech has been accounted for as an equity method investment using the fair value option. Steel Excel elected the fair value option to account for its investment in API Tech in order to more appropriately reflect the value of API Tech in its financial statements. Prior to such time, the investment in API Tech was accounted for as an available-for-sale security, and upon the change in classification the Company recognized a loss of approximately $600 that had previously been included as a component of Accumulated other comprehensive income.

- During the second quarter of 2012, SPLP acquired an additional 2,227,500 shares of Steel Excel, a publicly traded company. As a result SPLP's ownership increased to 51.1% of the outstanding shares and Steel Excel became a majority-owned controlled subsidiary (for additional information on the transaction between Steel Excel and BNS, see Note 3 - "Acquisitions").

Associated Company Information

The below summary balance sheet amounts are for the nearest practicable period. The below summary income statement amounts include results for associated companies for the periods in which they were accounted for as an associated company, or the nearest practicable corresponding period. This summary data may be derived from unaudited financial statements and may contain a lag.

	December 31,	
	2014	2013
Summary of balance sheet amounts:		
Current assets	$ 556,571	$ 477,886
Noncurrent assets	160,202	179,295
Total assets	$ 716,773	$ 657,181
Current liabilities	$ 257,559	$ 269,629
Noncurrent liabilities	113,217	77,260
Total liabilities	370,776	346,889
Parent equity	345,997	310,292
Total liabilities and equity	$ 716,773	$ 657,181

	Year Ended December 31,		
	2014	2013	2012
Summary income statement amounts:			
Revenue	$ 1,102,133	$ 922,579	$ 488,852
Gross profit	175,793	152,364	74,070
Loss from continuing operations	(170)	(4,262)	(4,788)
Net income (loss)	7,952	(5,663)	(13,477)

Other Investments at Fair Value - Related Party

Other investments at fair value - related party, consist of the Company's investment in each series of the SPII Liquidating Trust (see Note 13 - "Related Party Transactions") accounted for under the equity method. During the year ended December 31, 2014, the Company received approximately $504 and $992 in cash distributions from Trusts D and H, respectively. In February 2015, the SPII Liquidating Trust comprising Trust H was fully liquidated (see Note 22 - "Subsequent Events").

The purpose of the SPII Liquidating Trust is to effect the orderly liquidation of certain assets previously held by Steel Partners II, L.P. ("SPII"). SPLP's financial position, financial performance and cash flows will be affected by the extent to which the operations of the SPII Liquidating Trust results in realized or unrealized gains (losses) and by distributions it makes in each reporting period. The Company holds variable interests in each series of the SPII Liquidating Trust.

Each series of the SPII Liquidating Trust is separate and distinct with respect to its assets, liabilities and net assets. Each individual series has no liability or claim with respect to the liabilities or assets of the other series. Each series shares in the costs, assets and liabilities, if any, that are not specifically attributable to a particular series. Each series generally holds the securities related to a specific investment and cash for operating expenses of the series. The investments in the SPII Liquidating Trust are not redeemable and distributions will be received from the SPII Liquidating Trust as the underlying assets held are sold over a period which is not determinable. There are no unfunded capital commitments with respect to these investments. The fair values for the investments in the SPII Liquidating Trust have been estimated using the net asset value of such interests as reported by the SPII Liquidating Trust.

The following tables provide combined summarized data with respect to the other investments - related party accounted for under the equity method, at fair value:

	December 31,	
	2014	2013
Summary of balance sheet amounts:		
Total assets	$ 21,996	$ 23,412
Total liabilities	—	(34)
Net Asset Value	$ 21,996	$ 23,378

	Year Ended December 31,		
	2014	2013	2012
Summary income statement amounts:			
Net increase (decrease) in net assets from operations	$ 2,038	$ (1,077)	$ (18,996)

(C) OTHER INVESTMENTS

In connection with the acquisition of ModusLink common shares in March 2013, the Company received warrants ("ModusLink Warrants") to acquire an additional 2,000,000 shares at an exercise price of $5.00 per share. The ModusLink Warrants are accounted for as an asset at fair value with changes in fair value recognized each period in (Loss) Income from investments at fair value in the Company's Consolidated Statements of operations. The warrants have a life of 5 years and were valued using the Black-Scholes option pricing model. Assumptions used in the current valuation were as follows: 1) volatility of 53.2% 2) term of approximately 3.2 years 3) risk free interest rate of 1.65% based on the U.S. Treasury bill yield, and 4) an expected dividend of $0.

LIMITED PARTNERSHIP INVESTMENT AND PROMISSORY NOTE

In July 2013, Steel Excel invested $25,000 in a cost-method investment in a limited partnership that co-invested with other private investment funds in a public company. Such investment had an approximate fair value of $28,600 and $26,000 at December 31, 2014 and 2013, respectively, based on the net asset value included in the monthly statement it receives from the partnership. Steel Excel's other investments at December 31, 2014, also include investments in two venture capital funds totaling $500 and a promissory note with an amortized cost of $3,000, which approximates fair value at December 31, 2014. These amounts are included in Other non-current assets in the Company's Consolidated Balance Sheets.

6. FAIR VALUE MEASUREMENTS

Financial assets and liabilities measured at fair value on a recurring basis in the consolidated financial statements as of December 31, 2014 and 2013 are summarized by type of inputs applicable to the fair value measurements as follows:

December 31, 2014	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities (a)	$ 93,768	$ 10,793	$ 33,896	$ 138,457
Long-term investments (a)	286,740	—	13,985	300,725
Investments in certain funds	—	—	525	525
Precious metal and commodity inventories recorded at fair value	13,249	—	—	13,249
Commodity contracts on precious metal and commodity inventories	764	—	—	764
Total	$ 394,521	$ 10,793	$ 48,406	$ 453,720
Liabilities:				
Financial instruments	$ —	$ 21,311	$ —	$ 21,311
Interest rate swap agreement	—	138	—	138
Total	$ —	$ 21,449	$ —	$ 21,449

December 31, 2013	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities (a)	$ 139,786	$ 15,334	$ 23,365	$ 178,485
Long-term investments (a)	209,168	53,754	18,303	281,225
Investments in certain funds	—	—	844	844
Precious metal and commodity inventories recorded at fair value	14,766	—	—	14,766
Commodity contracts on precious metals and commodity inventories	1,620	—	—	1,620
Total	$ 365,340	$ 69,088	$ 42,512	$ 476,940
Liabilities:				
Financial instruments	$ —	$ 25,090	$ —	$ 25,090
Interest rate swap agreement	—	214	—	214
Total	$ —	$ 25,304	$ —	$ 25,304

(a) For additional detail of the marketable securities and long-term investments see Note 5 - "Investments."

During the twelve months ended December 31, 2014, investments with a fair value of $58,666 were transferred from Level 2 to Level 1 based upon change in trading volume.

The fair value of the Company's financial instruments, such as cash and cash equivalents, trade and other receivables and trade payables, approximate carrying value due to the short-term maturities of these assets and liabilities. Carrying cost approximates fair value for long-term debt which has variable interest rates.

The precious metal and commodity inventories associated with HNH's fair value hedges (see Note 7 - "Financial Instruments") are reported at fair value. Fair value of these inventories is based on quoted market prices on commodity exchanges and are considered Level 1 measurements. The derivative instruments that HNH purchases in connection with its precious metal and commodity inventories, specifically commodity futures and forwards contracts, are also valued at fair value. The futures contracts are Level 1 measurements since they are traded on a commodity exchange. The forward contracts are entered into with a counterparty and are considered Level 2 measurements.

Interest rate swap agreements are considered Level 2 measurements as the inputs are observable at commonly quoted intervals. Prior to the redemption of the Subordinated Notes and related Warrants, the embedded derivative features of the Subordinated Notes and Warrants (see Note 14 - "Debt and Capital Lease Obligations") were valued at fair value on a recurring basis and were considered Level 3 measurements.

Following is a summary of changes in financial assets measured using Level 3 inputs:

	Long - Term Investments					
	Investments in Associated Companies (a)	Other Investments - Related Party (b)	ModusLink Warrants (c)	Marketable Securities and Other (d)	Other Investments	Total
Assets						
Balance at December 31, 2011	$ —	$ 42,653	$ —	$ —	$ 13,623	$ 56,276
Purchases	10,923	—	—	2,804	—	13,727
Sales	—	(23,061)	—	—	(15,731)	(38,792)
Unrealized gains	—	3,265	—	—	2,108	5,373
Unrealized losses	(402)	(11,594)	—	—	—	(11,996)
Balance at December 31, 2012	$ 10,521	$ 11,263	$ —	$ 2,804	$ —	$ 24,588
Additions - fair value elections in 2013	3,065	—	—	—	—	3,065
Purchases	1,000	—	3,184	45,383	—	49,567
Sales	—	(764)	—	(23,034)	—	(23,798)
Realized gain on sale	—	—	—	1,556	—	1,556
Unrealized gains	—	60	3,578	—	—	3,638
Unrealized losses	(12,343)	(331)	(930)	(2,500)	—	(16,104)
Balance at December 31, 2013	2,243	10,228	5,832	24,209	—	42,512
Purchases	—	—	—	13,294	—	13,294
Sales	—	(1,496)	—	(5,001)	—	(6,497)
Realized loss on sale	—	—	—	(129)	—	(129)
Unrealized gains	—	2,411	99	2,048	—	4,558
Unrealized losses	(80)	(1,520)	(3,732)	—	—	(5,332)
Balance at December 31, 2014	$ 2,163	$ 9,623	$ 2,199	$ 34,421	$ —	$ 48,406

(a) Unrealized losses are recorded in (Loss) Income of associated companies, net of taxes in the Company's Consolidated Statements of Operations.
(b) Unrealized gains and losses are recorded in Income (Loss) from other investments-related party in the Company's Consolidated Statements of Operations.
(c) Unrealized gains and losses are recorded in (Loss) Income from investments held at fair value in the Company's Consolidated Statements of Operations.
(d) Realized gains and losses on sale is recorded in Other income, net in the Company's Consolidated Statements of Operations.

Level 3 Liabilities

During the year ended December 31, 2013, the Company recognized a $184 decrease in fair value for the derivative features of the HNH Subordinated notes. As of December 31, 2014 and December 31, 2013, the Company did not hold any financial liabilities that are measured using Level 3 inputs.

Long-Term Investments - Valuation Techniques

The Company primarily uses two valuation methods to estimate the fair value of its equity securities measured using Level 3 inputs. The Company estimates the value of its investments in associated companies primarily using a discounted cash flow method adjusted for additional information related to debt covenants, solvency issues, etc. The Company estimates the value of Other investments - related party, which represents its interest in the SPII Liquidating Trust, based on the net asset value of each series of the Trust. The ModusLink Warrants are valued using the Black-Scholes option pricing model (for additional information see Note 5 - "Investments").

Marketable Securities and Other - Valuation Techniques

The Company uses the net asset value included in quarterly statements it receives in arrears from a venture capital fund to determine the fair value of such fund. The Company determines the fair value of certain corporate securities and corporate obligations by incorporating and reviewing prices provided by third-party pricing services based on the specific features of the underlying securities.

Assets Measured at Fair Value on a Nonrecurring Basis

The Company's non-financial assets measured at fair value in 2014 and 2013 on a non-recurring basis include the assets acquired and liabilities assumed in the acquisitions described in Note 3 – "Acquisitions". Significant judgments and estimates are made to determine the acquisition date fair values which may include the use of appraisals, discounted cash flow techniques or other information the Company considers relevant to the fair value measurement. See Note 2 - "Summary of Significant Accounting Policies" for discussion on significant estimates and impairment testing.

As of December 31, 2014 and 2013, WebBank has impaired loans of $458 of which $4 is guaranteed by the USDA or SBA and $2,564, of which $2,196 is guaranteed by the USDA or SBA, respectively. These loans are measured at fair value on a nonrecurring basis using Level 3 inputs. See the Impaired Loans section of Note 8 - "Trade, Other and Loans Receivable" for additional discussion of loan impairment measurements.

7. FINANCIAL INSTRUMENTS

Financial instrument liabilities and related restricted cash consist of the following:

	December 31, 2014	December 31, 2013
Foreign currency financial instruments	$ —	$ 25,090
Short sales of corporate securities	21,311	—
	$ 21,311	$ 25,090

Activity is summarized below for financial instrument liabilities and related restricted cash:

	Year Ended December 31,	
	2014	2013
Balance, beginning of period	$ 25,090	$ 24,742
Settlement of foreign currency financial instruments	(24,429)	—
Short sales of corporate securities	19,467	—
Net investment losses	1,006	174
Receipt of dividends, net of interest expense	177	203
Other	—	(29)
Balance of financial instrument liabilities and related restricted cash, end of period	$ 21,311	$ 25,090

Foreign Currency Exchange Rate Risk

Financial instruments include $25,090 at December 31, 2013, of amounts payable in foreign currencies which are subject to the risk of exchange rate changes. The foreign currency financial liabilities were settled in the fourth quarter of 2014. These financial instruments resulted from transactions entered into for risk management purposes, were collateralized by an equivalent amount that was included in restricted cash. These liabilities were accounted for at fair value on the balance sheet date with changes in fair value reported in the consolidated statement of operations included in Net investment gains (losses). The financial instruments payable in foreign currencies were entered into with a counterparty and were considered Level 2 measurements. The liabilities were not designated as hedging instruments. The foreign currency financial instrument liabilities at December 31, 2013 were as follows:

	December 31, 2013		
Currency	**Carrying Amount**		**Notional Amount**
Japanese Yen	$	1,374	¥144,717
Pound Sterling		23,716	£14,311
Total	$	25,090	

Short Sales of Corporate Securities

In 2014, Steel Excel entered into short sale transactions on certain corporate securities in which Steel Excel received proceeds from the sale of such securities and incurred obligations to deliver such securities at a later date. Upon initially entering into such short sale transactions Steel Excel recognizes a liability equal to the fair value of the obligation, with a comparable amount of cash and cash equivalents reclassified as restricted cash. Subsequent changes in the fair value of such obligations, determined based on the closing market price of the securities, are recognized currently as gains or losses, with a comparable adjustment made between unrestricted and restricted cash.

Precious Metal and Commodity Inventories

As of December 31, 2014, HNH had the following outstanding futures contracts with settlement dates ranging from February 2015 to March 2015. There were no forward contracts outstanding at December 31, 2014.

Commodity	Amount	Notional Value	
Silver	675,000 ounces	$	10,500
Gold	200 ounces	$	200
Copper	300,000 pounds	$	800
Tin	35 metric tons	$	700

Of the total futures contracts outstanding, 610,000 ounces of silver and substantially all of the copper contracts are designated and accounted for as fair value hedges. The remaining outstanding futures contracts for silver, and all of the contracts
for gold and tin, are accounted for as economic hedges.

The futures contracts are exchange traded contracts acquired through a third party broker. Accordingly, HNH has determined that there is minimal credit risk of default. HNH estimates the fair value of its derivative contracts through the use of market quotes or broker valuations when market information is not available. HNH maintains collateral on account with the third-party broker. Such collateral consists of both cash that varies in amount depending on the value of open futures contracts, as well as ounces of precious metal held on account by the broker.

Debt Agreements

As discussed in Note 14 - "Debt and Capital Lease Obligations," Handy & Harman Group Ltd. ("H&H Group") has entered into two interest rate swap agreements to reduce its exposure to interest rate fluctuations.

HNH's Subordinated Notes had call premiums as well as Warrants associated with them. HNH treated the fair value of these features together as both a discount on the debt and a derivative liability at inception of the loan agreement. The discount was being amortized over the life of the notes as an adjustment to interest expense, and the derivative was marked to market at each balance sheet date. As discussed in Note 14 - "Debt and Capital lease Obligations," on March 26, 2013, HNH discharged its obligations associated with the Subordinated Notes and Warrants, and therefore, all discounts and derivative accounts related to the Subordinated Notes and Warrants are now zero.

Fair Value of Derivative Instruments in the Consolidated Balance Sheets:

Derivative	Balance Sheet Location	December 31, 2014	December 31, 2013
Commodity contracts (a), (b)	Prepaid and other current assets	$ 667	$ 1,778
Commodity contracts (a)	Prepaid and other current assets/Accrued liabilities	$ 97	$ (158)
Interest rate swap agreements	Other current liabilities	$ (138)	$ (214)

(a) Carrying amount equals fair value.
(b) Designated as hedging instruments as of December 31, 2014.

Effect of derivative instruments on the Consolidated Statements of Operations:

		Year Ended December 31,		
		2014	2013	2012
Derivative	Statement of Operations Location	Gain (loss)	Gain (loss)	Gain (loss)
Commodity contracts (a)	Cost of goods sold	$ 2,655	$ 2,620	$ —
Commodity contracts	Cost of goods sold	131	(92)	—
Commodity contracts	Realized and unrealized gain on derivatives	1,307	1,988	521
Interest rate swap agreements	Interest expense	(156)	(328)	—
Derivative features of subordinated notes	Realized and unrealized (loss) gain on derivatives	—	(793)	831
Total derivatives		$ 3,937	$ 3,395	$ 1,352

(a) Designated as hedging instruments as of December 31, 2014.

Financial Instruments with Off-Balance Sheet Risk

WebBank is a party to financial instruments with off-balance sheet risk. In the normal course of business, these financial instruments include commitments to extend credit in the form of loans as part of WebBank's lending arrangements. Those instruments involve to varying degrees, elements of credit and interest rate risk in excess of the amount recognized on the balance sheet. The contract amounts of those instruments reflect the extent of involvement WebBank has in particular classes of financial instruments.

At December 31, 2014 and 2013, WebBank's undisbursed loan commitments totaled $82,788 and $28,011, respectively. Commitments to extend credit are agreements to lend to a borrower who meets the lending criteria through one of the Bank's lending agreements, provided there is no violation of any condition established in the contract with the counterparty to the lending arrangement.

Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since certain of the commitments are expected to expire without the credit being extended, the total commitment amounts do not necessarily represent future cash requirements. WebBank evaluates each prospective borrower's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by WebBank upon extension of credit is based on management's credit evaluation of the borrower and WebBank's counterparty.

WebBank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. WebBank uses the same credit policy in making commitments and conditional obligations as it does for on-balance sheet instruments.

WebBank estimates an allowance for potential losses on off-balance sheet contingent credit exposures related to the guaranteed amount of its SBA and USDA loans and whether or not the SBA/USDA honors the guarantee. WebBank determines the allowance for these contingent credit exposures based on historical experience and portfolio analysis. The allowance is included with other liabilities in the consolidated balance sheet, with any related increases or decreases in the reserve included in the statement of income. The allowance was $188 and $465 at December 31, 2014 and 2013, respectively, and is included within Other current liabilities in the consolidated balance sheets. Increases or decreases in the allowance are included in Selling, general and administrative expenses in the consolidated statements of operations. The amount included in Selling,

general and administrative expenses for credit losses on off-balance sheet contingent credit exposure was a benefit of $277, $175 and $440 for the years ended December 31, 2014, 2013 and 2012, respectively.

8. TRADE, OTHER AND LOANS RECEIVABLE

Trade and Other Receivables

	December 31, 2014	December 31, 2013
Trade and other receivables (net of allowance for doubtful accounts of $2,149 in 2014 and $1,981 in 2013)	$ 85,553	$ 82,963
Other receivables	1,887	5,677
Total	$ 87,440	$ 88,640

Loans Receivable

Major classification of WebBank's loans receivable at December 31, 2014 and 2013 are as follows:

	Total				Current		Non-current	
	December 31, 2014	%	December 31, 2013	%	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Real estate loans:								
Commercial - owner occupied	$ 1,650	1%	$ 4,671	6%	$ 96	$ 197	$ 1,554	$ 4,474
Commercial – other	264	—%	242	—%	—	—	264	242
Total real estate loans	1,914	1%	4,913	6%	96	197	1,818	4,716
Commercial and industrial	75,706	64%	46,702	61%	1,142	1,462	74,564	45,240
Loans held for sale	40,886	35%	25,125	33%	40,886	25,125	—	—
Total loans	118,506	100%	76,740	100%	42,124	26,784	76,382	49,956
Less:								
Deferred fees and discounts	(20)		—		(20)	—	—	—
Allowance for loan losses	(557)		(424)		(557)	(424)	—	—
Total loans receivable, net (a)	$ 117,929		$ 76,316		$ 41,547	$ 26,360	$ 76,382	$ 49,956

(a) The carrying value is considered to be representative of fair value because the rates of interest are not significantly different from market interest rates for instruments with similar maturities. The fair value of loans receivable, net was $117,346 and $76,303 at December 31, 2014 and 2013, respectively.

Allowance for Loan Losses

The Allowance for Loan Losses ("ALLL") represents an estimate of probable and estimable losses inherent in the loan portfolio as of the balance sheet date. Losses are charged to the ALLL when incurred. Generally, commercial loans are charged off or charged down at the point at which they are determined to be uncollectible in whole or in part, or when 180 days past due unless the loan is well secured and in the process of collection. The amount of the ALLL is established by analyzing the portfolio at least quarterly and a provision for or reduction of loan losses is recorded so that the ALLL is at an appropriate level at the balance sheet date.

The methodologies used to estimate the ALLL depend upon the impairment status and portfolio segment of the loan. Loan groupings are created for each loan class, and are then graded against historical and industry loss rates.

After applying historic loss experience, the quantitatively derived level of ALLL is reviewed for each segment using qualitative criteria is performed. Various risk factors are tracked that influence judgment regarding the level of the ALLL across the portfolio segments. Primary qualitative factors that may be reflected in the quantitative models include:

- Asset quality trends
- Risk management and loan administration practices
- Risk identification practices
- Effect of changes in the nature and volume of the portfolio

- Existence and effect of any portfolio concentrations
- National economic and business conditions
- Regional and local economic and business conditions
- Data availability and applicability

Changes in these factors are reviewed to ensure that changes in the level of the ALLL are consistent with changes in these factors. The magnitude of the impact of each of these factors on the qualitative assessment of the ALLL changes from quarter to quarter according to the extent these factors are already reflected in historic loss rates and according to the extent these factors diverge from one another. Also considered is the uncertainty inherent in the estimation process when evaluating the ALLL.

Changes in the allowance for loan losses are summarized as follows:

	Real Estate				
	Commercial - Owner Occupied	**Commercial - Other**	**Commercial & Industrial**	**Unallocated**	**Total**
December 31, 2012	$ 187	$ 34	$ 64	$ —	285
Charge-offs	—	—	(64)	—	(64)
Recoveries	22	44	217	—	283
Provision	(132)	(50)	102	—	(80)
December 31, 2013	77	28	319	—	424
Charge-offs	—	—	(3)	—	(3)
Recoveries	66	40	80	—	186
Provision	(79)	(56)	85	—	(50)
December 31, 2014	$ 64	$ 12	$ 481	$ —	$ 557

The ALLL and outstanding loan balances according to the Company's impairment method are summarized as follows:

	Real Estate			
December 31, 2014	**Commercial - Owner Occupied**	**Commercial - Other**	**Commercial & Industrial**	**Total**
Allowance for loan losses:				
Individually evaluated for impairment	$ —	$ —	$ 52	$ 52
Collectively evaluated for impairment	64	12	429	505
Total	$ 64	$ 12	$ 481	$ 557
Outstanding Loan balances:				
Individually evaluated for impairment (1)	$ 374	$ —	$ 84	$ 458
Collectively evaluated for impairment	1,276	264	75,622	77,162
Total	$ 1,650	$ 264	$ 75,706	$ 77,620

(1) $4 is guaranteed by the USDA or SBA.

	Real Estate			
December 31, 2013	**Commercial - Owner Occupied**	**Commercial - Other**	**Commercial & Industrial**	**Total**
Allowance for loan losses:				
Individually evaluated for impairment	$ —	$ —	$ —	$ —
Collectively evaluated for impairment	77	28	319	424
Total	$ 77	$ 28	$ 319	$ 424
Outstanding Loan balances:				
Individually evaluated for impairment (1)	$ 2,426	$ —	$ 138	$ 2,564
Collectively evaluated for impairment	2,245	242	46,564	49,051
Total	$ 4,671	$ 242	$ 46,702	$ 51,615

(1) $2,196 is guaranteed by the USDA or SBA.

Nonaccrual and Past Due Loans

Loans are generally placed on nonaccrual status when payment in full of principal and interest is not expected, or the loan is 90 days or more past due as to principal or interest, unless the loan is both well secured and in the process of collection.

A nonaccrual loan may be returned to accrual status when all delinquent interest and principal become current in accordance with the terms of the loan agreement; and the loan, if secured, is well secured; the borrower has paid according to the contractual terms for a minimum of six months; and analysis of the borrower indicates a reasonable assurance of the ability to maintain payments. Payments received on nonaccrual loans are applied as a reduction to the principal outstanding.

Loans are reported as past due when either principal or interest is due and unpaid for a period of 30 days or more. Loans past due 90 days or more and still accruing interest were $52 and $0 at December 31, 2014 and 2013, respectively.

Nonaccrual loans are summarized as follows:

	December 31, 2014	**December 31, 2013**
Real Estate Loans:		
Commercial - Owner Occupied	$ 374	$ 402
Total Real Estate Loans	374	402
Commercial and Industrial	16	109
Total Loans	$ 390	$ 511

Past due loans (accruing and nonaccruing) are summarized as follows:

December 31, 2014	**Current**	**30-89 days past due**	**90+ days past due**	**Total past due (2)**	**Total loans**	**Recorded investment in accruing loans 90+ days past due**	**Nonaccrual loans that are current (1)**
Real Estate Loans:							
Commercial - Owner Occupied	$ 1,228	$ 49	$ 373	$ 422	$ 1,650	$ —	$ —
Commercial - Other	264	—	—	—	264	—	—
Total Real Estate Loans	1,492	49	373	422	1,914	—	—
Commercial and Industrial	75,635	3	68	71	75,706	52	—
Total Loans	$ 77,127	$ 52	$ 441	$ 493	$ 77,620	$ 52	$ —

(1) Represents nonaccrual loans that are not past due more than 30 days; however, full payment of principal and interest is still not expected.
(2) $4 is guaranteed by the USDA or SBA.

December 31, 2013	Current	30-89 days past due	90+ days past due	Total past due (2)	Total loans	Recorded investment in accruing loans 90+ days past due	Nonaccrual loans that are current (1)
Real Estate Loans:							
Commercial - Owner Occupied	$ 4,668	$ —	$ 3	$ 3	$ 4,671	$ —	$ 399
Commercial - Other	242	—	—	—	242	—	—
Total Real Estate Loans	4,910	—	3	3	4,913	—	399
Commercial and Industrial	46,536	57	109	166	46,702	—	—
Total Loans	$ 51,446	$ 57	$ 112	$ 169	$ 51,615	$ —	$ 399

(1) Represents nonaccrual loans that are not past due more than 30 days; however, full payment of principal and interest is still not expected.
(2) $90 is guaranteed by the USDA or SBA.

Credit Quality Indicators

In addition to the past due and nonaccrual criteria, loans are analyzed using a loan grading system. Generally, internal grades are assigned to loans based on financial/statistical models and loan officer judgment. The Company reviews and grades all loans with unpaid principal balances of $100 or more once per year. Grades follow definitions of Pass, Special Mention, Substandard, and Doubtful. The definitions of Pass, Special Mention, Substandard, and Doubtful are summarized as follows:

- *Pass*: A Pass asset is a higher quality asset and does not fit any of the other categories described below. The likelihood of loss is considered remote.
- *Special Mention*: A receivable in this category has a specific weakness or problem but does not currently present a significant risk of loss or default as to any material term of the loan or financing agreement.
- *Substandard*: A substandard receivable has a developing or currently minor weakness or weaknesses that could result in loss or default if deficiencies are not corrected or adverse conditions arise.
- *Doubtful*: A doubtful receivable has an existing weakness or weaknesses that have developed into a serious risk of significant loss or default with regard to a material term of the financing agreement.

Outstanding loan balances (accruing and nonaccruing) categorized by these credit quality indicators are summarized as follows:

December 31, 2014	Pass	Special Mention	Sub-standard (1)	Doubtful	Total loans
Real Estate Loans:					
Commercial - Owner Occupied	$ 1,258	$ 19	$ 373	—	$ 1,650
Commercial - Other	264	—	—	—	264
Total Real Estate Loans	1,522	19	373	—	1,914
Commercial and Industrial	74,439	1,183	84	—	75,706
Total Loans	$ 75,961	$ 1,202	$ 457	$ —	$ 77,620

(1) $4 is guaranteed by the USDA or SBA.

December 31, 2013	Pass	Special Mention	Sub-standard (1)	Doubtful	Total loans
Real Estate Loans:					
Commercial - Owner Occupied	2,246	—	2,425	—	4,671
Commercial - Other	242	—	—	—	242
Total Real Estate Loans	2,488	—	2,425	—	4,913
Commercial and Industrial	44,176	2,387	139	—	46,702
Total Loans	$ 46,664	$ 2,387	$ 2,564	$ —	$ 51,615

(1) $2,196 is guaranteed by the USDA or SBA.

Impaired Loans

Loans are considered impaired when, based on current information and events, it is probable that WebBank will be unable to collect all amounts due according to the contractual terms of the loan agreement, including scheduled interest payments. When loans are impaired, an estimate of the amount of the balance that is impaired is made and a specific reserve is assigned to the loan based on the estimated present value of the loan's future cash flows discounted at the loan's effective interest rate, the observable market price of the loan, or the fair value of the loan's underlying collateral less the cost to sell. When the impairment is based on amount on the fair value of the loan's underlying collateral, the portion of the balance that is impaired is charged off, such that these loans do not have a specific reserve in the ALLL. Payments received on impaired loans that are accruing are recognized in interest income, according to the contractual loan agreement. The Bank recognized $60, $121, and $215 on impaired loans for the years ended December 31, 2014, 2013, and 2012, respectively.

Payments received on impaired loans that are on nonaccrual are not recognized in interest income, but are applied as a reduction to the principal outstanding. Payments are recognized when cash is received.

Information on impaired loans is summarized as follows:

		Recorded investment				
December 31, 2014	Unpaid principle balance	with no allowance	with allowance	Total recorded investment (1)	Related Allowance	Average recorded investment
Real Estate Loans:						
Commercial - Owner Occupied	$ 430	$ 374	$ —	$ 374	$ —	$ 750
Total Real Estate Loans	430	374	—	374	—	750
Commercial and Industrial	193	28	56	84	52	131
Total Loans	$ 623	$ 402	$ 56	$ 458	$ 52	$ 881

(1) $4 is guaranteed by the USDA or SBA.

		Recorded investment				
December 31, 2013	Unpaid principal balance	with no allowance	with allowance	Total recorded investment (1)	Related Allowance	Average recorded investment
Real Estate Loans:						
Commercial - Owner Occupied	$ 2,626	$ 2,425	$ —	$ 2,425	$ —	$ 2,555
Total Real Estate Loans	2,626	2,425	—	2,425	—	2,555
Commercial and Industrial	354	129	10	139	—	150
Total Loans	$ 2,980	$ 2,554	$ 10	$ 2,564	$ —	$ 2,705

(1) $2,196 is guaranteed by the USDA or SBA.

9. INVENTORIES, NET

A summary of Inventories, net is as follows:

	December 31, 2014	December 31, 2013
Finished products	$ 24,424	$ 20,378
In – process	10,310	8,111
Raw materials	12,346	11,904
Fine and fabricated precious metal in various stages of completion	17,094	19,802
	64,174	60,195
LIFO reserve	(90)	(136)
Total	$ 64,084	$ 60,059

Fine and Fabricated Precious Metal Inventory

In order to produce certain of its products, HNH purchases, maintains and utilizes precious metal inventory. HNH records certain precious metal inventory at the lower of last-in, first-out ("LIFO") cost or market, with any adjustments recorded through cost of goods sold. Remaining precious metal inventory is accounted for primarily at fair value.

Certain customers and suppliers of HNH choose to do business on a “pool” basis, and furnish precious metal to HNH for return in fabricated form (“customer metal”) or for purchase from or return to the supplier. When the customer metal is returned in fabricated form, the customer is charged a fabrication charge. The value of this customer metal is not included in the Company’s Consolidated Balance Sheets. To the extent HNH is able to utilize customer precious metal in its production process, such customer metals replaces the need for HNH to purchase its own inventory. As of December 31, 2014, customer metal in H&H's custody consisted of 191,217 ounces of silver, 518 ounces of gold, and 1,392 ounces of palladium. As of December 31, 2013, HNH’s customer metal consisted of 247,103 ounces of silver, 576 ounces of gold, and 1,392 ounces of palladium.

	December 31, 2014	December 31, 2013
Supplemental inventory information:		
Precious metals stated at LIFO cost	$ 4,839	$ 5,978
Precious metals stated under non-LIFO cost methods, primarily at fair value	12,165	13,687
Market value per ounce:		
Silver	15.75	19.49
Gold	1,199.25	1,201.50
Palladium	798.00	711.00

10. PROPERTY, PLANT AND EQUIPMENT, NET

A summary of property, plant and equipment, net is as follows:

	December 31, 2014	December 31, 2013
Land	$ 9,523	$ 9,690
Buildings and improvements	53,742	51,966
Machinery, equipment and other	194,356	169,169
Construction in progress	4,738	5,035
	262,359	235,860
Accumulated depreciation and amortization	(78,045)	(53,752)
Net property, plant and equipment	$ 184,314	$ 182,108

Depreciation expense was $24,745, $20,036 and $15,876 for the twelve months ended December 31, 2014, 2013 and 2012, respectively.

11. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

A reconciliation of the change in the carrying value of goodwill is as follows:

	December 31, 2014			
	Diversified	Energy	Corporate	Total
Balance at beginning of year				
Gross Goodwill	$ 26,260	$ 64,790	$ 81	$ 91,131
Accumulated impairments	—	(3,769)	—	(3,769)
Net Goodwill	26,260	61,021	81	87,362
Acquisitions	—	—	—	—
Impairment	—	(41,450)	—	(41,450)
Currency translation adjustment	(37)	—	—	(37)
Other adjustments (b)	76	—	—	76
Balance at end of period				
Gross Goodwill	26,299	64,790	81	91,170
Accumulated impairments	—	(45,219)	—	(45,219)
Net Goodwill	$ 26,299	$ 19,571	$ 81	$ 45,951

In connection with its annual goodwill impairment test and the adverse effects of the recent developments in the oil services industry, the Company recognized an impairment charge of $41,450 in the fourth quarter of 2014 related to the goodwill associated with its Energy segment. The impairment resulted from the adverse effects the decline in energy prices had on the oil services industry and the projected results of operations of the Energy segment. The fair values of the reporting units used in determining the goodwill impairment were based on valuations using a combination of the income approach (discounted cash flows) and the market approach (guideline public company method and guideline transaction method).

	December 31, 2013			
	Diversified	Energy	Corporate	Total
Balance at beginning of year				
Gross Goodwill	$ 8,531	$ 47,408	$ 81	$ 56,020
Accumulated impairments	—	(192)	—	(192)
Net Goodwill	8,531	47,216	81	55,828
Acquisitions	18,169	17,382	—	35,551
Impairment (a)	—	(3,577)	—	(3,577)
Currency translation adjustment	14	—	—	14
Other adjustments (b)	(454)	—	—	(454)
Balance at end of year				
Gross Goodwill	26,260	64,790	81	91,131
Accumulated impairments	—	(3,769)	—	(3,769)
Net Goodwill	$ 26,260	$ 61,021	$ 81	$ 87,362

(a) Represents an impairment related to one of Steel Excel's sports businesses recorded in Income (Loss) from discontinued operations, net of taxes in the 2013 Consolidated Statement of Operations .
(b) Represents final purchase price allocation adjustments, including a final working capital adjustment, associated with the prior year HNH acquisition of W.P. Hickman Company. For additional information, see Note 3 - "Acquisitions."

A summary of other intangible assets is as follows:

	December 31, 2014			December 31, 2013		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Product and customer relationships	$ 113,952	$ 29,726	$ 84,226	$ 113,114	$ 19,824	$ 93,290
Trademarks	28,803	5,856	22,947	28,785	3,813	24,972
Patents and technology	16,773	6,023	10,750	16,398	4,627	11,771
Other	2,426	1,799	627	2,609	1,521	1,088
	$ 161,954	$ 43,404	$ 118,550	$ 160,906	$ 29,785	$ 131,121

Trademarks with indefinite lives as of December 31, 2014 and 2013 were $8,020. Amortization expense related to intangible assets was $13,693, $10,954 and $8,874 for the twelve months ended December 31, 2014, 2013 and 2012, respectively.

The estimated amortization expense for each of the five succeeding years and thereafter is as follows:

	Products and Customer Relationships	Trademarks	Patents and Technology	Other
2015	$ 9,530	$ 2,025	$ 1,297	$ 546
2016	9,190	2,016	1,297	35
2017	8,810	1,339	1,297	24
2018	8,438	905	1,297	22
2019	6,204	747	1,297	—
Thereafter	42,054	7,895	4,265	—
Total	$ 84,226	$ 14,927	$ 10,750	$ 627

12. BANK DEPOSITS

A summary of WebBank deposits is as follows:

	December 31, 2014	December 31, 2013
Time deposits year of maturity:		
2014	$ —	$ 47,372
2015	27,001	14,284
2016	50,386	13,625
2017	26,671	—
Total time deposits	104,058	75,281
Money market deposits	60,802	42,925
Total deposits (a)	$ 164,860	$ 118,206
Current	$ 87,804	$ 87,319
Long-term	77,056	30,887
Total deposits	$ 164,860	$ 118,206
Time deposit accounts under $100	$ 86,274	$ 63,515
Time deposit accounts $100 and over	17,784	11,766
Total time deposits	$ 104,058	$ 75,281

(a) The carrying value is considered to be representative of fair value because the rates of interest are not significantly different from market interest rates for instruments with similar maturities. The fair value of Deposits was $165,381 and $118,698 at December 31, 2014 and 2013, respectively.

13. RELATED PARTY TRANSACTIONS

Management Agreement with SP General Services LLC

The Manager receives a fee at an annual rate of 1.5% of total partner's capital ("Management Fee"), payable on the first day of each quarter and subject to quarterly adjustment. In addition, SPLP issued to the Manager partnership profits interests in the form of incentive units, which will be classified as Class C common units of SPLP upon the attainment of certain specified performance goals by SPLP which are determined as of the last day of each fiscal year (see Note 16 - "Capital and Accumulated other Comprehensive Income" for additional information on the incentive units). The Management Agreement, which was amended in January 2015 (see Note 22 - "Subsequent Events"), is automatically renewed each December 31 for successive one-year terms unless otherwise determined at least 60 days prior to each renewal date by a majority of the independent directors. For the twelve months ended December 31, 2014, 2013 and 2012, the Manager earned a Management Fee of $8,775, $8,178 and $7,412, respectively, which is recorded in Selling, general and administrative expenses in the Company's Consolidated Statements of Operations. Unpaid amounts for management fees included in Payable to related parties were $0 and $2,049 at December 31, 2014 and 2013, respectively.

SPLP will bear (or reimburse the Manager with respect to) all its reasonable costs and expenses of the managed entities, the Manager, SPH GP or their affiliates, including but not limited to: legal, tax, accounting, auditing, consulting, administrative, compliance, investor relations costs related to being a public entity rendered for SPLP or SPH GP as well as expenses incurred by the Manager and SPH GP which are reasonably necessary for the performance by the Manager of its duties and functions under the Management Agreement and certain other expenses incurred by managers, officers, employees and agents of the Manager or its affiliates on behalf of SPLP. The Manager incurred $3,100, $1,310 and $1,179 of reimbursable expenses during the twelve months ended December 31, 2014, 2013 and 2012, respectively, in connection with its provision of services under the Management Agreement. Unpaid amounts for reimbursable expenses were $1,504 and $477 at December 31, 2014 and 2013, respectively, and are included in Payable to related parties.

Corporate Services

SPH Services, a subsidiary of SPLP, was created to consolidate the executive and corporate functions of the Company and certain of its affiliates, and to provide such services to SPLP and other portfolio companies. SP Corporate Services LLC ("SP Corporate"), through management services agreements with these companies, provides services which include assignment of C-Level management personnel, as well as a variety of services including legal, tax, accounting, treasury, consulting, auditing, administrative, compliance, environmental health and safety, human resources, marketing, investor relations and other similar services. The fees payable under these agreements are initially based on the level of services expected to be provided. They are subject to annual review and adjustment and are approved by the respective company's board of directors. The agreements automatically renew for successive one-year periods unless and until terminated in accordance with agreement. Under certain circumstances, the termination may result in payment of a termination fee to SP Corporate.

Consolidated companies that have agreements with SP Corporate include HNH, Steel Excel, SPLP, DGT, WebBank and BNS. Annual amounts to be billed to these companies are $8,885, $8,038, $3,000, $476, $250 and $204, respectively, and are eliminated in consolidation.

In addition to its servicing agreements with SPLP and its consolidated subsidiaries, SP Corporate has management services agreements with other companies considered to be related parties, including CoSine, NOVT, Ore Holdings, Inc., J. Howard Inc., SL Industries, Inc., Steel Partners, Ltd. and iGo. In total, SP Corporate will charge approximately $1,721 annually to these companies. Effective January 1, 2015 SP Corporate entered into a management services agreement with MLNK and WebFinancial Holding Corporation (see Note - 22 "Subsequent Events").

SPII Liquidating Trust

SPLP holds interests in the SPII Liquidating Trust, an entity that holds certain investments which it acquired in connection with the Exchange Transaction, which the Manager and its affiliate serve as the manager and liquidating trustee, respectively, without compensation other than reimbursement for out-of-pocket expenses. The SPII Liquidating Trust has an investment in Steel Partners Japan Strategic Fund, L.P. and in Steel Partners China Access I L.P. See Note 5 - "Investments" for additional information.

In 2013, the SPII Liquidating Trust sold its remaining investments comprising Trust I to a related party, Steel Partners Ltd. The Company received proceeds of $764 representing its proportionate interest in the Trust. There was no gain or loss on the transaction.

Mutual Securities

Pursuant to the Management Agreement, the Manager was responsible for selecting executing brokers. Securities transactions for SPLP are allocated to brokers on the basis of reliability and best price and execution. The Manager has selected Mutual Securities as an introducing broker and may direct a substantial portion of the managed entities' trades to such firm among others. An officer of the Manager and SPH GP is affiliated with Mutual Securities. The Manager only uses Mutual Securities when such use would not compromise the Manager's obligation to seek best price and execution. SPLP has the right to pay commissions to Mutual Securities, which are higher than those that can be obtained elsewhere, provided that the Manager believes that the rates paid are competitive institutional rates. Mutual Securities also served as an introducing broker for SPLP's trades. The Commissions paid by SPLP to Mutual securities were approximately $352, $310 and $239 for the twelve months ended December 31, 2014, 2013 and 2012, respectively. Such commissions are included in the net investment gains (losses) in the consolidated statements of operations. The portion of the commission paid to Mutual Securities ultimately received by such officer is net of clearing and other charges.

Other

On March 31, 2012, Steel Partners, Ltd. assigned its rights, obligations and title to its New York City office lease to SPH Services. In connection with the assignment, Steel Partners, Ltd. agreed to remit $3,286 to SPH Services, subject to adjustment, which represents the present value of the lease payment obligations over the fair value of the leased facilities. The remaining amount of this lease payment obligation is included in Other liabilities in the Consolidated Balance Sheets as of December 31, 2014 and 2013. In addition, for a total consideration of $1,203, Steel Partners, Ltd. sold to SPH Services the fixed assets held by it relating to the New York City location, which includes furniture, equipment and leasehold improvements and the Company agreed to reimburse Steel Partners, Ltd. $254 for occupancy costs for the three months ended March 31, 2012. Both of these amounts were paid to Steel Partners, Ltd in the third quarter of 2012.

SPLP has an arrangement whereby it holds an asset on behalf of a related party in which it has an investment. The asset had a fair value of $34,280 and $28,515 at December 31, 2014 and 2013, respectively. Under the terms of this arrangement, the related party is the sole beneficiary and SPLP does not have an economic interest in the asset and SPLP has no capital at risk with respect to such asset, other than indirectly through its indirect investment in such related party. No amounts related to this arrangement are recorded on the Consolidated balance sheet. For the twelve months ended December 31, 2014 and 2013, SPLP was indirectly compensated for providing this arrangement by the payment of a fee. The fees were not material.

The Company's non-management directors receive an annual retainer of $150, of which $75 is paid in cash and $75 is paid in restricted common units of SPLP. The restricted units vest over a three year period. These directors are also paid fees of $1 for each board committee meeting attended. The chairmen of the Audit Committee, Corporate Governance and Nominating Committee and Compensation Committee are paid an additional fee of $60 (effective May 1, 2013), $5 and $5 annually, respectively. For the twelve months ended December 31, 2014, 2013 and 2012 non-management directors' fees expensed were $931, $855 and $570, respectively. Unpaid non-management directors' fees are included in Payable to related parties and were $46 and $46 at December 31, 2014 and 2013, respectively.

At December 31, 2014 and 2013, several related parties and consolidated subsidiaries had deposits totaling $14,875 and $19,229, respectively, in WebBank. $12,391 and $17,195 of these deposits have been eliminated in consolidation as of December 31, 2014 and 2013, respectively. The deposits held at WebBank earned $104, $159 and $146 in interest for the years ended December 31, 2014, 2013 and 2012, respectively. $89, $150 and $112 of this interest has been eliminated in consolidation.

SPLP has an estimated liability of $116 as of December 31, 2014 and 2013 included in other current liabilities which, pursuant to the Amended Exchange Agreement, is indemnified by Steel Partners II (Onshore) LP ("SPII Onshore"). As a result, the Company recorded an amount receivable from SPII Onshore reported as Receivable from related parties in the Company's Consolidated Balance Sheets.

Deferred Fee Liability to Related Party

Pursuant to an assignment and assumption agreement effective as of July 15, 2009, SPLP assumed from Steel Partners II (Offshore) Ltd. ("SPII Offshore"), an entity previously affiliated with SPII, a liability due WGL Capital Corp. (the "Investment Manager") an affiliate of the Manager, pursuant to a deferred fee agreement (the "Deferred Fee Liability"), in the amount of $51,594. In exchange for assuming the liability, SPLP received consideration of equal value from SPII Offshore comprised of $4,487 in cash and 2,725,533 common units of SPLP (valued at $17.28 per common unit as determined in connection with the implementation of the Exchange Transaction) which are held by SPLP as treasury units.

The amount of the Deferred Fee Liability was indexed to the value of SPLP. The deferred fee was a fair value liability and increased or decreased quarterly by the same percentage as the increase or decrease in the index. The Deferred Fee Liability increased $11,448 in the year ended December 31, 2012, and is reported in the consolidated statements of operations as Deferred fee liability to related party-increase. On April 11, 2012 (the "Termination Date"), the Company and the Investment Manager terminated the Investor Services Agreement by mutual consent. Instead of receiving the deferred fee in cash, the Investment Manager elected for the total amount to be paid in common units of the Company. For additional information see Note 16 - "Capital and Accumulated Other Comprehensive Income." In December 2014, SPLP assumed an additional liability due to the Investment Manager of approximately $1,800, and received consideration of an equal amount of cash from SPII Offshore for final settlement of the Deferred Fee Liability. The liability is included in Payable to related parties in the Company's Consolidated Balance Sheet as of December 31, 2014.

Investment Manager

SPLP was a party to an investor services agreement (the "Investor Services Agreement") through April 11, 2012, the day in which the Company and the Investment Manager terminated the Investor Services Agreement by mutual consent - See "*Deferred Fee Liability to Related Party"* section above. Pursuant to the Investor Services Agreement, the Investment Manager performed certain investor relations services on SPLP's behalf and SPLP paid the Investment Manager a fee in an amount of $50 per year (the "Investor Services Fee"). The Management Fee payable to the Manager pursuant to the Management Agreement was offset and reduced on each payment date by the amount of the Investor Services Fee payable to the Investment Manager. The Investment Manager earned an Investor Services Fee of $13 for the twelve months ended December 31, 2012.

14. DEBT AND CAPITAL LEASE OBLIGATIONS

Debt and capital lease obligations consists of the following:

	December 31, 2014	December 31, 2013
Short term debt:		
Foreign	$ 602	$ 304
3/4% Convertible Senior Subordinated Notes	—	346
Total short-term debt	602	650
Long-term debt:		
HNH Senior Term Loans	—	116,000
Steel Excel Term Loan	79,285	92,500
HNH Revolving facilities	193,375	30,950
SPLP Revolving facility	33,788	—
Other debt - domestic	8,014	8,280
Foreign loan facilities	1,412	1,658
Subtotal	315,874	249,388
Less portion due within one year	19,592	26,033
Long-term debt	296,282	223,355
Total debt	$ 316,476	$ 250,038
Capital lease facility		
Current portion of capital lease	$ 486	$ 953
Long-term portion of capital lease	288	734
	$ 774	$ 1,687

Long-term debt obligations as of December 31, 2014 matures in each of the next five years as follows:

	Total	2015	2016	2017	2018	2019	Thereafter
Long-term debt	$ 315,874	$ 19,592	$ 14,712	$ 48,552	$ 39,643	$193,375	$ —

SPLP Revolving Credit Facility

On December 15, 2014 the Company amended its Credit Agreement (the "Amended Credit Facility") with PNC Bank, National Association ("PNC"), as administrative agent for the lenders thereunder. The Amended Credit Facility will provide for a revolving credit facility with borrowing availability of up to $75,000 and will provide additional flexibility to allow one or more new lenders to join and become a party to the Amended Credit Facility with a minimum revolving credit commitment amount of not less than $10,000, and not to exceed a total commitment of $100,000. Amounts outstanding under the Amended Credit Facility bear interest at LIBOR plus 1.25%, and are collateralized by first priority security interests of certain of the Company's deposit accounts and publicly traded securities. The interest rate on the Amended Credit Facility was 1.7% as of December 31, 2014. The Amended Credit Facility requires a commitment fee to be paid on unused borrowings and also contains customary affirmative and negative covenants, including a minimum cash balance covenant, restrictions against the payment of dividends and customary events of default. Any amounts outstanding under the Amended Credit Facility are due and payable in full on October 23, 2017.

The Amended Credit Facility also includes provisions for the issuance of letters of credit up to $10,000, with any such issuances reducing total borrowing availability. There were no letters of credit outstanding at December 31, 2014.

In April 2014, the Company borrowed $47,500 under the Amended Credit Facility in connection with a tender offer for its common units (see Note 16 - "Capital and Accumulated Other Comprehensive Income"). The amount outstanding under the Credit Facility was $33,788 and $0 as of December 31, 2014 and 2013, respectively.

HNH Debt

Senior Credit Facility

On August 29, 2014, H&H Group, a wholly owned subsidiary of HNH, entered into amended and restated senior credit facility ("Senior Credit Facility") which provides for an up to $365,000 senior secured revolving credit facility, including a $20,000 sublimit for the issuance of letters of credit and a $20,000 sublimit for the issuance of swing loans. On November 24, 2014, H&H Group, entered into an amendment to its Senior Credit Facility, solely for the purpose of modifying and clarifying the definition of the term "Guarantee." Borrowings under the Senior Credit Facility bear interest at H&H Group's option, at either LIBOR or the Base Rate, as defined, plus an applicable margin as set forth in a the loan agreement (2.25% and 1.25%, respectively, for LIBOR and Base Rate borrowings at December 31, 2014), and the revolving facility provides for a commitment fee to be paid on unused borrowings. The weighted average interest rate on the revolving facility was 2.46% at December 31, 2014. At December 31, 2014, letters of credit totaling $3,000 had been issued under the Senior Credit Facility, including $2,900 of the letters of credit guaranteeing various insurance activities, and $100 for environmental and other matters. H&H Group's availability under the Senior Credit Facility was $101,000 as of December 31, 2014.

The Senior Credit Facility will expire, with remaining outstanding balances due and payable, on August 29, 2019. The Senior Credit Facility is guaranteed by substantially all existing and thereafter acquired or created domestic and Canadian wholly-owned subsidiaries of H&H Group, and obligations under the Senior Credit Facility are collateralized by first priority security
interests in and liens upon all present and future assets of H&H Group and these subsidiaries, which approximated $353,000 at December 31, 2014. The Senior Credit Facility restricts H&H Group's ability to transfer cash or other assets to HNH, subject to certain exceptions including required pension payments to the WHX Corporation Pension Plan ("WHX Pension Plan"). The Senior Credit Facility is subject to certain mandatory prepayment provisions and restrictive and financial covenants, which include a maximum ratio limit on Total Leverage and a minimum ratio limit on Fixed Charge Coverage, as defined, as well as a minimum liquidity level. HNH was in compliance with all debt covenants at December 31, 2014.

HNH's prior senior credit facility, as amended, consisted of a revolving credit facility in an aggregate principal amount not to exceed $110,000 and a senior term loan. On August 5, 2014, this agreement was further amended to, among other things permit a new $40,000 term loan and permit H&H Group to make a distribution to HNH of up to $80,000. The revolving facility provided for a commitment fee to be paid on unused borrowings. Borrowings under the senior credit facility bore interest, at H&H Group's option, at a rate based on LIBOR or the Base Rate, as defined, plus an applicable margin as set forth in the loan agreement. On August 29, 2014, all amounts outstanding under this agreement were repaid.

Interest Rate Swap Agreements

In connection with lending requirements under the Senior Credit Facility, H&H Group entered into an interest rate swap agreement in February 2013 to reduce its exposure to interest rate fluctuations. Under the interest rate swap, HNH receives one-month LIBOR in exchange for a fixed interest rate of 0.569% over the life of the agreement on an initial $56,400 notional amount of debt, with the notional amount decreasing by $1,100, $1,800 and $2,200 per quarter in 2013, 2014 and 2015, respectively. The agreement expires in February 2016. In connection with the amendments made to the Senior Credit Facility in connection with the Wolverine Joining acquisition, H&H Group entered into a second interest rate swap agreement in June 2013 to reduce its exposure to interest rate fluctuations. Under the interest rate swap, HNH receives one-month LIBOR in exchange for a fixed interest rate of 0.598% over the life of the agreement on an initial $5,000 notional amount of debt, with the notional amount decreasing by $100, $200 and $200 per quarter in 2013, 2014 and 2015, respectively. The agreement expires in February 2016.

WHX CS Loan

On June 3, 2014, WHX CS Corp., a wholly-owned subsidiary of HNH, entered into a credit agreement ("WHX CS Loan"), which provided for a term loan facility with borrowing availability of up to a maximum aggregate principal amount of $15,000. The amounts outstanding under the WHX CS Loan bore interest at LIBOR plus 1.25%. On August 29, 2014, the WHX CS Loan was terminated and all outstanding amounts thereunder were repaid.

Subordinated Notes

On March 26, 2013, H&H Group instructed Wells Fargo Bank, National Association ("Wells Fargo"), as trustee and collateral agent, to deliver an irrevocable notice of H&H Group's election to redeem all of its outstanding 10% Subordinated Secured Notes ("Subordinated Notes") to the holders of the Subordinated Notes. Pursuant to the terms of that certain amended

and restated indenture, dated as of December 13, 2010, as amended ("Indenture"), by and among H&H Group, the guarantors named therein and Wells Fargo, as trustee and collateral agent, H&H Group has instructed Wells Fargo to redeem, on April 25, 2013, approximately $31,800 principal amount of Subordinated Notes, representing all of the outstanding Subordinated Notes, at a redemption price equal to 112.6% of the principal amount and accrued but unpaid payment-in-kind-interest thereof, plus accrued and unpaid cash interest. As indicated above, the Subordinated Notes were part of a unit , and accordingly the Warrants which comprised a portion of the Units were also redeemed. On March 26, 2013, H&H Group irrevocably deposited with Wells Fargo funds totaling $36,900 for such redemption and interest payment in order to satisfy and discharge its obligations under the Indenture from both a legal and accounting perspective. Approximately $25,000 of this deposit related to SPLP's holdings of the Subordinated Notes. SPLP received the proceeds on April 26, 2013. Interest expense in 2013 included a $5,700 loss associated with the redemption of the Subordinated Notes, including the redemption premium and the write-off of remaining deferred finance costs and unamortized debt discounts. The obligations outstanding under the Subordinated Notes bore interest at a rate of 10% per annum, 6% of which was payable in cash and 4% of which was payable in-kind.

In 2012, H&H Group repurchased an aggregate $10,800 of Subordinated Notes, plus accrued interest. A loss of $1,400 on repurchases of the Subordinated Notes is included in interest expense in the Consolidated Statement of Operations for the year ended December 31, 2012.

Other Debt

A subsidiary of H&H has two mortgage agreements, each collateralized by real property. The mortgage balance on the first facility was $6,300 and $6,500 at December 31, 2014 and 2013, respectively. The mortgage bears interest at LIBOR plus a margin of 2.70%, or 2.86% at December 31, 2014, and matures in 2015. The mortgage balance on the second facility was $1,700 at both December 31, 2014 and 2013. The mortgage bears interest at LIBOR plus a margin of 2.70%, or 2.87% at December 31, 2014, and matures in 2017.

Steel Excel Term Loan

In 2013, Steel Excel's energy business entered into a credit agreement (“Energy Credit Agreement”) with Wells Fargo Bank National Association, RBS Citizens, N.A., and Comerica Bank. The Energy Credit agreement as amended, ("Amended Credit Agreement") provides for a borrowing capacity of $105,000 consisting of a $95,000 secured term loan (the “Term Loan”) and up to $10,000 in revolving loans (the “Revolving Loans”) subject to a borrowing base of 85% of the eligible accounts receivable.

The Company incurred fees totaling approximately $1,400 in connection with the Amended Credit Agreement that are being amortized over the life of the arrangement as a component of interest expense.

Borrowings under the Amended Credit Agreement are collateralized by substantially all the assets of Steel Excel's wholly-owned subsidiary, Steel Energy Services Ltd. ("Steel Energy") and its wholly-owned subsidiaries Sun Well Service, Inc. ("Sun Well"), Rogue Pressure Services, LLC ("Rogue"), and Black Hawk Energy Services Ltd. (Black Hawk Ltd.), and a pledge of all of the issued and outstanding shares of capital stock of Sun Well, Rogue and Black Hawk Ltd. Borrowings under the Amended Credit Agreement are fully guaranteed by Sun Well, Rogue and Black Hawk Ltd. The carrying value as of December 31, 2014 of the assets pledged as collateral by Steel Energy and its subsidiaries under the Amended Credit Agreement was approximately $189,300.

The Amended Credit Agreement has a term that runs through July 2018, with the Term Loan amortizing in quarterly installments of $3,300 and a balloon payment due on the maturity date. At December 31, 2014, $79,300 was outstanding under the Term Loan and no amount was outstanding under the Revolving Loans.

Borrowings under the Amended Credit Agreement bear interest at annual rates of either (i) the Base Rate plus an applicable margin of 1.50% to 2.25% or (ii) LIBOR plus an applicable margin of 2.50% to 3.25%. The “Base Rate” is the greatest of (i) the prime lending rate, (ii) the Federal Funds Rate plus 0.5%, and (iii) the one-month LIBOR plus 1.0%. The applicable margin for both Base Rate and LIBOR is determined based on the leverage ratio calculated in accordance with the Amended Credit Agreement. LIBOR-based borrowings are available for interest periods of one, three, or six months. In addition, Steel Excel is required to pay commitment fees of between 0.375% and 0.50% per annum on the daily unused amount of the Revolving Loans. The interest rate on the borrowings under the Amended Credit Agreement was 2.8% at December 31, 2014. For the year ended December 31, 2014 and 2013, Steel Excel incurred interest expense of $3,000 and $1,400, respectively, in connection with the Amended Credit Agreement.

The Amended Credit Agreement contains certain financial covenants, including (i) a leverage ratio not to exceed 3.00:1 for quarterly periods through June 15, 2015, 2.75:1 for quarterly periods through June 30, 2017, and 2.5:1 thereafter and (ii) a fixed charge coverage ratio of 1.15:1 for quarterly periods through December 31, 2016, and 1.25:1 thereafter. Steel Excel was in compliance with all financial covenants as of December 31, 2014.

The Amended Credit Agreement also contains representations, warranties and covenants, including, among other things, covenants relating to (i) financial reporting and notification, (ii) payment of obligations, (iii) compliance with law, (iv) maintenance of properties and (v) payment of restricted payments. The repayment of the Term Loan can be accelerated upon (i) a change in control, which would include Steel Energy owning less than 100% of the equity of Sun Well, Rogue, or Black Hawk Ltd. or SPLP owning, directly or indirectly, less than 35% of Steel Excel's energy business or (ii) other events of default, including payment failure, false representations, covenant breaches, and bankruptcy.

Sun Well Debt

Sun Well, a wholly owned operating subsidiary of Steel Excel, Inc. previously had a credit agreement with Wells Fargo Bank, National Association that included a term loan of $20,000 and a revolving line of credit for up to $5,000. All amounts due under the Sun Well Credit Agreement were fully repaid in 2013 and the facility was terminated as of July 3, 2013, upon closing of the Energy Credit Agreement. For the year ended December 31, 2013, Steel Excel incurred interest expense of $300 in connection with the Sun Well Credit Agreement. Upon termination of the Sun Well Credit Agreement, the Company recognized a loss on extinguishment of $500 from the write off of unamortized deferred financing costs, which was reported as a component of Other income in the consolidated statements of operations for the year ended December 31, 2013.

15. PENSION BENEFIT PLAN

HNH maintains several qualified and non-qualified pension plans and other post-retirement benefit plans. HNH's significant pension, health care benefit and defined contribution plans are discussed below. HNH's other pension and post-retirement plans are not significant individually or in the aggregate.

Qualified Pension Plans

HNH sponsors a defined benefit pension plan, the WHX Pension Plan, covering many of H&H's employees and certain employees of H&H's former subsidiary, Wheeling-Pittsburgh Corporation ("WPC"). The WHX Pension Plan was established in May 1998 as a result of the merger of the former H&H plans, which covered substantially all H&H employees, and the WPC plan. The WPC plan, covering most USWA-represented employees of WPC, was created pursuant to a collective bargaining agreement ratified on August 12, 1997. Prior to that date, benefits were provided through a defined contribution plan, the Wheeling-Pittsburgh Steel Corporation Retirement Security Plan ("RSP Plan"). The assets of the RSP Plan were merged into the WPC plan as of December 1, 1997. Under the terms of the WHX Pension Plan, the benefit formula and provisions for the WPC and H&H participants continued as they were designed under each of the respective plans prior to the merger.

The qualified pension benefits under the WHX Pension Plan were frozen as of December 31, 2005 and April 30, 2006 for hourly and salaried non-bargaining participants, respectively, with the exception of a single operating unit. In 2011, the benefits were frozen for the remainder of the participants.

WPC employees ceased to be active participants in the WHX Pension Plan effective July 31, 2003, and as a result such employees no longer accrue benefits under the WHX Pension Plan.

Bairnco had several pension plans, which covered substantially all of its employees. In 2006, Bairnco froze the Bairnco Corporation Retirement Plan and initiated employer contributions to its 401(k) plan. On June 2, 2008, two Bairnco plans (Salaried and Kasco) were merged into the WHX Pension Plan.

Some of the Company's foreign subsidiaries provide retirement benefits for their employees through defined contribution plans or otherwise provide retirement benefits for employees consistent with local practices. The foreign plans are not significant in the aggregate and therefore are not included in the following disclosures.

Pension benefits are based on years of service and the amount of compensation earned during the participants' employment. However, as noted above, the qualified pension benefits have been frozen for all participants.

Pension benefits for the WPC bargained participants include both defined benefit and defined contribution features, since the plan includes the account balances from the RSP Plan. The gross benefit, before offsets, is calculated based on years of service and the benefit multiplier under the plan. The net defined benefit pension plan benefit is the gross amount offset for the benefits payable from the RSP Plan and benefits payable by the Pension Benefit Guaranty Corporation from previously terminated plans. Individual employee accounts established under the RSP Plan are maintained until retirement. Upon retirement, participants who are eligible for the WHX Pension Plan and maintain RSP Plan account balances will normally receive benefits from the WHX Pension Plan. When these participants become eligible for benefits under the WHX Pension Plan, their vested balances in the RSP Plan becomes assets of the WHX Pension Plan. Although these RSP Plan assets cannot be used to fund any of the net benefit that is the basis for determining the defined benefit plan's net benefit obligation at the end of the year, the HNH has included the amount of the RSP Plan accounts of $17,700 and $19,400 on a gross basis as both assets and liabilities of the plan as of December 31, 2014 and 2013, respectively.

Certain current and retired employees of H&H are covered by post-retirement medical benefit plans, which provide benefits for medical expenses and prescription drugs. Contributions from a majority of the participants are required, and for those retirees and spouses, HNH's payments are capped. The measurement date for plan obligations is December 31.

Actuarial losses are being amortized over the average future lifetime of the participants, which is expected to be approximately 20 years. HNH believes that use of the future lifetime of the participants is appropriate because the WHX Pension Plan is completely inactive.

The following table presents the components of pension expense of other post-retirement benefit (income) expense for the HNH benefit plans included the following:

	Pension Benefits			Other Post-Retirement Benefits		
	Year Ended December 31,			Year Ended December 31,		
	2014	2013	2012	2014	2013	2012
Interest cost	$ 20,518	$ 18,447	$ 21,505	$ 49	$ 98	$ 163
Expected return on plan assets	(24,157)	(23,900)	(26,939)	—	—	—
Amortization of prior service cost	—	—	—	(103)	—	—
Amortization of actuarial loss	1,878	5,026	2,832	34	8	86
Total	$ (1,761)	$ (427)	$ (2,602)	$ (20)	$ 106	$ 249

Actuarial assumptions used to develop the components of defined benefit pension expense and other post-retirement benefit expense were as follows:

	Pension Benefits			Other Post-Retirement Benefits		
	2014	2013	2012	2014	2013	2012
Discount rates:						
WHX Pension Plan	4.40%	3.50%	4.15%	N/A	N/A	N/A
Other post-retirement benefit plans	N/A	N/A	N/A	4.10%	3.65%	4.20%
Expected return on assets	7.00%	7.50%	8.00%	N/A	N/A	N/A
Health care cost trend rate - initial	N/A	N/A	N/A	7.00%	7.25%	7.50%
Health care cost trend rate - ultimate	N/A	N/A	N/A	5.00%	5.00%	5.00%
Year ultimate reached	N/A	N/A	N/A	2022	2022	2022

The measurement date for plan obligations is December 31. The discount rate is the rate at which the plans' obligations could be effectively settled and is based on high quality bond yields as of the measurement date.

Summarized below is a reconciliation of the funded status for HNH's qualified defined benefit pension plan and other post-retirement benefit plan:

	Pension Benefits		Other Post-Retirement Benefits	
	2014	2013	2014	2013
Change in benefit obligation:				
Benefit obligation at January 1	$ 494,272	$ 543,799	$ 1,084	$ 4,208
Service cost	—	—	—	—
Interest cost	20,518	18,447	49	98
Actuarial (gain) loss	51,274	(34,269)	293	(1,403)
Participant contributions	—	—	1	4
Plan change	—	—	—	(1,506)
Benefits paid	(34,276)	(34,429)	(71)	(317)
Transfer from Canfield Salaried SEPP	36	724	—	—
Benefit obligation at December 31	$ 531,824	$ 494,272	$ 1,356	$ 1,084
Change in plan assets:				
Fair value of plan assets at January 1	$ 351,869	$ 328,726	$ —	$ —
Actual returns on plan assets	(14,676)	43,742	—	—
Participant contributions	—	—	1	4
Benefits paid	(34,276)	(34,429)	(71)	(317)
Company contributions	20,540	13,106	70	313
Transfer from Canfield Salaried SEPP	36	724	—	—
Fair value of plan assets at December 31	323,493	351,869	—	—
Funded status	$ (208,331)	$ (142,403)	$ (1,356)	$ (1,084)
Accumulated benefit obligation ("ABO") for qualified defined benefit pension plans :				
ABO at January 1	$ 494,272	$ 543,799	$ 1,084	$ 4,208
ABO at December 31	$ 531,824	$ 494,272	$ 1,356	$ 1,084
Amounts recognized in the statement of financial position:				
Current liability	$ —	$ —	$ (124)	$ (111)
Noncurrent liability	(208,331)	(142,403)	(1,232)	(973)
Total	$ (208,331)	$ (142,403)	$ (1,356)	$ (1,084)

The weighted average assumptions used in the valuations at December 31 were as follows:

	Pension Benefits		Other Post-Retirement Benefits	
	2014	2013	2014	2013
Discount rates:				
WHX Pension Plan	3.70%	4.40%	N/A	N/A
Other post-retirement benefit plans	N/A	N/A	3.55%	4.10%
Health care cost trend rate - initial	N/A	N/A	6.75%	7.25%
Health care cost trend rate - ultimate	N/A	N/A	5.00%	5.00%
Year ultimate reached	N/A	N/A	2022	2022

The effect of a 1% increase (decrease) in health care cost trend rates on other post-retirement benefits obligations is not significant.

Pretax amounts included in “Accumulated other comprehensive income” at December 31, 2014 and 2013 were as follows:

	Pension Benefits		Other Post-Retirement Benefits	
	2014	2013	2014	2013
Prior service credit	$ —	$ —	$ (1,402)	$ (1,506)
Net actuarial loss	183,927	95,699	698	440
Accumulated other comprehensive loss (income)	$ 183,927	$ 95,699	$ (704)	$ (1,066)

The pretax amount of actuarial losses included in “Accumulated other comprehensive loss” at December 31, 2014 that is expected to be recognized in net periodic benefit cost in 2015 is $11,320

Other changes in plan assets and benefit obligations recognized in “Comprehensive (loss) income" are as follows:

	Pension Benefits			Other Post-Retirement Benefits		
	2014	2013	2012	2014	2013	2012
Current year actuarial (income) loss	$ 90,106	$ (54,111)	$ 51,882	$ 293	$ (1,403)	$ 150
Amortization of actuarial loss	(1,878)	(5,026)	(2,832)	(34)	(8)	(86)
Current year prior service credit	—	—	—	—	(1,506)	—
Amortization of prior service cost (credit)	—	—	—	103	—	—
Total recognized in comprehensive (income) loss	$ 88,228	$ (59,137)	$ 49,050	$ 362	$ (2,917)	$ 64

The actuarial losses in 2014 occurred principally due to a decline in discount rates based on changes in corporate bond yields, an increase in participant life expectancy reflected in revised mortality assumptions, and also because the investment returns on the assets of the WHX Pension Plan were lower than actuarial assumptions.

Benefit obligations were in excess of plan assets for both the pension plan and the other post-retirement benefit plan at both December 31, 2014 and 2013. Additional information for the plans with accumulated benefit obligations in excess of plan assets:

	Pension Benefits		Other Post-Retirement Benefits	
	2014	2013	2014	2013
Projected benefit obligation	$ 531,824	$ 494,272	$ 1,356	$ 1,084
Accumulated benefit obligation	$ 531,824	$ 494,272	$ 1,356	$ 1,084
Fair value of plan assets	$ 323,493	$ 351,869	$ —	$ —

In determining the expected long-term rate of return on assets, HNH evaluated input from various investment professionals. In addition, HNH considered its historical compound returns as well as HNH’s forward-looking expectations. HNH determines its actuarial assumptions for its pension and other post-retirement benefit plans on December 31 of each year to calculate liability information as of that date and pension and other post-retirement benefit expense for the following year. The discount rate assumption is derived from the rate of return on high-quality bonds as of December 31 of each year.

HNH’s investment policy is to maximize the total rate of return with a view to long-term funding objectives of the pension plan to ensure that funds are available to meet benefit obligations when due. Pension plan assets are diversified to the extent necessary to minimize risk and to achieve an optimal balance between risk and return. There are no target allocations. The WHX Pension Plan’s assets are diversified as to type of assets, investment strategies employed and number of investment managers used. Investments may include equities, fixed income, cash equivalents, convertible securities, and private investment funds. Derivatives may be used as part of the investment strategy. HNH may direct the transfer of assets between investment managers in order to re-balance the portfolio in accordance with asset allocation guidelines established by the HNH.

The fair value of pension investments is defined by reference to one of three categories (Level 1, Level 2 or Level 3) based on the reliability of inputs, as such terms are defined in Note 2 - "Summary of Significant Accounting Policies."

The WHX Pension Plan assets at December 31, 2014 and 2013, by asset category, are as follows:

Fair Value Measurements as of December 31, 2014:

	Assets (Liabilities) at Fair Value as of December 31, 2014			
Asset Class	Level 1	Level 2	Level 3	Total
Equity securities:				
U.S. large cap	$ 9,548	$ —	$ —	$ 9,548
U.S. mid-cap growth	36,771	—	—	36,771
U.S. small-cap value	18,207	2,626	—	20,833
International large cap value	10,058	—	—	10,058
Emerging markets growth	375	—	—	375
Equity contracts	240	2,330	—	2,570
Fixed income securities:				
Corporate bonds and loans	—	50,895	—	50,895
Other types of investments:				
Common trust funds (1)	—	122,628	—	122,628
Fund of funds (2)	—	41,831	—	41,831
	75,199	220,310	—	295,509
Shorts	(46,909)	(206)	—	(47,115)
Total	$ 28,290	$ 220,104	$ —	248,394
Cash & cash equivalents				75,099
Total pension assets				$ 323,493

Fair Value Measurements as of December 31, 2013:

	Assets (Liabilities) at Fair Value as of December 31, 2013			
Asset Class	Level 1	Level 2	Level 3	Total
Equity securities:				
U.S. large cap	$ 27,226	$ 593	$ —	$ 27,819
U.S. mid-cap growth	62,106	—	—	62,106
U.S. small-cap value	14,374	2,019	—	16,393
International large cap value	16,258	—	—	16,258
Equity contracts	95	—	—	95
Fixed income securities:				
Corporate bonds and loans	33	63,028	500	63,561
Bank debt	—	—	—	—
Other types of investments:				
Common trust funds (1)	—	98,024	—	98,024
Fund of funds (2)	—	41,648	—	41,648
	120,092	205,312	500	325,904
Shorts	(62,404)	(932)	—	(63,336)
Total	$ 57,688	$ 204,380	$ 500	262,568
Cash & cash equivalents				93,571
Net payables				(4,270)
Total pension assets				$ 351,869

(1) Common trust funds are comprised of shares or units in commingled funds that are not publicly traded. The underlying assets in these funds are primarily publicly traded equity securities, fixed income securities and commodity-related

securities and are valued at their net asset values ("NAV") that are calculated by the investment manager or sponsor of the fund and have daily or monthly liquidity.

(2) Fund of funds consist of fund-of-fund LLC or commingled fund structures. The underlying assets in these funds are primarily publicly traded equity securities, fixed income securities and commodity-related securities. The LLCs are valued based on NAVs calculated by the fund and are not publicly available. In most cases, the liquidity for the LLCs is quarterly with advance notice and is subject to liquidity of the underlying funds. In some cases, there may be extended lock-up periods greater than 90 days or side-pockets for non-liquid assets.

HNH's policy is to recognize transfers in and transfers out of Level 3 as of the date of the event or change in circumstances that caused the transfer. Changes in the WHX Pension Plan assets for which fair value is determined using significant unobservable inputs (Level 3) were as follows during 2014 and 2013:

Changes in Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Year Ended December 31, 2014	**Corporate Bonds and Loans**
Beginning balance as of January 1, 2014	$ 500
Transfers into Level 3	—
Transfers out of Level 3	—
Gains or losses included in changes in net assets	73
Purchases, issuances, sales and settlements	
Purchases	—
Issuances	—
Sales	(573)
Settlements	—
Ending balance as of December 31, 2014	$ —

Year Ended December 31, 2013	**U.S. Mid Cap Growth**	**Corporate Bonds and Loans**
Beginning balance as of January 1, 2013	$ 208	$ 545
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Gains or losses included in changes in net assets	23	84
Purchases, issuances, sales and settlements		
Purchases	—	—
Issuances	—	—
Sales	(231)	(129)
Settlements	—	—
Ending balance as of December 31, 2013	$ —	$ 500

The following table presents the category, fair value, redemption frequency, and redemption notice period for those assets whose fair value is estimated using the NAV per share (or its equivalents) as of December 31, 2014 and 2013.

Fair Value Estimated using NAV per Share (or its equivalent)

Class Name	Description	Fair Value December 31, 2014	Fair Value December 31, 2013	Redemption frequency	Redemption Notice Period
Fund of funds	Equity long/short hedge funds	$ 5,479	$ 5,673	Quarterly	45 day notice
Fund of funds	Fund of fund composites	$ 36,352	$ —	Daily	None
Fund of funds	Fund of fund composites	$ —	$ 35,975	Quarterly	45 day notice
Common trust funds	Equity long/short hedge funds	$ 59,727	$ —	Annually	45 day notice
Common trust funds	Event driven hedge funds	$ —	$ 68,843	Annually	45 day notice
Common trust funds	Event driven hedge funds	$ 50,131	$ 16,621	Monthly	90 day notice
Common trust funds	Equity long/short hedge funds	$ 12,770	$ 12,560	Annually	90 day notice
Separately managed fund	Separately managed fund	$ 28,917	$ 34,783	Monthly	30 day notice
Separately managed fund	Separately managed fund	$ 66,851	$ 76,634	Quarterly	45 day notice

Contributions

Employer contributions consist of funds paid from employer assets into a qualified pension trust account. HNH's funding policy is to contribute annually an amount that satisfies the minimum funding standards of the Employee Retirement Income Security Act.

HNH expects to have required minimum contributions for 2015, 2016, 2017, 2018, 2019, and thereafter of $17,100, $13,900, $14,800, $17,000, $18,600, and $59,500, respectively. Required future contributions are estimated based upon assumptions such as discount rates on future obligations, assumed rates of return on plan assets and legislative changes. Actual future pension costs and required funding obligations will be affected by changes in the factors and assumptions described in the previous sentence, as well as other changes such as any plan termination.

Benefit Payments

Estimated future benefit payments for the benefit plans over the next ten years are as follows:

Years	Pension Benefits	Other Post-Retirement Benefits
2015	$ 34,961	$ 124
2016	34,828	118
2017	34,660	110
2018	34,446	104
2019	34,195	104
2020-2024	164,091	399

401(k) Plans

Beginning January 1, 2012, certain employees participate in a SPLP sponsored savings plan which qualifies under Section 401(k) of the Internal Revenue Code. SPLP presently makes a contribution to match 50% if the first 6% of the employees contribution. The charge to expense for SPLP's matching contribution totaled $243, $220 and $248 for the years ended December 31, 2014, 2013 and 2012, respectively.

In addition, certain employees participate in a HNH sponsored savings plan which qualifies under Section 401(k) of the Internal Revenue Code. This savings plan allows eligible employees to contribute from 1% to 75% of their income on a pretax basis. HNH presently makes a contribution to match 50% of the first 6% of the employee's contribution. The charge to expense for HNH's matching contribution amounted to $2,000 in 2014, $1,600 in 2013 and $1,500 in 2012.

16. CAPITAL AND ACCUMULATED OTHER COMPREHENSIVE INCOME

As of December 31, 2014, the Company has only one class of common units, totaling 27,566,200 outstanding. As of December 31, 2013, the Company had three classes of common units - regular Common Units, Class B Common Units and Class C Common Units, which totaled 22,647,345, 6,939,647 and 1,542,073, respectively. Class B Common Units and Class C Common Units were identical to the regular Common Units in all respect except that net tax losses were not allocated to a holder of Class B Common Units or Class C Common Units, liquidating distributions made by the Company to such holder were not to exceed the amount of its capital account allocable to such Common Units, and such holder could not sell such Common Units in the public market. As a result of the tender offer, described in further detail below, the capital accounts of the Company's common units were aligned with each of the previously issued Class B and Class C units. Accordingly, the outstanding Class B and Class C units were automatically converted to common units on May 1, 2014.

Tender Offer for SPLP Units

On March 25, 2014, the Company commenced a modified "Dutch Auction" tender offer (the "Offer") to purchase for cash up to $49,000 in value of its common units, no par value, at a price per unit of not less than $16.50 nor greater than $17.50 per unit, which expired on April 23, 2014.

The modified Dutch Auction allowed SPLP's unitholders to tender their units at a price within the specified range of not less than $16.50 nor greater than $17.50 per unit. Based on the number of units tendered and the prices specified by the tendering unitholders, SPLP selected a single price per unit of $16.50 (the "Purchase Price") that enabled it to purchase approximately $49,000 in value of its common units pursuant to the Offer. All units accepted in the Offer were purchased at the same price per unit even if a unitholder tendered at a lower price. At the Purchase Price selected by SPLP of $16.50 per unit, SPLP purchased 2,969,696 common units. The Company funded the Offer with $1,500 cash on hand and $47,500 of borrowings under its existing credit facility with PNC (see Note 14 – "Debt and Capital Lease Obligations").

Common Unit Repurchase Program

On December 24, 2013, the Board of Directors of the general partner of the Company, approved the repurchase of up to an aggregate of $5,000 of the Company's common units (the "Repurchase Program"). Any purchases made under the Repurchase Program will be made from time to time on the open market at prevailing market prices or in negotiated transactions off the market, in compliance with applicable laws and regulations. In connection with the Repurchase Program, the Company has entered into a Stock Purchase Plan which will continue through March 26, 2014. The Repurchase Program has no termination date. In total in 2014 and 2013, the company has purchased 154,073 units for a total purchase price of approximately $2,571 under the Repurchase Program.

Common Units Issuance - Directors

For the years ended December 31, 2014, 2013 and 2012 each of the Company's non-management directors received equity compensation in the amount of $75 in the form of restricted common units of the Company. The restrictions vest over a three year period, with one-third of the units vesting on the anniversary date of the grants. The total value of the units granted was $375 in 2014, 2013 and 2012. Total expense for the vesting of the restricted common units issued was approximately $490, $344 and $120 for the twelve months ended December 31, 2014, 2013 and 2012, respectively.

Common Units Issuance - Deferred Fee Liability

On April 11, 2012, the Company and the Investment Manager terminated the Investor Services Agreement, dated as of July 15, 2009, by mutual consent. Instead of receiving the deferred fee in cash, the Investment Manager elected for the total amount to be paid in common units of the Company. Under the Deferred Fee Agreement, the number of common units issued is determined by applying a 15% discount to the market price of the common units, which represents the fair value of the common units giving effect to the discount for lack of marketability. As a result, on April 11 and May 11, 2012, 6,403,002 and 536,645 class B common units, respectively, were issued to the Investment Manager. In connection with the termination of the Investor

Services Agreement, the Investment Manager agreed not to sell any of the common units issued as payment for the deferred fee during the one year period following the Termination Date. In December 2014, SPLP assumed an additional liability due to the Investment Manager of approximately $1,800, and received consideration of an equal amount of cash from SPII Offshore for final settlement of the Deferred Fee Liability. The liability is included in Payable to related parties in the Company's Consolidated Balance Sheet as of December 31, 2014.

Common Unitholders — Allocation of Net Income (Loss)

For each period presented net (loss) income attributable to common unit holders is allocated to the common unitholders on a pro rata basis based on the number of units held.

Accumulated Other Comprehensive Income

Changes, net of tax, in Accumulated other comprehensive income are as follows:

	Unrealized gain on available-for-sale securities	Cumulative translation adjustment	Change in net pension and other benefit obligations	Total
Balance at December 31, 2012	$ 44,521	$ (1,863)	$ (60,520)	$ (17,862)
Current period other comprehensive income (a)	53,289	33	21,528	74,850
Reclassification adjustments (b), (c)	(13,867)	(1,537)	—	(15,404)
Net other comprehensive income (loss) attributable to common unit holders	39,422	(1,504)	21,528	59,446
Balance at December 31, 2013	83,943	$ (3,367)	$ (38,992)	$ 41,584
Current period other comprehensive income (d)	2,197	(1,324)	(36,649)	(35,776)
Reclassification adjustments (e)	(3,003)	—	—	(3,003)
Net other comprehensive loss attributable to common unit holders (f)	(806)	(1,324)	(36,649)	(38,779)
Balance at December 31, 2014	$ 83,137	$ (4,691)	$ (75,641)	$ 2,805

(a) Net of tax provision of approximately $18,660.
(b) Net of tax provision of approximately $529.
(c) Includes a net reclassification gain to Other income of $1,559, a reclassification of net unrealized gain of $11,507 to Income (loss) of associated companies, net of tax, a reclassification of $991 to Net investment gains (losses) and a reclassification of $1,347 to Gain on sale of discontinued operations.
(d) Net of tax benefit of approximately $18,645.
(e) Includes a net reclassification gain to Other income, net of $2,742 and a reclassification of $261 to Net investment gains.
(f) Does not include amounts attributable to noncontrolling interests for unrealized gain on available-for sale securities of $10,506, cumulative translation adjustment loss of $766 and change in net pension and other benefit obligations of $18,763.

There was no impact on comprehensive income related to companies accounted for under the equity method in 2014. For the twelve months ended December 31, 2013, the impact on comprehensive income related to companies accounted for under the traditional equity method was $3. For the twelve months ended December 31, 2012, there was no impact on comprehensive income related to companies accounted for under the equity method.

Noncontrolling Interests in Consolidated Entities

Noncontrolling interests in consolidated entities at December 31, 2014 and 2013 represent the interests held by the noncontrolling shareholders of the HNH, Steel Excel, DGT and the BNS Liquidating Trust.

Incentive Unit Expense

Effective January 1, 2012, SPLP issued to the Manager partnership profits interests in the form of incentive units, a portion of which will be classified as Class C common units of SPLP upon the attainment of certain specified performance goals by SPLP which are determined as of the last day of each fiscal year. If the performance goals are not met for a fiscal year, no portion of the incentive units will be classified as Class C common units for that year. The number of outstanding incentive

units is equal to 100% of the common units outstanding, including common units held by non-wholly owned subsidiaries. The performance goals and expense related to the classification of a portion of the incentive units as Class C units is measured on an annual basis, but is accrued on a quarterly basis. Accordingly, the expense accrued is adjusted to reflect the fair value of the Class C common units on each interim calculation date. In the event the cumulative incentive unit expense calculated quarterly or for the full year is an amount less than the total previously accrued, the Company would record a negative incentive unit expense in the quarter when such over accrual is determined. The expense is recorded in Selling, general and administrative expenses in the consolidated statement of operations. Incentive unit expense of approximately $0, $26,600 and $100, representing the classification of approximately 0, 1,534,000 and 8,000 Class C common units with respect to the incentive units, was recorded for the twelve months ended December 31, 2014, 2013 and 2012, respectively.

BNS Liquidating Trust

On June 18, 2012, following BNS' sale of SWH to Steel Excel (see Note 3 - "Acquisitions"), BNS completed a distribution to its shareholders, pursuant to shareholder approval noted above, and distributed cash of approximately $10,300 to its minority shareholders and 2,027,500 shares of Steel Excel common stock to its majority shareholder. In June 2012, BNS formed the BNS Liquidating Trust, assigned its assets and liabilities to the Liquidating Trust, and BNS initiated its dissolution. The BNS Liquidating Trust is owned by the BNS former shareholders, in the same proportion as their former shareholdings. The BNS Liquidating Trust will continue to be included in the consolidated financial statements of SPLP, as SPLP owned approximately 84.9% of the BNS Liquidating Trust and of BNS as of December 31, 2014 and 2013, respectively. SPLP has provided a contingent promissory note to the Liquidating Trust in an amount not to exceed $3,000. This note will only be funded to the extent that the Liquidating Trust is unable to meet its ongoing obligations and is eliminated in SPLP's consolidated financial statements. The Liquidating Trust had assets of approximately $3,898 and liabilities of approximately $2,255 at December 31, 2014.

Subsidiary Purchases of the Company's Common Units

During the twelve months ended December 31, 2014, 2013 and 2012 , a subsidiary of the Company purchased 473,054, 1,212,855 and 1,345,646, respectively, of the Company's common units at a total cost of $7,921, $15,690 and $15,082, respectively. The purchases of these units are reflected as treasury unit purchases in the Company's consolidated financial statements.

17. NET (LOSS) INCOME PER COMMON UNIT

The following data was used in computing net (loss) income per common unit shown in the consolidated statements of operations:

	Year Ended December 31,		
	2014	2013	2012
Net (loss) income from continuing operations	$ (17,572)	$ 38,374	$ 43,736
Net loss (income) from continuing operations attributable to noncontrolling interests in consolidated entities	3,882	(23,227)	(13,589)
Net (loss) income from continuing operations attributable to common unit holders	(13,690)	15,147	30,147
Net income from discontinued operations	10,304	6,446	20,029
Net income from discontinued operations attributable to noncontrolling interests in consolidated entities	(4,169)	(2,133)	(9,158)
Net income from discontinued operations attributable to common unit holders	6,135	4,313	10,871
Net (loss) income attributable to common unitholders	$ (7,555)	$ 19,460	$ 41,018
Net (loss) income per common unit - basic			
Net (loss) income from continuing operations	$ (0.48)	$ 0.51	$ 1.01
Net income from discontinued operations	0.21	0.14	0.37
Net (loss) income attributable to common unitholders	$ (0.27)	$ 0.65	$ 1.38
Net (loss) income per common unit – diluted			
Net (loss) income from continuing operations	$ (0.48)	$ 0.49	$ 1.01
Net income from discontinued operations	0.21	0.14	0.37
Net (loss) income attributable to common unitholders	$ (0.27)	$ 0.63	$ 1.38
Weighted average common units outstanding - basic	28,710,220	29,912,993	29,748,746
Incentive units	—	826,986	—
Unvested restricted units	—	58,134	25,781
Denominator for net income per common unit - diluted (a)	28,710,220	30,798,113	29,774,527

(a) The diluted (loss) income per unit calculation was based on the basic weighted average units only since the impact of 32,566 common units, assuming a common unit settlement of the deferred fee liability (see Note 13 - "Related Party Transactions"), and 13,728 of unvested restricted stock units would have been anti-dilutive.

18. SEGMENT INFORMATION

The following table presents the composition of our segments, which include the operations of our consolidated subsidiaries, as well as income or loss from equity method investments and other investments. Our segments are managed separately and offer different products and services. No single customer accounted for 10% or more of the Company's consolidated revenues during the years ended December 31, 2014, 2013 and 2012.

Diversified Industrial	Energy	Financial Services	Corporate and Other
Handy & Harman Ltd. ("HNH") (1)	Steel Excel Inc. ("Steel Excel")(1)	WebBank (1)	SPH Services, Inc. ("SPH Services") (1)
SL Industries, Inc. ("SLI") (2)	BNS Holding, Inc. ("BNS") (1), (3)		DGT Holdings Corp. ("DGT") (1)
JPS Industries, Inc. ("JPS") (2)			BNS Holdings Liquidating Trust ("BNS Liquidating Trust") (1), (3)
			Modus Link Global Solutions, Inc. (2)
			CoSine Communications, Inc. ("CoSine")(2)
			Fox & Hound Acquisition Corp. ("Fox & Hound") (2)
			SPII Liquidating Trust (2)
			Other Investments (4)

(1) Consolidated subsidiary
(2) Equity method investment
(3) The operations of BNS are included in the Energy segment through June 30, 2012. The results of the BNS Liquidating Trust are included in the Corporate and Other segment beginning July 1, 2012.
(4) Other investments classified in Corporate and Other include various investments in available-for-sale securities in the Aerospace/Defense, Restaurant and Manufacturing industries.

Diversified Industrial

HNH is a diversified holding company that owns a variety of manufacturing operations encompassing joining materials, tubing, engineered materials and cutting replacement products and services businesses. See Note 5 - "Investments" for additional information on the equity method investments classified within this segment.

Energy

Steel Excel's Energy business provides drilling and production services to the oil and gas industry. Through its wholly-owned subsidiary Steel Sports Inc., Steel Excel focuses on providing event-based sports and entertainment services and other health-related services, including baseball facility services, baseball and soccer camps and leagues, and strength and conditioning services. Steel Excel also continues to identify other new business acquisition opportunities. The operations of Steel Sports are not considered material and are included in the Energy segment. Steel Excel was previously accounted for as an associated company at fair value prior to SPLP increasing its ownership over 50%. Seven months of Steel Energy's results are included in the Energy segment for the year ended December 31, 2012.

BNS is currently a holding company with no operations as of June 1, 2012 due to the sale of Sun Well to Steel Excel on May 31, 2012 (see Note 3 - "Acquisitions"). BNS' results include the operations of Sun Well prior to the sale of Sun Well to Steel Excel on May 31, 2102.

Financial Services

The Financial Services segment primarily consists of our consolidated and wholly-owned subsidiary WebBank, which operates in niche banking markets. WebBank provides commercial and consumer loans and services. WebBank’s deposits are insured by the FDIC, and the bank is examined and regulated by the FDIC and UDFI.

Corporate and Other

Corporate assets, revenues and overhead expenses are not allocated to the segments. Corporate revenues primarily consist of investment and other income, investment gains and losses and rental income. See Note 5 - "Investments" for additional information on the equity method investments and other investments classified within this segment.

SPH services provides legal, tax, accounting, treasury, consulting, auditing, administration, compliance, environmental health and safety, human resources, marketing, investor relations and similar services, to other affiliated companies. In each of 2014 and 2013 SPH Services charged the Diversified Industrial, Energy and Financial services segments approximately $8,900, $8,000 and $250, respectively for these services. In 2012 SPH Services charged the Diversified Industrial, Energy and Financial

services segments approximately $11,000, $2,000 and $250 respectively for these services. These amounts are eliminated in consolidation.

DGT's operations currently consist of a real estate business from a rental building retained from the sale of its Medical Systems Group on November 3, 2011. Continuing operations consist of the real estate business, investments, and general and administrative expenses.

The expenses related to the BNS Liquidating Trust are included in Corporate and Other from July 1, 2012 through December 31, 2012. For additional information on the BNS Liquidating Trust, see Note 16 - "Capital and Accumulated Other Comprehensive Income."

Prior to December 31, 2012, the Corporate and Other segment also included the Company's direct and indirect investment in Barbican (which was sold in October 2012). Segment information is presented below:

	Year Ended December 31,		
	2014	2013	2012
Revenue:			
Diversified industrial	$ 600,468	$ 571,164	$ 498,713
Energy	210,148	120,029	92,834
Financial services	36,647	28,185	21,155
Corporate and other	2,267	1,736	18,069
Total	$ 849,530	$ 721,114	$ 630,771
Income (loss) from continuing operations before income taxes:			
Diversified industrial	$ 65,543	$ 51,900	$ 27,437
Energy	(26,254)	12,641	25,034
Financial services	24,251	17,668	12,913
Corporate and other	(56,824)	(37,358)	(8,580)
Income from continuing operations before income taxes	6,716	44,851	56,804
Income tax provision	24,288	6,477	13,068
Net (loss) income from continuing operations	$ (17,572)	$ 38,374	$ 43,736
Income (loss) from equity method investments:			
Diversified industrial	$ 26,115	$ 18,257	$ 1,796
Energy	(6,070)	(863)	13,139
Corporate and other	(22,533)	10,121	(9,060)
Total	$ (2,488)	$ 27,515	$ 5,875

Additional segment information as follows:

	Year ended December 31, 2014			
	Interest expense	Capital expenditures	Depreciation and amortization	December 31, 2014 Goodwill
Diversified industrial	$ 7,544	$ 12,658	$ 17,659	$ 26,299
Energy	3,177	15,939	19,992	19,571
Financial services	638	40	117	—
Corporate and other	529	132	670	81
Total	$ 11,888	$ 28,769	$ 38,438	$ 45,951

	Year ended December 31, 2013			
	Interest expense	Capital expenditures	Depreciation and amortization	December 31, 2012 Goodwill
Diversified industrial	$ 8,593	$ 11,744	$ 16,197	$ 26,260
Energy	1,725	8,932	13,492	61,021
Financial services	496	57	125	—
Corporate and other	338	152	1,176	81
Total	$ 11,152	$ 20,885	$ 30,990	$ 87,362

	Year ended December 31, 2012		
	Interest expense	Capital Expenditures	Depreciation and Amortization
Diversified industrial	$ 14,134	$ 15,182	$ 14,572
Energy	737	14,027	9,227
Financial services	957	37	131
Corporate and other	152	1,323	820
Total	$ 15,980	$ 30,569	$ 24,750

	December 31,	
	2014	2013
Identifiable Assets Employed:		
Diversified industrial	$ 518,035	$ 525,695
Energy	445,899	502,929
Financial services	228,264	173,861
Corporate and other	224,289	243,465
Segment totals	1,416,487	1,445,950
Discontinued operations	76,418	76,295
Total	$ 1,492,905	$ 1,522,245

The following table presents geographic revenue and long-lived asset information as of and for the year ended December 31, 2014 and 2013. In addition to property, plant and equipment, the amounts in 2014 and 2013 include $8,400 and $9,100, respectively, of inactive properties from previous operating businesses, and other non-operating assets that are carried at the lower of cost or fair value and are included primarily in other non-current assets in the consolidated balance sheets.

	2014		2013		2012
	Revenue	Long-lived assets	Revenue	Long-lived assets	Revenue
Geographic information:					
United States	$ 798,663	$ 171,582	$ 668,131	$ 167,990	$ 578,338
Foreign	50,867	12,732	52,983	14,118	52,433
Total	$ 849,530	$ 184,314	$ 721,114	$ 182,108	$ 630,771

Foreign revenue is based on the country in which the legal subsidiary is domiciled. Neither revenue nor long-lived assets from any single foreign country was material to the consolidated revenues of the Company.

19. INCOME TAXES

Details of the provision for income taxes are follows:

	Year Ended December 31,		
	2014	2013	2012
Income from continuing operations before income taxes and equity method income (loss):			
Domestic	$ 25,137	$ 16,648	$ 29,447
Foreign	136	(123)	2,515
Total	$ 25,273	$ 16,525	$ 31,962
Income taxes:			
Current:			
Federal	$ 7,706	$ 4,178	$ 1,718
State	1,912	3,940	5,395
Foreign	1,360	(6,709)	(728)
Total income taxes, current	10,978	1,409	6,385
Deferred:			
Federal	13,208	1,834	5,627
State	419	1,982	948
Foreign	(317)	1,252	108
Total income taxes, deferred	13,310	5,068	6,683
Income tax provision	$ 24,288	$ 6,477	$ 13,068

The following is a reconciliation of income tax expense computed at the federal statutory rate to the provision for income taxes:

	Year Ended December 31,		
	2014	**2013**	**2012**
Income from continuing operations before income taxes and equity method income (loss)	$ 25,273	$ 16,525	$ 31,962
Federal income tax provision at statutory rate	$ 8,846	$ 5,771	$ 10,728
Loss passed through to common unitholders (a)	5,842	12,268	3,512
	14,688	18,039	14,240
State income taxes	3,189	2,180	2,725
Change in valuation allowance	(7,730)	(7,320)	(7,245)
Foreign tax rate differences	605	171	(112)
Elimination of deferred tax assets upon corporate subsidiary liquidation	—	—	7,236
Uncertain tax positions	(116)	(6,110)	8
Permanent differences and other (b)	13,652	(483)	(3,784)
Income tax provision	$ 24,288	$ 6,477	$ 13,068

(a) Represents taxes at statutory rate on loss for which no tax benefit is recognizable by SPLP and certain of its subsidiaries which are taxed as pass-through entities. Such loss is allocable directly to SPLP's common unitholders.
(b) Amount in 2014 includes the tax effect of the non-deductible portion of the goodwill impairment recorded in the fourth quarter of 2014 (see Note 11 - "Goodwill and Other Intangible Assets, Net").

Deferred income taxes result from temporary differences in the financial basis and tax basis of assets and liabilities. The amounts shown on the following table represent the tax effect of temporary differences between the consolidated tax return basis of assets and liabilities and the corresponding basis for financial reporting, as well as tax credit and operating loss carryforwards.

	December 31,	
	2014	2013
Deferred Tax Assets:		
Operating loss carryforwards	$ 90,958	$ 113,749
Postretirement and postemployment employee benefits	84,628	59,405
Tax credit carryforwards	37,220	36,749
Accrued costs	7,131	5,564
Unrealized losses on investments	5,265	—
Inventories	2,168	2,064
Foreign tax credits	201	—
Environmental costs	913	1,220
Impairment of long-lived assets	529	2,636
Other	11,216	7,698
Gross deferred tax assets	240,229	229,085
Deferred Tax Liabilities:		
Intangible assets	(39,321)	(47,616)
Fixed assets	(37,010)	(31,880)
Unremitted foreign earnings	(903)	(7,569)
Unrealized gains on investments	—	(3,704)
Other	(870)	(7,717)
Gross deferred tax liabilities	(78,104)	(98,486)
Valuation allowance	(91,766)	(82,044)
Net deferred tax assets	$ 70,359	$ 48,555
Classified in the Consolidated Balance Sheets as follows:		
Deferred tax assets - current	$ 30,262	$ 21,722
Deferred tax assets - non-current	45,669	33,096
Deferred tax liabilities - current	271	3,045
Deferred tax liabilities - non-current	5,301	3,218
	$ 70,359	$ 48,555

During 2014, 2013 and 2012, the Company changed its judgment about the realizability of its deferred tax assets at certain subsidiaries. In accordance with U.S. GAAP under ASC 740, the effect of a change in the beginning-of-the-year balance of a valuation allowance that results from a change in circumstances that causes a change in judgment about the realizability of the related deferred tax asset in future years should be included in income from continuing operations in the period of the change. As described in more detail below, in 2014, 2013 and 2012, the Company recorded tax benefits in continuing operations of approximately $7,730, $7,320 and $5,500 associated with the reversal of its deferred tax valuation allowances at certain subsidiaries.

HNH

At December 31, 2014, HNH has U.S. federal NOLs of approximately $82,400 (approximately $28,800 tax-effected), as well as, certain state NOLs. The U.S. federal NOLs expire between 2026 and 2029. Upon its emergence from bankruptcy in 2005, HNH experienced an ownership change as defined by Section 382 of the Internal Revenue Code. Section 382 imposes annual limitations on the utilization of net operating loss carryforwards post-ownership change. HNH believes it qualifies for the bankruptcy exception to the general Section 382 limitations. Under this exception, the annual limitation imposed by Section 382 resulting from an ownership change will not apply; instead the NOLs must be reduced by certain interest expense paid to creditors who became stockholders as a result of the bankruptcy reorganization. Thus, HNH's U.S. federal NOLs of $82,400 as

of December 31, 2014 include a reduction of $31,000 ($10,800 tax-effect). HNH's 2014 tax provision from continuing and discontinued operations reflect utilization of approximately $23,800 of Federal NOLs. Also included in deferred income tax assets are tax credit carryforwards of $3,700.

HNH provides income taxes on the undistributed earnings of non-U.S. corporate subsidiaries except to the extent that such earnings are permanently invested outside the United States. As of December 31, 2014, $5,400 of accumulated undistributed earnings of non-U.S. corporate subsidiaries were permanently invested. At existing applicable income tax rates, additional taxes of approximately $2,100 would need to be provided if such earnings were remitted.

Steel Excel

At December 31, 2014, Steel Excel had Federal net operating loss carryforwards of approximately $113,000 that expire in 2021 through 2031, and domestic state net operating loss carryforwards of approximately $159,900 that will expire in 2014 through 2031. Steel Excel also has federal research and development credit carryforwards of approximately $30,300 that expire in 2018 through 2029, and domestic state research and development credit carryforwards of approximately $17,700 that do not expire. Of the total Federal net operating loss carryforwards, approximately $10,500 related to deductions for stock-based compensation, the tax benefit of which will be credited to additional paid-in capital when realized. Steel Excel's ability to utilize its net operating loss and other credit carryforwards would be subject to limitation upon a change in control. Federal income taxes and foreign withholding taxes associated with the repatriation of earnings of foreign subsidiaries have been fully provided.

Steel Excel established a valuation allowance to reserve its net deferred tax assets at December 31, 2014 and 2013 based on its assessment that it is more likely than not that such benefit will not be fully realized. This assessment was based on, but not limited to, Steel Excel’s operating results for the past three years, uncertainty in Steel Excel’s projections of taxable income, uncertainty in general economic conditions in general and in the oil and gas industry in particular, and the effects of multiple acquisitions and Steel Excel's ability to effectively integrate the acquired entities.

WebFinancial

During 2013 and 2012 WebFinancial had significant earnings and utilized the vast majority of its Federal and state NOLS. Accordingly, WebFinancial recorded tax benefits in continuing operations of approximately $1,034 associated with the reversals of its deferred tax valuation allowances.

DGT

As of October 31, 2014 DGT had approximately $28,818 of federal net operating loss carryforwards that are scheduled to expire from 2021 to 2031. Because of the uncertainty of future earnings of DGT, a valuation allowance has been established for the net operating loss carryforwards. As described in Note 1 - “Nature of the Business and Basis of Presentation,” the Consolidated Balance Sheet as of and for the twelve months ended December 31, 2014 includes DGT’s activity as of and for its twelve months ended October 31, 2014.

Unrecognized Tax Benefits

U.S. GAAP provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is more likely than not of being sustained on audit, based on the technical merits of the position. The change in the amount of unrecognized tax benefits (related solely to HNH and Steel Excel) for 2014 and 2013 was as follows:

Balance at December 31, 2012	$	28,692
Additions for tax positions related to current year		404
Additions due to interest accrued		80
Payments		(890)
Reductions due to lapsed statute of limitations		(7,786)
Other		(35)
Balance at December 31, 2013		20,465
Additions for tax positions related to current year		144
Additions due to interest accrued		61
Reductions due to lapsed statute of limitations		(320)
Balance at December 31, 2014	$	20,350

HNH Unrecognized Tax Benefits

At December 31, 2014 and 2013, HNH had approximately $1,274 and $1,344, respectively, of unrecognized tax benefits, all of which would affect the Company's effective tax rate if recognized.

HNH recognizes interest and penalties related to uncertain tax positions in its income tax expense. As of December 31, 2014 and 2013, approximately $100 of interest related to uncertain tax positions was accrued. No penalties were accrued. It is reasonably possible that the total amount of unrecognized tax benefits will decrease by as much as $300 during the next twelve months as a result of the lapse of the applicable statutes of limitations in certain taxing jurisdictions. Adjustments to the reserve could occur in light of changing facts and circumstances with respect to the on-going examinations discussed below.

HNH is generally no longer subject to federal, state or local income tax examinations by tax authorities for any year prior to 2011, except as set forth below. However, NOLs generated in prior years are subject to examination and potential adjustment by the Internal Revenue Service ("IRS") upon their utilization in future years' tax returns.

The IRS initiated an examination of HNH's federal consolidated income tax return for 2010 in the second quarter of 2012, which was settled during 2013 with minor adjustments. In 2014, the IRS conducted a limited review of HNH's 2012 federal consolidated income tax return. HNH does not currently believe an increase in the reserve for uncertain tax positions is necessary. In addition, certain subsidiaries were examined by the Commonwealth of Massachusetts ("Commonwealth") for the years 2003 to 2005, and HNH settled that examination during 2013 for approximately $300. The Commonwealth also examined the 2008 tax return and issued an assessment for approximately $300 which HNH is disputing. Examinations of 2009 and 2010 are also being conducted by the Commonwealth, as well as examinations by the State of New York and the State of Missouri for 2009 to 2011. These examinations are currently in progress, and HNH does not believe an increase in the reserve for uncertain tax positions is necessary.

Steel Excel Unrecognized Tax Benefits

Steel Excel's total gross unrecognized tax benefits were $19,076 and $19,121 at December 31, 2014 and 2013, respectively, of which $100, if recognized, would affect the provision for income taxes. In 2014, Steel Excel reversed approximately $45,000 of reserves for for foreign taxes upon the expiration of the statute of limitations. In 2013, Steel Excel reversed approximately $7,300 of reserves for foreign taxes upon the expiration of the statute of limitations. Steel Excel recognizes interest and penalties related to uncertain tax positions in its income tax provision. For the years ended December 31, 2014, 2013 and 2012, the amount of such interest and penalties recognized was immaterial.

Steel Excel is subject to U.S. federal income tax as well as income taxes in many domestic states and foreign jurisdictions in which they operate or formerly operated in. As of December 31, 2014, fiscal years 1999 onward remain open to examination by the U.S. taxing authorities. In 2014, tax examinations were completed for fiscal years 2009 through 2013 in

Singapore, resulting in a refund to the Company of $1,700. The Company is not currently under tax examination in any foreign jurisdictions.

Other Subsidiaries

SPLP's other subsidiaries file federal tax returns as well as state, local and foreign tax returns in various jurisdictions. Federal tax returns for all consolidated subsidiaries, including WFHC, BNS, DGT, and SPH Services remain open and subject to examination by the Internal Revenue Service for all tax years after 2009. In addition, net operating losses generated in prior years are subject to examination and potential adjustment by the Internal Revenue Service upon their utilization in future years' tax returns. State income tax returns for most jurisdictions remain open generally for all tax years after 2009. Certain state income tax returns remain open and subject to examination for tax years after 2007.

20. REGULATORY MATTERS

WebBank

WebBank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain actions by regulators that, if undertaken, could have a direct material effect on WebBank’s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, WebBank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. WebBank’s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require WebBank to maintain minimum amounts and ratios of Total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average quarterly assets (as defined). As of December 31, 2014, WebBank exceeded all the capital adequacy requirements to which it is subject.

As of December 31, 2014, WebBank was categorized as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events, since the most recent FDIC notification, which have changed WebBank’s prompt corrective action category. To remain categorized as well-capitalized, WebBank will have to maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage capital as disclosed in the table below:

			Amount of Capital Required			
	Actual		For capital adequacy purposes		To be well capitalized under prompt corrective provisions	
As of December 31, 2014	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total Capital						
(to risk-weighted assets)	$ 42,861	24.99%	$ 13,720	8%	$ 17,150	10%
Tier 1 Capital						
(to risk-weighted assets)	$ 42,116	24.56%	$ 6,860	4%	$ 10,290	6%
Tier 1 Capital						
(to average assets)	$ 42,116	19.53%	$ 8,627	4%	$ 10,784	5%
As of December 31, 2013						
Total Capital						
(to risk-weighted assets)	$ 32,982	34.78%	$ 7,586	8%	$ 9,482	10%
Tier 1 Capital						
(to risk-weighted assets)	$ 32,093	33.85%	$ 3,793	4%	$ 5,689	6%
Tier 1 Capital						
(to average assets)	$ 32,093	23.03%	$ 5,573	4%	$ 6,967	5%

SPLP

The Company historically has conducted its business, and continues to conduct its business and operations, in such a manner so as not to be deemed an investment company under the Investment Company Act of 1940, as amended (the "Act").

Under the Act, the Company is required to meet certain qualitative tests related to the Company's assets and/or income, and to refrain from trading for short-term speculative purposes. The Company has taken actions, including liquidating certain of our assets and acquiring additional interests in existing or new subsidiaries or controlled companies, to comply with these tests, or a relevant exception. Also, since the Company operates as a diversified holding company engaged in a variety of operating businesses, we do not believe we are primarily engaged in an investment company type business, nor do we propose to primarily engage in such a business.

If we were deemed to be an investment company under the Investment Company Act, we may need to further adjust our business strategy and assets, including divesting certain desirable assets immediately to fall outside of the definition or within an exemption, to register as an investment company or to cease operations.

21. COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

The Company has certain facilities under non-cancelable operating lease arrangements. Rent expense recognized in the consolidated statement of operations for the years ended December 31, 2014, 2013 and 2012 was $8,501 and $7,631, $7,423 respectively. Future minimum operating lease and rental commitments under non-cancelable operating leases for SPLP consolidated operations are as follows:

Payments due by period		Amount
Less than 1 year	$	7,147
1-3 years		11,027
3-5 years		7,632
More than 5 years		8,855
Total	$	34,661

In addition, the Company is the lessor for one property. Future non-cancelable leases on that property provide for rent of approximately $490 for each of the next four years.

Environmental Matters

As discussed in more detail below, HNH and BNS have been designated as potentially responsible parties ("PRPs") by federal and state agencies with respect to certain sites with which they may have had direct or indirect involvement. These claims are in various stages of administrative or judicial proceedings and include demands for recovery of past governmental costs and for future investigations and remedial actions. In many cases, the dollar amounts of the claims have not been specified and, with respect to a number of the PRP claims, have been asserted against a number of other entities for the same cost recovery or other relief as was asserted against the HNH and BNS. The Company accrues costs associated with environmental matters, on an undiscounted basis, when they become probable and reasonably estimable. As of December 31, 2014, and 2013, on a consolidated basis, the Company has accrued $3,822 and $4,622, respectively, which represents its current estimate of the probable cleanup liabilities, including remediation and legal costs. In addition, the Company has insurance coverage available for several of these matters and believes that excess insurance coverage may be available as well.

Estimates of the Company's liability for remediation of a particular site and the method and ultimate cost of remediation require a number of assumptions that are inherently difficult to make, and the ultimate outcome may be materially different from current estimates.

HNH Environmental Matters

Certain H&H Group subsidiaries have existing and contingent liabilities relating to environmental matters, including capital expenditures, costs of remediation and potential fines and penalties relating to possible violations of national and state environmental laws. Those subsidiaries have substantial remediation expenses on an ongoing basis, although such costs are continually being readjusted based upon the emergence of new techniques and alternative methods. HNH had approximately $2,400 accrued related to estimated environmental remediation costs as of December 31, 2014. HNH also has insurance coverage available for several of these matters and believes that excess insurance coverage may be available as well. During the years ended December 31, 2014 and 2013, HNH recorded insurance reimbursements of $3,100 and $1,100, respectively, for previously incurred remediation costs.

In addition, certain H&H Group subsidiaries have been identified as PRPs under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") or similar state statutes at sites and are parties to administrative consent orders in connection with certain properties. Those subsidiaries may be subject to joint and several liabilities imposed by CERCLA on PRPs. Due to the technical and regulatory complexity of remedial activities and the difficulties attendant in identifying PRPs and allocating or determining liability among them, the subsidiaries are unable to reasonably estimate the ultimate cost of compliance with such laws.

Based upon information currently available, however, the H&H Group subsidiaries do not expect that their respective environmental costs, including the incurrence of additional fines and penalties, if any, will have a material adverse effect on them or that the resolution of these environmental matters will have a material adverse effect on the financial position, results of operations or cash flows of such subsidiaries or HNH, but there can be no such assurances. HNH anticipates that the H&H Group subsidiaries will pay any such amounts out of their respective working capital, although there is no assurance that they will have sufficient funds to pay them. In the event that the H&H Group subsidiaries are unable to fund their liabilities, claims could be made against their respective parent companies, including H&H Group and/or HNH, for payment of such liabilities.

Among the sites where certain H&H Group subsidiaries may have more substantial environmental liabilities are the following:

H&H has been working with the Connecticut Department of Energy and Environmental Protection ("CTDEEP") with respect to its obligations under a 1989 consent order that applies to a property in Connecticut that H&H sold in 2003 ("Sold Parcel") and an adjacent parcel ("Adjacent Parcel") that together with the Sold Parcel comprises the site of a former H&H manufacturing facility. Remediation of all soil conditions on the Sold Parcel was completed on April 6, 2007. On September 11, 2008, the CTDEEP advised H&H that it had approved H&H's December 28, 2007 Soil Remediation Action Report, as amended, thereby concluding the active remediation of the Sold Parcel. The remaining remediation, monitoring and regulatory administrative costs for the Sold Parcel are expected to approximate $100. With respect to the Adjacent Parcel, an ecological risk assessment has been completed and the results, along with proposed clean up goals will be submitted to the CTDEEP for their review and approval. The total remediation costs for the Adjacent Parcel cannot be reasonably estimated at this time. Accordingly, there can be no assurance that the resolution of this matter will not be material to the financial position, results of operations or cash flows of H&H or HNH.

In 1986, Handy & Harman Electronic Materials Corporation ("HHEM"), a subsidiary of H&H, entered into an administrative consent order ("ACO") with the New Jersey Department of Environmental Protection ("NJDEP") with regard to certain property that it purchased in 1984 in New Jersey. The ACO involves investigation and remediation activities to be performed with regard to soil and groundwater contamination. Thereafter, in 1998, HHEM and H&H settled a case brought by the local municipality in regard to this site and also settled with certain of its insurance carriers. HHEM is actively remediating the property and continuing to investigate effective methods for achieving compliance with the ACO. A remedial investigation report was filed with the NJDEP in December 2007. By letter dated December 12, 2008, the NJDEP issued its approval with respect to additional investigation and remediation activities discussed in the December 2007 remedial investigation report. HHEM anticipates entering into discussions with the NJDEP to address that agency's potential natural resource damage claims, the ultimate scope and cost of which cannot be estimated at this time. Pursuant to a settlement agreement with the former owner/operator of the site, the responsibility for site investigation and remediation costs, as well as any other costs, as defined in the settlement agreement, related to or arising from environmental contamination on the property (collectively, "Costs") are contractually allocated 75% to the former owner/operator (with separate guaranties by the two joint venture partners of the former owner/operator for 37.5% each) and 25% jointly to HHEM and H&H after the first $1,000. The $1,000 was paid solely by the former owner/operator. As of December 31, 2014, over and above the $1,000, total investigation and remediation costs of approximately $4,500 and $1,500 have been expended by the former owner/operator and HHEM, respectively, in accordance with the settlement agreement. Additionally, HHEM is currently being reimbursed indirectly through insurance coverage for a portion of the Costs for which HHEM is responsible. HHEM believes that there is additional excess insurance coverage, which it intends to pursue as necessary. HHEM anticipates that there will be additional remediation expenses to be incurred once a final remediation plan is agreed upon. There is no assurance that the former owner/operator or guarantors will continue to timely reimburse HHEM for expenditures and/or will be financially capable of fulfilling their obligations under the settlement agreement and the guaranties. The final Costs cannot be reasonably estimated at this time, and accordingly, there can be no assurance that the resolution of this matter will not be material to the financial position, results of operations or cash flows of HHEM or HNH.

HHEM is continuing to comply with a 1987 consent order from the Massachusetts Department of Environmental Protection ("MADEP") to investigate and remediate the soil and groundwater conditions at a commercial/industrial property in Massachusetts. On June 30, 2010, HHEM filed a Response Action Outcome report to close the site since HHEM's licensed site professional concluded that groundwater monitoring demonstrated that the groundwater conditions have stabilized or continue to improve at the site. On June 20, 2013, HHEM received the MADEP's Notice of Audit Findings and Notice of Noncompliance ("Notice"). HHEM and its consultant held meetings with the MADEP to resolve differences identified in the Notice. As a result of those meetings and subsequent discussions, HHEM will conduct additional sampling, testing, site investigations and install additional off-site wells. The additional work is expected to be completed in the first quarter of 2015, with a follow-up response report submitted to the MADEP thereafter. The cost of this additional work is estimated at $200.

Additional costs could result from these testing activities and final acceptance of the remediation plan by the MADEP, which cannot be reasonably estimated at this time.

BNS Sub Environmental Matters

On June 4, 2013 BNS LLC, a wholly-owned subsidiary of the BNS Liquidating Trust, was identified by the U.S. Environmental Protection Agency (“EPA”) as a PRP as an alleged waste generator that disposed of wastes at the Operable Unit Two of the Peterson/Puritan, Inc. Superfund Site which includes the J.M. Mills Landfill in Cumberland, RI.

On August 12, 2008, a then-subsidiary of BNS (“BNS Sub”) was identified as a PRP by the EPA as an alleged drum reconditioning customer of New England Container Corp. (“NECC”). BNS Sub is presently investigating the matter and has joined a group of other alleged NECC drum reconditioning customers, The group have agreed with the EPA to perform test sampling and analysis of a targeted portion of the site per agreement with the EPA in accordance with a Record of Decision and an Administrative Settlement Agreement and Order on Consent. The NECC drum reconditioning PRP group has incurred and will continue to incur costs in the investigation and each PRP has been assessed a fee for its pro-rata share of the costs of performing the assessment. The liability accrual is part of the BNS Liquidating Trust.

Based upon information currently available, BNS Liquidating Trust and and BNS Sub do not expect that their respective environmental costs or that the resolution of these environmental matters will have a material adverse effect on the financial position, results of operations or cash flows of the Company, but there can be no such assurances to this effect.

Litigation Matters

HNH Litigation Matters

In the ordinary course of business, HNH is subject to periodic lawsuits, investigations, claims and proceedings, including, but not limited to, contractual disputes, employment, environmental, health and safety matters, as well as claims associated with HNH's historical acquisitions and divestitures. There is insurance coverage available for many of the foregoing actions. Although HNH cannot predict with certainty the ultimate resolution of lawsuits, investigations, claims and proceedings asserted against it, they do not believe any currently pending legal proceeding to which they are a party will have a material adverse effect on their business, prospects, financial condition, cash flows, results of operations or liquidity.

BNS Litigation Matters

BNS Sub has been named as a defendant in 1,326 and 1,234 alleged asbestos-related toxic-tort claims as of December 31, 2014 and 2013, respectively. The claims were filed over a period beginning 1994 through December 31, 2014. In many cases these claims involved more than 100 defendants. Of the claims filed, 1,108 and 1,023 were dismissed, settled or granted summary judgment and closed as of December 31, 2014 and 2013, respectively. Of the claims settled, the average settlement was less than $3. There remained 218 and 211 pending asbestos claims as of December 31, 2014 and 2013, respectively. There can be no assurance that the number of future claims and the related costs of defense, settlements or judgments will be consistent with the experience to date of existing claims.

BNS Sub has insurance policies covering asbestos-related claims for years beginning 1974 through 1988 with estimated aggregate coverage limits of $183,000, with $2,102 and $2,082 at December 31, 2014 and 2013,respectively, in estimated remaining self insurance retention (deductible). There is secondary evidence of coverage from 1970 to 1973 although there is no assurance that the insurers will recognize that the coverage was in place. Policies issued for BNS Sub beginning in 1989 contained exclusions related to asbestos. Under certain circumstances, some of the settled claims may be reopened. Also, there may be a significant delay in receipt of notification by BNS Sub of the entry of a dismissal or settlement of a claim or the filing of a new claim. BNS Sub believes it has significant defenses to any liability for toxic-tort claims on the merits. None of these toxic-tort claims has gone to trial and, therefore, there can be no assurance that these defenses will prevail. In addition, there can be no assurance that the number of future claims and the related costs of defense, settlements or judgments will be consistent with the experience to date of existing claims, and that BNS Sub will not need to increase significantly its estimated liability for the costs to settle these claims to an amount that could have a material effect on the consolidated financial statements.

BNS Sub annually receives retroactive billings or credits from its insurance carriers for any increase or decrease in claims accruals as claims are filed, settled or dismissed, or as estimates of the ultimate settlement and defense costs for the then-

existing claims are revised. As of December 31, 2014 and 2013, BNS Sub has accrued $1,422 relating to the open and active claims against BNS Sub. This accrual represents the Company's best estimate of the likely costs to defend against or settle these claims by BNS Sub beyond the amounts accrued by the insurance carriers and previously funded, through the retroactive billings by BNS Sub. However, there can be no assurance that BNS Sub will not need to take additional charges in connection with the defense, settlement or judgment of these existing claims or that the costs of future claims and the related costs of defense, settlements or judgments will be consistent with the experience to date relating to existing claims. These claims are now being managed by the BNS Liquidating Trust (see Note 16 - "Capital and Accumulated Other Comprehensive Income").

22. SUBSEQUENT EVENTS

CoSine/API Group plc Transaction

On January 20, 2015, the Company entered into a contribution agreement (the "Contribution Agreement") with CoSine. Pursuant to the Contribution Agreement, SPH Group Holdings LLC ("SPH Holdings") contributed (i) 24,807,203 ordinary shares of API and (ii) 445,456 shares of common stock of Nathan's to CoSine in exchange for 16,500,000 shares of newly issued CoSine common stock and 12,761 shares of newly issued 7.5% series B non-voting preferred stock, which increased our ownership of CoSine to approximately 80%. This was the first step in a plan for a wholly owned UK subsidiary of CoSine ("BidCo") to make an offer (the "Offer") to acquire all of the issued and to be issued shares in API for 60 pence in cash per API share not already owned by BidCo. API is a manufacturer and distributor of foils, films and laminates used to enhance the visual appeal of products and packaging.

As a result of the above transaction, CoSine became a majority-owned controlled subsidiary and will be consolidated with SPLP in the first quarter of 2015. Prior to obtaining a controlling interest, SPLP owned approximately 48% of the outstanding shares of CoSine, and its investment was accounted for under the traditional equity method.

The Company's previously held common equity interest in CoSine was valued at approximately $2.50 per share, for a total fair value of approximately $12,000. As a result of remeasuring the previously held common equity interest to fair value, the Company expects to recognize an investment gain of approximately $6,300 in the first quarter of 2015.

The total fair value of the consideration paid for SPLP's controlling interest in CoSine was approximately $66,200, which includes the fair value of our previously held equity interest of $12,000 and the fair value of the newly issued common and preferred CoSine stock of approximately $54,200.

On January 20, 2015, SPH Holdings provided a loan to BidCo in the aggregate principal amount of $37,000, secured by all assets of BidCo (the "Loan"), pursuant to the terms and conditions of a Secured Promissory Note. The proceeds of the Loan will be used by BidCo solely to fund the Offer.

On January 22, 2015, Bidco issued an announcement under Rule 2.7 of the United Kingdom City Code on Takeovers and Mergers announcing the Offer. The Offer was commenced on February 4, 2015. As of March 5, 2015, BidCo owned approximately
71.2% of API. Also on March 5, 2015 BidCo announced its intention to close the Offer, effective March 19, 2015.

HNH Tender Offer for JPS

On December 30, 2014, HNH issued a press release announcing that it had sent a letter to JPS stating its willingness to enter into a definitive merger agreement with JPS to acquire all of the outstanding shares of common stock of JPS not already owned by the Company's parent, SPLP, for $10.00 per share in cash. On January 26, 2015, HNH issued a press release announcing that HNH Group Acquisition LLC, a newly formed subsidiary of H&H Group, has commenced a tender offer to purchase up to 10,028,724 shares, or approximately 96.5% of the outstanding shares, of common stock of JPS at a price of $10.00 per share in cash to all stockholders other than SPLP, and with respect to the 4,021,580 JPS shares owned by SPLP, in exchange for common stock of HNH. If all shares are tendered, HNH would exchange approximately $60,100 in cash and 863,946 shares of its common stock. On January 22, 2015, H&H Group, and certain subsidiaries of H&H Group, entered into a second amendment ("Second Amendment") to its Senior Credit Facility to, among other things, provide for the consent of the administrative agent and the lenders, subject to compliance with certain conditions, for the tender offer by HNH Group Acquisition LLC for the shares of JPS, including the use of up to $71,000 under the Senior Credit Facility to purchase such shares, and certain transactions related thereto. In addition, HNH Group Acquisition LLC and HNH Acquisition LLC, another newly formed subsidiary of H&H Group, will become guarantors under the Senior Credit Facility pursuant to the Second Amendment.

On March 4, 2015, HNH announced that it was extending the expiration of the tender offer from March 9, 2015 to March 23, 2015. The extension of the tender offer is intended to facilitate the discussions between the Company and JPS regarding a potential negotiated transaction. There is no assurance that HNH and JPS will enter into a definitive agreement.

Management Services Agreement with MLNK and WebFinancial Holding Corporation

On December 24, 2014, SP Corporate entered into a Management Services Agreement, which was effective as of January 1, 2015, (the "Management Services Agreement") with MLNK, an associated company investment of the Company (see Note 5 - Investments"). Pursuant to the Management Services Agreement, SP Corporate will provide MLNK and its subsidiaries with the services of certain employees, including certain executive officers, and other corporate services. The Management Services Agreement provides that MLNK will pay SP Corporate a fixed monthly fee of $175 in consideration of the services defined in the Management Services Agreement. The Management Services Agreement will continue through June 30, 2015 unless and until terminated under the terms of the Management Services Agreement.

Effective as of January 1, 2015, SP Corporate also entered into a Management Services Agreement with WebFinancial Holding Corporation. The agreement provides that WebFinancial Holding Corporation shall pay to SP Corporate the sum of $2,000 per annum. The Management Services Agreement will continue through December 31, 2015, and shall automatically renew for successive one year unless and until terminated by either party, on any anniversary date, upon not less than thirty days prior written notice to the other.

Management Agreement

On January 7, 2015, SP Corporate and the Manager entered into an amended Management Agreement effective as of January 1, 2015, to assign the rights and obligations of the Company and SPH Group LLC, a directly and indirectly wholly owned subsidiary of the Company, to SP Corporate to assist SP Corporate in connection with the services it renders to the Managed Entities (as defined in the Management Agreement) and to remove the provisions related to the Incentive Units (as defined in the Management Agreement), which are restated in a separate agreement. Also, on January 7, 2015, SPH GP entered into the Fifth Amended and Restated Agreement of Limited Partnership of the Company (the "Limited Partnership Agreement") to reflect certain clarifications, including changes consistent with the revisions to the Management Agreement.

SPII Liquidating Trust

In February 2015, the SPII Liquidating Trust comprising Trust H was fully liquidated. As a result, the Company received its proportional interest of the cash and investments in Trust H totaling approximately $2,730. There was no gain or loss recorded on the transaction.

23. QUARTERLY FINANICIAL DATA (unaudited)

Quarter	Revenue	Net (Loss) Income From Continuing Operations	Net (Loss) Income From Continuing Operations Attributable to Common Unit Holders		Net (Loss)Income Attributable to Common Unit Holders	Net (Loss) Income Attributable to Common Unit Holders	
			Per Common Unit Basic	Per Common Unit Diluted		Per Common Unit Basic	Per Common Unit Diluted
2014							
First	$ 187,857	$ (14,357)	$ (0.46)	$ (0.46)	$ (12,706)	$ (0.41)	$ (0.41)
Second	228,003	17,573	0.27	0.27	9,795	0.34	0.34
Third	234,523	18,545	0.46	0.46	14,027	0.50	0.50
Fourth (a)	199,147	(39,333)	(0.72)	(0.72)	(18,671)	(0.68)	(0.68)
	$ 849,530	$ (17,572)			$ (7,555)		
2013							
First	$ 162,158	$ (15,306)	$ (0.52)	$ (0.52)	$ (11,950)	$ (0.40)	$ (0.40)
Second	197,373	22,577	0.51	0.51	16,097	0.53	0.53
Third	191,588	(12,871)	(0.53)	(0.53)	(15,446)	(0.52)	(0.52)
Fourth	169,995	43,974	1.05	0.99	30,759	1.04	0.99
	$ 721,114	$ 38,374			$ 19,460		

(a) In the fourth quarter of 2014, the Company recorded a goodwill impairment of $41,450 related to the goodwill associated with its Energy segment (see Note 11 - "Goodwill and Other Intangible Assets, Net").

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act, we conducted an evaluation under the supervision and with the participation of our management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that as of December 31, 2014 our disclosure controls and procedures are effective in ensuring that all information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, in a manner that allows timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the internal control over financial reporting of the Company as referred to above as of December 31, 2014 as required by Rule 13a-15(c) under the Exchange Act. In making this assessment, the Company used the criteria set forth in the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation under the framework in Internal Control - Integrated Framework (2013), management concluded that the Company's internal control over financial reporting was effective as of December 31, 2014.

BDO USA, LLP, the independent registered public accounting firm who audited the Company's 2014 consolidated financial statements included in this Annual Report on Form 10-K, has issued a report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2014, which is included herein.

Changes in Internal Control over Financial Reporting

No change in internal control over financial reporting occurred during the quarter ended December 31, 2014 that has materially affected, or is reasonably likely to materially affect, the Company ’s internal control over financial reporting.

Inherent Limitations Over Controls

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.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The Company’s definitive proxy statement which will be filed with the SEC pursuant to Registration 14A within 120 days of the end of the Company's fiscal year is incorporated herein by reference.

Item 11. Executive Compensation

The Company’s definitive proxy statement which will be filed with the SEC pursuant to Registration 14A within 120 days of the end of the Company's fiscal year is incorporated herein by reference.

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

The Company’s definitive proxy statement which will be filed with the SEC pursuant to Registration 14A within 120 days of the end of the Company's fiscal year is incorporated herein by reference.

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

The Company’s definitive proxy statement which will be filed with the SEC pursuant to Registration 14A within 120 days of the end of the Company's fiscal year is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The Company’s definitive proxy statement which will be filed with the SEC pursuant to Registration 14A within 120 days of the end of the Company's fiscal year is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements

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

Consolidated Balance Sheets as of December 31, 2014 and 2013

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

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

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

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

Notes to Consolidated Financial Statements

(b) *Exhibits.*

The following documents are filed as exhibits hereto:

Exhibit No.	Description
2.1	Share Acquisition Agreement, dated as of April 30, 2012, by and among Steel Excel Inc., BNS Holding, Inc., SWH, Inc. and SPH Group Holdings LLC. (incorporated by reference to Exhibit 2.1 of Steel Partners Holdings L.P.'s Current Report on Form 8-K, filed June 6, 2012).
2.2	Asset Purchase Agreement between F&H Acquisition Corp. and Cerberus Business Finance, LLC (incorporated by reference to Exhibit 2.1 of Steel Partners Holdings L.P.'s Current Report on Form 8-K, filed March 14, 2014).

3.1	Certificate of Limited Partnership (incorporated by reference to Exhibit 3.1 to Steel Partners Holdings L.P.'s Registration Statement on Form 10 filed December 15, 2011).
3.2	Amendment to the Certificate of Limited Partnership, dated April 2, 2009 (incorporated by reference to Exhibit 3.2 to Steel Partners Holdings L.P.'s Registration Statement on Form 10 filed December 15, 2011).
3.3	Amendment to the Certificate of Limited Partnership, dated January 20, 2010 (incorporated by reference to Exhibit 3.3 to Steel Partners Holdings L.P.'s Registration Statement on Form 10 filed December 15, 2011).
3.4	Amendment to the Certificate of Limited Partnership, dated October 15, 2010 (incorporated by reference to Exhibit 3.4 to Steel Partners Holdings L.P.'s Registration Statement on Form 10 filed December 15, 2011).
3.5	Fourth Amended and Restated Agreement of Limited Partnership of Steel Partners Holdings L.P. dated as of July 14, 2009. (incorporated by reference to Exhibit 10.2 to Steel Partners Holdings L.P.'s Current Report on Form 8-K, filed October 15, 2013).
4.1	Credit Agreement, dated as of October 23, 2013, by and among SPH Group Holdings LLC, Steel Partners Holdings L.P., the lenders thereunder and PNC Bank, National Association, in its capacity as administrative agent for the lenders thereunder (incorporated by reference to Exhibit 99.1 to Steel Partners Holdings L.P.'s Current Report on Form 8-K, filed October 28, 2013).
4.2	First Amendment, dated as of December 15, 2014, to the Credit Agreement. dated as of October 13, 2013 by and among SPH Group Holdings LLC, Steel Partners Holdings L.P., the lenders thereunder and PNC Bank, National Association, in its capacity as administrative agent for the lenders thereunder (incorporated by reference to Exhibit 4.1 to Steel Partners Holdings L.P.'s Current Report on Form 8-K, filed December 15, 2014).
10.1	License Agreement by and between Steel Partners LLC and Steel Partners Holdings L.P., dated January 1, 2009 (incorporated by reference to Exhibit 10.3 to Steel Partners Holdings L.P.'s Registration Statement on Form 10 filed December 15, 2011).
10.2	Assignment and Assumption Agreement by and among Steel Partners II (Offshore) Ltd., WGL Capital Corp. and Steel Partners Holdings L.P., dated July 15, 2009 (incorporated by reference to Exhibit 10.4 to Amendment No. 1 of Steel Partners Holdings L.P.'s Registration Statement on Form 10 filed January 20, 2012).
10.3	Second Amended and Restated Deferred Fee Agreement, dated as of October 31, 2002, as amended and restated as of January 1, 2005, and as further amended and restated as of July 15, 2009, by and between Steel Partners Holdings L.P. and WGL Capital Corp (incorporated by reference to Exhibit 10.5 to Amendment No. 1 of Steel Partners Holdings L.P.'s Registration Statement on Form 10 filed January 20, 2012).
10.4	Investor Services Agreement by and among Steel Partners Holdings L.P., Steel Partners LLC and WGL Capital Corp., dated July 15, 2009 (incorporated by reference to Exhibit 10.6 to Steel Partners Holdings L.P.'s Registration Statement on Form 10 filed December 15, 2011).
10.5	Advance Agreement by and between Steel Partners Holdings L.P. and Steel Partners II Master Fund L.P., dated June 28, 2009 (incorporated by reference to Exhibit 10.7 to Steel Partners Holdings L.P.'s Registration Statement on Form 10 filed December 15, 2011).
10.6	Amended and Restated Services Agreement by and between Steel Partners Holdings L.P. and SP Corporate Services, LLC, effective as of dated July 15, 2009 (incorporated by reference to Exhibit 10.8 to Amendment No. 1 of Steel Partners Holdings L.P.'s Registration Statement on Form 10 filed January 20, 2012).
10.7	Letter Agreement by and between Steel Partners Holdings L.P. and Steel Partners II GP LLC, dated July 15, 2009 (incorporated by reference to Exhibit 10.9 to Steel Partners Holdings L.P.'s Registration Statement on Form 10 filed December 15, 2011).
10.8	Management Services Agreement by and between SP Corporate Services LLC and Handy & Harman Ltd. and Handy & Harman Group Ltd., dated as of January 1, 2012 (incorporated by reference to Exhibit 10.10 to Amendment No. 1 of Steel Partners Holdings L.P.'s Registration Statement on Form 10 filed January 20, 2012).
10.9***	Employment Agreement by and among WHX Corporation, Handy & Harman, and James McCabe, Jr. dated as of February 1, 2007 (incorporated by reference to Exhibit 10.1 of Steel Partners Holdings L.P.'s Form 10-Q, filed May 15, 2012).
10.10***	Amendment to Employment Agreement by and among WHX Corporation, Handy & Harman, and James F. McCabe, Jr., effective January 1, 2009 (incorporated by reference to Exhibit 10.2 of Steel Partners Holdings L.P.'s Form 10-Q, filed May 15, 2012).

10.11***	Second Amendment to Employment Agreement by and among WHX Corporation, Handy & Harman, and James F. McCabe, Jr., effective January 4, 2009 (incorporated by reference to Exhibit 10.3 of Steel Partners Holdings L.P.'s Form 10-Q, filed May 15, 2012).
10.12	First Amendment to Management Services Agreement between Handy & Harman Ltd., Handy & Harman Group Ltd. and SP Corporate Services LLC (incorporated by reference to Exhibit 10.1 to Steel Partners Holdings L.P.'s Current Report on Form 8-K filed April 2, 2013).
10.13	Fifth Amended and Restated Management Agreement by and among Steel Partners Holdings L.P., SPH Group LLC and SP General Services LLC, dated as of May 11, 2012. (incorporated by reference to Exhibit 10.1 to Steel Partners Holdings L.P.'s Current Report on Form 8-K, filed October 15, 2013).
10.14	Management Services Agreement between SP Corporate Services LLC and iGo, Inc. effective October 1, 2013. (incorporated by reference to Exhibit 10.3 to Steel Partners Holdings L.P.'s Current Report on Form 8-K, filed October 15, 2013).
10.15	Pledge Agreement, dated as of October 23, 2013, by and among SPH Group Holdings LLC, Steel Partners Holdings L.P., and PNC Bank, National Association, as agent for the benefit of the lenders (incorporated by reference to Exhibit 99.2 to Steel Partners Holdings L.P.'s Current Report on Form 8-K, filed October 28, 2013).
10.16	Amended and Restated Management Services Agreement between SP Corporate Services LLC and Steel Excel Inc. (incorporated by reference to Exhibit 10.1 to Steel Partners Holdings L.P.'s Current Report on Form 8-K, filed January 14, 2014).
10.17	Amendment No. 1 to Amended and Restated Management Services Agreement (incorporated by reference to Exhibit 10.2 to Steel Partners Holdings L.P.'s Current Report on Form 8-K, filed January 14, 2014). .
10.18	Amendment No. 2 to Amended and Restated Management Services Agreement (incorporated by reference to Exhibit 10.3 to Steel Partners Holdings L.P.'s Current Report on Form 8-K, filed January 14, 2014).
10.19	Amendment No. 3 to the Amended and Restated Management Services Agreement between Steel Excel Inc. and SP Corporate Services LLC, dated as of January 1, 2014 (incorporated by reference to Exhibit 10.1 to Steel Partners Holdings L.P.'s Quarterly Report on Form 10-Q, filed November 6, 2014).
21*	Subsidiaries of Steel Partners Holdings L.P.
24*	Power of Attorney (included in the signature page)
31.1*	Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification by the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification by the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	2012, 2011 and 2010 Financial Statements of Steel Excel Inc. (incorporated by reference to Exhibit 99.2 of Steel Partners Holdings L.P.'s Form 10-K, filed March 23, 2013).
99.2**	Financial Statements of SL Industries, Inc.
99.3*	Financial Statements of JPS Industries, Inc.
99.4*	2014 Financial Statements of Steel Partners II Liquidating Series Trust.
99.5	2013 Financial Statements of Steel Partners II Liquidating Series Trust (incorporated by reference to Exhibit 99.4 of Steel Partners Holdings L.P.'s Form 10-K, filed March 12, 2014).
99.6	2012 Financial Statements of Steel Partners II Liquidating Trust (incorporated by reference to Exhibit 99.4 of Steel Partners Holdings L.P.'s Form 10-K, filed March 23, 2013).
99.7*	Financial Statements of ModusLink Global Solutions, Inc.
Exhibit 101.INS*	XBRL Instance Document
Exhibit 101.SCH*	XBRL Taxonomy Extension Schema
Exhibit 101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
Exhibit 101.DEF*	XBRL Taxonomy Extension Definition Linkbase
Exhibit 101.LAB*	XBRL Taxonomy Extension Label Linkbase

Exhibit 101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith

** To be filed by amendment

*** Management contract or compensatory plan or arrangement

SIGNATURES

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

Dated:
March 16, 2015

STEEL PARTNERS HOLDINGS L.P.

By: Steel Partners Holdings GP Inc.
Its General Partner

/s/ Warren G. Lichtenstein

By: Warren G. Lichtenstein
Executive Chairman

POWER OF ATTORNEY

Steel Partners Holdings L.P. and each of the undersigned do hereby appoint Warren G. Lichtenstein and James F. McCabe, Jr., and each of them severally, its or his true and lawful attorney to execute on behalf of Steel Partners Holdings L.P. and the undersigned any and all amendments to this Annual Report on Form 10-K and to file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission; each of such attorneys shall have the power to act hereunder with or without the other.

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

By:	/s/ Warren G. Lichtenstein	March 16, 2015
	Warren G. Lichtenstein, Executive Chairman (Principal Executive Officer)	Date
By:	/s/ James F. McCabe, Jr.	March 16, 2015
	James F. McCabe, Jr., Chief Financial Officer (Principal Accounting Officer)	Date
By:	/s/ Jack L. Howard	March 16, 2015
	Jack L. Howard, Director	Date
By:	/s/ Anthony Bergamo	March 16, 2015
	Anthony Bergamo, Director	Date
By:	/s/ John P. McNiff	March 16, 2015
	John P. McNiff, Director	Date
By:	/s/ Joseph L. Mullen	March 16, 2015
	Joseph L. Mullen, Director	Date
By:	/s/ General Richard I. Neal	March 16, 2015
	General Richard I. Neal, Director	Date
By:	/s/ Allan R. Tessler	March 16, 2015
	Allan R. Tessler, Director	Date

EXHIBIT 21

Schedule of Subsidiaries

STEEL PARTNERS HOLDINGS GP INC., a Delaware corporation

SPH GROUP LLC, a Delaware limited liability company

SPH GROUP HOLDINGS LLC, a Delaware limited liability company

SPH Services, Inc., a Delaware Corporation

SP Corporate Services LLC, a Delaware limited liability company

Steel Partners LLC, a Delaware limited liability company

BNS Liquidating Trust, a Delaware company

SP Asset Management LLC, a Delaware limited liability company

STEEL PARTNERS II L.P., a Delaware limited partnership

CHINA ACCESS PAPER INVESTMENT COMPANY LIMITED, a corporation organized under the laws of Mauritius

DGT HOLDINGS CORP., a Delaware corporation

HANDY & HARMAN LTD., a Delaware corporation

STEEL EXCEL INC., a Delaware corporation

WF ASSET CORP., a Delaware corporation

WEBFINANCIAL HOLDING CORPORATION, a Delaware corporation

WEBBANK, a Utah chartered industrial bank

WORKING CAPITAL SOLUTIONS, INC., a Delaware corporation

DGT HOLDINGS CORP. SUBSIDIARIES

DM IMAGING CORP., a Delaware corporation

VILLA IMMOBILIARE SRL, Italy

RFI CORPORATION, a Delaware corporation

HANDY & HARMAN LTD.

WHX CS CORPORATION, a Delaware corporation.

HANDY & HARMAN GROUP, LTD., a Delaware corporation (“HHG”).

HANDY & HARMAN, a New York corporation (“HANDY & HARMAN”), a direct subsidiary of HHG.

BAIRNCO CORPORATION, a Delaware corporation (“BAIRNCO”), a direct subsidiary of HHG. (4)

HANDY & HARMAN HOLDING CORPORATION, a Delaware corporation, a direct subsidiary of HHG.

HNH ACQUISITION LLC, a Delaware limited liability company, a direct subsidiary of HHG.

HNH GROUP ACQUISITION LLC, a Delaware limited liability company, a direct subsidiary of HHG.

HANDY & HARMAN SUBSIDIARIES

DANIEL RADIATOR CORPORATION, a Texas corporation.

EAST 74th STREET HOLDINGS, INC., an Oklahoma corporation (formerly known as Continental Industries, Inc.).

H&H LTD., a corporation organized under the laws of Bermuda.

Handy & Harman (Asia) S.A., a corporation organized under the laws of Peru.

HANDY & HARMAN AUTOMOTIVE GROUP, INC., a Delaware corporation.

HANDY & HARMAN OF CANADA, LIMITED, a Province of Ontario Canada corporation.

HANDY & HARMAN ELE (ASIA) SND BHD., a corporation organized under the laws of Malaysia.

HANDY & HARMAN ELECTRONIC MATERIALS CORPORATION, a Florida corporation.

HANDY & HARMAN (EUROPE) LIMITED, a corporation organized under the laws of England and Wales. (1)

HANDY & HARMAN INTERNATIONAL, LTD., a Delaware corporation.

HANDY & HARMAN MANAGEMENT HOLDINGS (HK) LIMITED, a corporation organized under the laws of Hong Kong. (1)

HANDY & HARMAN MANUFACTURING (SINGAPORE) PTE. LTD., a corporation organized under the laws of Malaysia.

HANDY & HARMAN NETHERLANDS, BV., a corporation organized under the laws of the Netherlands. (1)

HANDY & HARMAN PERU, INC., a Delaware corporation.

HANDY & HARMAN TUBE COMPANY, INC., a Delaware corporation.

HANDY & HARMAN UK HOLDINGS LIMITED, a corporation organized under the laws of England and Wales. (1)

HANDYTUBE CORPORATION, a Delaware corporation (formerly known as Camdel Metals Corporation).

INDIANA TUBE CORPORATION, a Delaware corporation.

INDIANA TUBE SOLUTIONS, S. De R.L. de C.V., a corporation organized under the law of Mexico. (1)

LUCAS-MILHAUPT, INC., a Wisconsin corporation.

LUCAS-MILHAUPT BRAZING MATERIALS (SUZHOU) CO. LTD., a corporation organized under the laws of China. (1)

LUCAS-MILHAUPT GLIWICE Sp. Z o.o., a corporation organized under the laws of Poland. (1)

LUCAS-MILHAUPT HONG KONG LIMITED, a corporation organized under the laws of Hong Kong. (1)

LUCAS MILHAUPT RIBERAC SA, a corporation organized under the laws of France. (1)

LUCAS-MILHAUPT WARWICK LLC, a Delaware limited liability company. (1)

MICRO-TUBE FABRICATORS, INC., a Delaware corporation.

OCMUS, INC., an Indiana corporation formerly known as Sumco, Inc.

OMG, INC., a Delaware corporation, formerly known as Olympic Manufacturing Group, Inc.

OMG ROOFING, INC., a Delaware corporation. (1)

OMNI TECHNOLOGIES CORPORATION OF DANVILLE, a New Hampshire corporation.

PAL-RATH REALTY, INC., a Delaware corporation.

PAM FASTENING TECHNOLOGY, INC., a North Carolina corporation. (1)

RIGBY-MARYLAND (STAINLESS), LTD, a corporation organized under the laws of England and Wales. (1)

THE NOMINATING TRUSTS (20 Grant Street Nominee Trust, 28 Grant Street Nominee Trust, 7 Orne Street Nominee Trust), trusts governed by Massachusetts law. (1)

460 WEST MAIN STREET HOLDING CORPORATION, a Delaware corporation (formerly know as Canfield Metal Coating Corporation).

BAIRNCO CORPORATION SUBSIDIARIES

ARLON, LLC, a Delaware limited liability company formerly Arlon, Inc. a Delaware corporation. (3)

ARLON INDIA PRIVATE LIMITED, a corporation organized under the laws of India. (2)

ARLON MATERIALS FOR ELECTRONICS CO. LTD., a corporation organized under the laws of China. (2) (3)

ARLON MATERIAL TECHNOLOGIES CO. LTD., a corporation organized under the laws of China. (2) (3)

ARLON MED INTERNATIONAL, LLC, a Delaware Limited Liability Company. (2) (3)

ATLANTIC SERVICE CO. LTD., a corporation organized under the laws of Canada. (2)

ATLANTIC SERVICE CO. (UK) LTD., a corporation organized under the laws of United Kingdom. (2)

BERTRAM & GRAF GMBH, a corporation organized under the laws of Germany. (2)

KASCO CORPORATION, a Delaware corporation. (5)

KASCO ENSAMBLY S.A. DE C.V., a corporation organized under the laws of Mexico. (2)

KASCO MEXICO LLC, a Delaware Limited Liability Company. (2)

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(1) Indirect wholly-owned subsidiary of Handy & Harman.
(2) Indirect wholly-owned subsidiary of Bairnco Corporation.
(3) Divested as of January 22, 2015.
(4) Converted to a Delaware limited liability company effective January 21, 2015.
(5) Converted to a Delaware limited liability company effective January 16, 2015.

STEEL EXCEL INC. SUBSIDIARIES

STEEL EXCEL, INC. (Delaware)

STEEL ENERGY SERVICES LTD. (Delaware)

SUN WELL SERVICE, INC. (North Dakota)

ROGUE PRESSURE SERVICES LTD. (Delaware)

BLACK HAWK ENERGY SERVICES, INC. (New Mexico)

STEEL SPORTS INC. (Delaware)

BASEBALL HEAVEN INC. (Delaware)

SOUTH BAY STRENGTH AND CONDITIONING LLC (California) - 50% owned

TORRANCE STRENGTH AND CONDITIONING LLC (California) - 50% owned

UK ELITE SOCCER INC. (New Jersey) - 80% owned

GLOBAL TEAM TRAVEL LLC (New Jersey)

EXHIBIT 31.1

PRINCIPAL EXECUTIVE OFFICER CERTIFICATION

I, Warren G. Lichtenstein, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date:
March 16, 2015

/s/ Warren G. Lichtenstein

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

EXHIBIT 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

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

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

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

   The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   e) 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

   f) 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:
March 16, 2015

/s/ James F. McCabe, Jr.

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

EXHIBIT 32.1

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

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

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

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

Date:
March 16, 2015

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

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

EXHIBIT 32.2

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

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

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

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

Date:
March 16, 2015

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

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

EXHIBIT 99.3

FINANCIAL STATEMENTS OF JPS INDUSTRIES, INC.

As of and for the years ended

November 1, 2014

and

November 2, 2013

Independent Auditor's Report

Board of Directors and Stockholders
JPS Industries, Inc.
Greenville, South Carolina

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of JPS Industries, Inc. and its subsidiaries which comprise the consolidated balance sheets as of November 1, 2014 and November 2, 2013, and the related consolidated statements of operations and comprehensive income, shareholders' equity and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements which are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material aspects, the financial position of JPS Industries, Inc. and its subsidiaries as of November 1, 2014 and November 2, 2013, and the results of their operations and their cash flows for the years then ended in conformity with principles generally accepted in the United States of America.

Elliott Davis Decosimo, LLC

Greenville, South Carolina
January 14, 2015

JPS INDUSTRIES, INC.

CONSOLIDATED BALANCE SHEETS
(Dollars In Thousands)

	November 2, 2013	November 1, 2014
ASSETS		
CURRENT ASSETS:		
Cash	$ 1,656	$ 2,713
Restricted cash	3,685	0
Cash held in escrow	0	1,500
Accounts receivable, less allowance of $1,861 in 2013 and $10 in 2014	31,295	19,760
Inventories	24,341	21,600
Prepaid expenses and other	454	476
Deferred income taxes	7,071	4,905
Total current assets	68,502	50,954
PROPERTY, PLANT AND EQUIPMENT, net	16,935	13,246
ACCOUNT RECEIVABLE - NON CURRENT, less allowance of $1,000 in 2014	0	3,209
DEFERRED INCOME TAXES	54,954	45,714
GOODWILL	10,100	10,100
OTHER ASSETS	536	273
Total assets	$ 151,027	$ 123,496

See notes to consolidated financial statements.

	November 2, 2013	November 1, 2014
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 10,013	$ 10,780
Accrued interest	4	0
Accrued salaries, benefits and withholdings	6,894	3,223
Current portion of accrued pension costs	8,611	1,267
Other accrued expenses	589	432
Current portion of long-term debt	4,980	0
Total current liabilities	31,091	15,702
LONG-TERM DEBT	18,147	0
ACCRUED PENSION COST	27,648	17,987
OTHER LONG-TERM LIABILITIES	534	150
Total liabilities	77,420	33,839
COMMITMENTS AND CONTINGENCIES – See Note 7 and Note 15		
SHAREHOLDERS' EQUITY:		
Common stock, $.01 par value; authorized – 22,000,000 shares; issued – 10,291,460 shares in 2013, 10,392,460 shares in 2014; outstanding – 10,291,460 shares in 2013, 10,392,460 shares in 2014	103	104
Additional paid-in capital	129,235	130,330
Accumulated other comprehensive loss	(78,458)	(77,513)
Accumulated equity	22,727	36,736
Total shareholders' equity	73,607	89,657
Total liabilities and shareholders' equity	$ 151,027	$ 123,496

See notes to consolidated financial statements.

JPS INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Amounts in Thousands Except Share and Per Share Data)

	Fiscal Year Ended November 2, 2013	Fiscal Year Ended November 1, 2014
Net sales	$ 168,473	$ 162,841
Cost of sales	140,639	134,235
Gross profit	27,834	28,606
Selling, general and administrative expenses	17,055	18,503
Litigation charge (recovery)	(502)	0
Severance	4,023	0
Other income (expense), net	(158)	(35)
Operating profit	7,100	10,068
Interest expense, net	1,265	630
Income (loss) before income taxes	5,835	9,438
Income tax (benefit) provision	2,695	3,899
Income (loss) from continuing operations	3,140	5,539
Discontinued operations (net of taxes):		
Gain on sale	0	7,471
Income (loss)	(1,093)	999
Net income (loss)	2,047	14,009
Other comprehensive income (loss), after tax:		
Net actuarial pension (loss) gain adjustment	12,733	945
Comprehensive income	$ 14,780	$ 14,954
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
Basic	10,263,393	10,319,460
Diluted	10,343,437	10,464,369
Basic earnings (loss) per common share	$ 0.20	$ 1.36
Diluted earnings (loss) per common share	$ 0.20	$ 1.34

See notes to consolidated financial statements.

JPS INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars In Thousands)

	Common Stock	Add'l. Paid-In Capital	Treasury Stock	Accum. Other Comp. Loss	Accum. Equity	Total Shareholders' Equity
Balance – October 27, 2012	$ 102	$ 129,061	$ 0	$ (91,191)	$ 20,680	$ 58,652
Net income					2,047	2,047
Net actuarial pension gain adjustment (net of tax expense of $7,640)				12,733		12,733
Restricted stock grant	1	174				175
Balance – November 2, 2013	$ 103	$ 129,235	$ 0	$ (78,458)	$ 22,727	$ 73,607
Net income					14,009	14,009
Net actuarial pension gain adjustment (net of tax expense of $1,614)				945		945
Restricted stock grant	1	1,095				1,096
Balance – November 1, 2014	$ 104	$ 130,330	$ 0	$ (77,513)	$ 36,736	$ 89,657

See notes to consolidated financial statements.

JPS INDUSTRIES, INC.
CONSOLDIATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	Fiscal Year Ended November 2, 2013	Fiscal Year Ended November 1, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 2,047	$ 14,009
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
(Income)/loss from discontinued operations	1,093	(999)
Gain on sale of discontinued operations	0	(7,471)
Depreciation and amortization	1,361	1,502
(Gain)/loss on disposal of property and equipment and assets held for sale	489	(114)
Compensation expense for restricted stock and option modifications	117	549
Amortization of deferred financing costs	296	258
Deferred income tax provision (benefit)	2,301	3,832
Pension plan contributions	(3,883)	(17,782)
Other, net	(4,602)	1,343
Changes in assets and liabilities:		
Restricted cash	(3,685)	3,685
Cash held in escrow	0	(1,500)
Accounts receivable	(9,604)	4,148
Inventories	5,720	(312)
Prepaid expenses and other assets	8,788	1,910
Accounts payable	2,999	1,254
Accrued expenses and other liabilities	4,740	(4,097)
Net cash provided by (used in) continuing operating activities	8,177	215
Net cash provided by (used in) discontinued operating activities	4,488	990
Net cash provided by (used in) operating activities	12,665	1,205
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment additions	(1,530)	(1,431)
Proceeds from sale of real property	0	179
Net cash provided by (used in) continuing investing activities	(1,530)	(1,252)
Net proceeds from sale of discontinued operations	0	23,825
Net cash provided by (used in) investing activities	(1,530)	22,573
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing costs incurred	(70)	0
Net proceeds from exercise of stock option	58	406
Revolving credit facility borrowings (repayments), net	(5,157)	(15,162)
Repayment of long-term debt	(5,395)	(7,965)
Net cash provided by (used in) financing activities	(10,564)	(22,721)
NET INCREASE (DECREASE) IN CASH	571	1,057
CASH AT BEGINNING OF YEAR	1,085	1,656
Cash at end of year	$ 1,656	$ 2,713
Supplemental information:		
Interest paid	$ 1,035	$ 366
Income taxes paid (received), net	147	652

See notes to consolidated financial statements.

JPS INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – NOVEMBER 1, 2014

1. DESCRIPTION OF THE COMPANY

JPS Industries, Inc. is a major U.S. manufacturer of sheet and mechanically formed glass and aramid materials for specialty applications in a wide expanse of markets requiring highly engineered components. JPS's products are used in a wide range of applications including: advanced composite materials; civilian and military aerospace components; printed electronic circuit boards; filtration and insulation products; specialty commercial construction substrates; automotive and industrial components; and soft body armor for civilian and military applications. Headquartered in Greenville, South Carolina, the Company operates three manufacturing locations in Anderson and Slater, South Carolina and Statesville, North Carolina.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include JPS Industries, Inc. and its direct subsidiaries, all of which are wholly owned. Significant intra-entity transactions and accounts have been eliminated. Unless the context otherwise requires, the terms "JPS" and the "Company" as used in these Consolidated Financial Statements mean JPS Industries, Inc. together with its 100% owned subsidiaries, JPS Elastomerics Corp. and JPS Composite Materials Corp.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's most significant financial statement estimates include the estimate of the allowance for doubtful accounts, inventory reserves, reserve for self-insurance liabilities, assumptions for pension and other post-retirement obligations, contingencies and the income tax benefit valuation allowance. Management determines its estimate of the allowance for doubtful accounts considering a number of factors, including historical experience, aging of the accounts and the current creditworthiness of its customers. Management determines an estimate for inventory reserves based on age, potential for obsolescence and historical experience. Management determines its estimate of the reserve for self-insurance considering a number of factors, including historical experience, third party claims administrator and actuarial assessments and insurance coverages. Management believes that its estimates provided in the financial statements are reasonable and adequate. However, actual results could differ from those estimates.

Restricted and Escrowed Cash – The Company classifies cash balances as restricted when they are restricted as to withdrawal or usage. The restricted cash balance at November 2, 2013 of $3.7 million consisted of funds placed in a Rabbi Trust account to meet contractual obligations to certain former executives under the Change of Control clauses of their employment agreements. The cash held in escrow at November 1, 2014 of $1.5 million consists of funds set aside at closing of the Stevens Urethane sale to Argotec LLC, which is described more fully at Note 14.

Inventories – Inventories are stated at the lower of cost or market. Cost, which includes labor, material and factory overhead, is determined on the first-in, first-out basis.

Property, Plant and Equipment - Property, plant and equipment are recorded at cost and depreciation is recorded using the straight-line method for financial reporting purposes. The estimated useful lives used in the computation of depreciation are as follows:

Land improvements	10 to 45 years
Buildings and improvements	25 to 45 years
Machinery and equipment	3 to 15 years
Furniture, fixtures and other	5 to 10 years

Construction in progress is stated at cost. No provision for depreciation is made on construction in progress until the related assets are completed and placed into service.

The Company assesses its long-lived assets for impairment whenever facts and circumstances indicate that the carrying amount may not be fully recoverable. If required, an impairment loss is measured based upon the difference between the carrying amount and the fair value of the assets. As described in Note 9, the Company recognized impairments to real property during 2013. Depreciation expense from continuing operations totaled $1.4 million for Fiscal 2013 and $1.5 million for Fiscal 2014.

Assets Held For Sale – Non-current assets, the carrying value of which is expected to be recovered principally through a sale transaction rather than continuing operations, and for which a sale is probable, are classified as Assets Held for Sale, are recorded at the lower of the carrying amount or fair value less costs to sell and are not depreciated. At November 2, 2013 and November 1, 2014, Assets Held For Sale were included in Other Assets on the balance sheet with details presented in Note 9.

Distribution Costs – A portion of the Company's distribution and shipping and handling costs are included in cost of sales and selling, general and administrative expenses. The portion of these costs, which were included in selling, general and administrative expenses, totaled $3.8 million in Fiscal 2013 and $3.9 million in Fiscal 2014.

Deferred Financing Costs – Costs incurred in securing and issuing long-term debt are deferred, recorded as an asset and amortized over the terms of the related debt in amounts which approximate the interest method of amortization.

Fair Value of Financial Instruments – The carrying amounts of all financial instruments approximate their estimated fair values in the accompanying consolidated balance sheets. The carrying amounts of cash, accounts receivable, accounts payable, and accrued expenses approximate fair value because of the short maturity of these items. The carrying value of financial instruments such as debt approximates fair value because interest rates on these instruments change with market rates.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements and Disclosures ("ASC 820"), establishes a fair value hierarchy for those instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and our own assumptions (unobservable inputs). The hierarchy consists of three levels:

Level 1 - Quoted market prices in active markets for identical assets or liabilities;
Level 2 - Inputs other than Level 1 inputs that are either directly or indirectly observable; and
Level 3 - Unobservable inputs developed using estimates and assumptions developed by us, which reflect those that a market participant would use.

Revenue Recognition and Accounts Receivable – Revenue from product sales is recognized at the time ownership of goods transfers to the customer and the earnings process is complete in accordance with FASB ASC 605, Revenue Recognition. The Company makes ongoing estimates relating to the collectability of its accounts receivable and maintains an allowance for estimated losses resulting from the inability of customers to make required payments. In determining the amount of the allowance, the Company considers historical level of credit losses and makes judgments about the creditworthiness of significant customers based on ongoing credit evaluations. A significant aged account receivable is discussed at Note 10.

Customer Concentration – The Company's largest customer accounted for 28% and 32% of total sales in Fiscal 2014 and Fiscal 2013, respectively. That customer's account receivable made up 26% of total accounts receivable in 2014 and 36% in 2013.

Income Taxes – Deferred tax assets and liabilities are determined based on the difference between the financial statement bases and tax bases of assets and liabilities using enacted tax rates. A valuation allowance is recorded to reduce a deferred tax asset to that portion that is expected to more likely than not be realized. Uncertain tax positions are accounted for in accordance with ASC Topic 740 as discussed in Note 6.

Accounts Payable – As a result of the Company's cash management system, checks issued but not presented to the bank for payment may create negative book cash balances. Such negative balances are included in accounts payable on the accompanying consolidated balance sheets and totaled approximately $2.4 million and $2.8 million at November 2, 2013 and November 1, 2014, respectively.

Fiscal Year – The Company's operations are based on a 52 or 53-week fiscal year ending on the Saturday closest to October 31. Fiscal year 2013 had 53 weeks and 2014 had 52 weeks.

Goodwill – Goodwill consists of the excess of cost of the acquired enterprise over the sum of the amounts assigned to identifiable assets acquired less liabilities assumed. Goodwill is not amortizable. The Company continually evaluates whether events and circumstances have occurred that might impair the value of goodwill. Management did not believe there was any impairment related to goodwill at November 2, 2013 or November 1, 2014.

New Accounting Pronouncements

In June 2011, the FASB issued Accounting Standards Update ("ASU") 2011-05, Presentation of Comprehensive Income. This update amended the provisions of FASB ASC 220-10 by eliminating the option of reporting other comprehensive income in the statement of changes in stockholders' equity. Companies will have the option of presenting net income and other comprehensive income in a single, continuous statement of comprehensive income or presenting two separate but consecutive statements of net income and comprehensive income. The new presentation requirements are effective for annual periods ending after December 15, 2012 and as such were adopted as of November 2, 2013, impacting only presentation.

In February 2013, the FASB issued ASU 2013-02 related to the presentation of reclassification adjustments out of accumulated other comprehensive income. ASU 2013-02 is effective for fiscal years beginning after December 15, 2013. The Company believes adoption of this new guidance will not have a material impact on the Company's financial statements as these updates have an impact on presentation only.

In July 2013, the FASB issued ASU 2013-11 which requires that an unrecognized tax benefit, or portion thereof, should be presented as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except in certain circumstances. ASU 2013-11 is effective for fiscal years beginning after December 15, 2013. The Company does not expect the adoption of this guidance to have a material effect on the Company's consolidated financial statements.

In April 2014, the FASB issued Accounting Standards Update No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (ASU 2014-08), to change the criteria for determining which disposals can be presented as discontinued operations and enhanced the

related disclosure requirements. ASU 2014-08 is effective for fiscal years beginning after December 15, 2014. The adoption of this standard is not expected to have an impact on the Company's consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers: Topic 606 (ASU 2014-09), to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The Standard is effective for fiscal years beginning after December 15, 2016. Management is evaluating the impact the adoption of this statement will have on the Company's consolidated financial statements.

In June 2014, the FASB issued Accounting Standards Update No. 2014-12, 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), which requires that a performance target that affects vesting and could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in ASC 718, Stock Compensation, as it relates to such awards. The amendments in this ASU are effective for fiscal years beginning after December 15, 2014. The adoption of this standard is not expected to have an impact on the Company's consolidated financial statements.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (ASU 2014-15). The update requires companies to assess their ability to meet their financial obligations over the coming year as of the date the financial statements are released. The amendments in this ASU are effective for fiscal years beginning after December 15, 2014. The adoption of this standard is not expected to have an impact on the Company's consolidated financial statements.

3. BALANCE SHEET COMPONENTS

The components of certain balance sheet accounts are (in thousands):

	November 2, 2013	November 1, 2014
Inventories:		
Raw materials and supplies	$ 9,537	$ 7,850
Work-in-process	4,027	5,255
Finished goods	10,777	8,495
	$ 24,341	$ 21,600
Prepaid expenses and other:		
Prepaid insurance	$ 165	$ 283
Other	289	193
	$ 454	$ 476

	November 2, 2013	November 1, 2014
Property, plant and equipment, net:		
Land and improvements	$ 1,806	$ 1,589
Buildings and improvements	10,881	9,077
Machinery and equipment	65,180	50,305
Leasehold improvements	11	11
Furniture, fixtures and other	1,415	1,067
	79,293	62,049
Less accumulated depreciation	(63,247)	(49,559)
	16,046	12,490
Construction in progress	889	756
	$ 16,935	$ 13,246
Other assets:		
Deferred financing costs, net	$ 366	$ 108
Assets held for sale	170	165
	$ 536	$ 273
Other accrued expenses:		
Taxes payable other than income taxes	$ 29	$ 294
Other	560	138
	$ 589	$ 432
Other long-term liabilities:		
Uncertain tax positions	$ 492	$ 145
Accrued postemployment benefit plan liability	42	5
	$ 534	$ 150

4. DEBT

	November 2, 2013	November 1, 2014
Debt consists of (in thousands):		
Revolving credit facility	$ 15,162	$ 0
Term loan	7,965	0
Total	23,127	0
Less portion due within one year	(4,980)	0
Total long-term debt	$ 18,147	$ 0

Revolving Credit Facility – The Company entered into an amendment to its Revolving Credit and Security Agreement, (the “revolving credit facility”) with Wells Fargo Bank (formerly Wachovia) on June 9, 2011. The revolving credit facility provides for (i) a revolving loan and letters of credit in a maximum principal amount equal to the lesser of (a) $40 million or (b) a specified borrowing base, which is based upon eligible receivables and inventory (as defined) and (ii) a term loan of $20 million which was repaid April 30, 2014. The revolving loan matures on June 9, 2015 and may be renewed.

At November 1, 2014, the Company had $23.8 million available for borrowing under the revolving credit facility.

The revolving credit facility restricts investments, capital expenditures, acquisitions and dividends. The revolving credit facility contains financial covenants relating to minimum levels of EBITDA, as defined, and a minimum fixed charge coverage ratio, as defined. The revolving credit facility bears interest at a rate of LIBOR plus an applicable margin based upon the Company's average excess availability. These margins range from 2.00% to 2.75%. As of November 1, 2014, the Company's interest rate under the revolving credit facility was 2.20%.

Other – The loans and extensions of credit to the Company under the revolving credit facility are guaranteed by JPS Elastomerics Corp. and JPS Composite Materials Corp. Substantially all of the Company's assets are pledged as collateral for the revolving credit facility.

Interest expense includes $258,000 in Fiscal 2014 and $296,000 in Fiscal 2013 representing amortization of debt issuance expenses. Amortization expense is estimated to be $108,000 in Fiscal 2015.

5. EQUITY SECURITIES

The Company has one class of stock issued and outstanding.

Share Repurchase Program

In 2008, the Board of Directors authorized the expenditure of up to $2 million for the repurchase of the Company's common stock.

1997 Incentive and Capital Accumulation Plan

The 1997 Incentive and Capital Accumulation Plan (the "1997 Plan") provided certain key employees and non-employee directors of the Company the right to acquire shares of common stock or monetary payments based on the value of such shares. As of November 1, 2014, 1,160,860 shares had been issued or represent vested stock grants and none were available for grant. No future grants under the 1997 Plan are permitted and all previous option grants have been exercised or cancelled.

2008 Stock Incentive Plan

On February 26, 2008, the Board of Directors approved the 2008 Stock Incentive Plan (the "2008 Plan"). The 2008 Plan is permitted to grant stock options, stock grants and other equity-related compensation to employees, officers, directors and consultants. The 2008 Plan provides that up to 1,000,000 shares may be issued under the 2008 Plan. Outside directors received grants of 2,000 shares each, annually, vesting over a one-year period, upon election to a new one-year term, from 2008 until 2012. In 2013 the award amount was amended to 2,500 shares each. In 2014 the award amount was amended to 4,000 shares each.

In Fiscal 2009, the Company awarded 375,000 shares of restricted stock to the Company's Chief Executive Officer. For financial reporting purposes, the shares were valued at $4.9 million based on an appraised value of $13.00 per share. The 375,000 shares vested over approximately three one-year intervals following the grant date to become fully vested during 2012. Amortization expense for 2011 and 2012 was $1.6 million and $1.0 million, respectively.

In Fiscal 2010, the Company awarded 100,000 shares of restricted stock to two executive officers. The shares, which vest and are expensed over three-year intervals, were valued for financial reporting purposes

at $11.30 per share based on appraised value. Of the $1.1 million expense, $0.3 million was expensed in 2010 and $0.4 million was expensed in 2011 and 2012.

On May 20, 2014, the Company granted options totaling 415,058 shares to CEO Mikel Williams, having a strike price of $5.05. One third of the options vested at the date of grant, with additional thirds vesting on May 2, 2015 and May 2, 2016. Vesting and exercise of these options are subject to various conditions and limitations. Accordingly, 53,942 shares were available for grant at November 1, 2014.

The Company valued these options at $1,402,899 based on the Black-Scholes model. The pink sheet value on the day of grant, $6.51, was used in the model as the current value input. This results in a dichotomy between the Company's practice of using the independently appraised value to calculate the expense of restricted stock and the use of a pink sheets-derived input in the option model. The Company believes that this treatment was necessary in order to achieve a rational outcome because of the inherent differences in valuing an option that need not be contemplated for restricted stock, for example, employment-related vesting requirements, time limits, trading restrictions, liquidity considerations related to the cash required to exercise, and the general unsuitability of commonly accepted option pricing models where very thinly traded stock is concerned. Also, as discussed in Note 8, the independently appraised value is used to value JPS stock held by the Pension Plan. Again, the Company believes this treatment is appropriate because, unlike individuals, the Plan enjoys a longer investment horizon and can take advantage of opportunistic transactions not available to an option holder where immediate disposition may not be allowed due to regulatory or contractual restrictions inherent in the options.

The Black-Scholes assumptions are as follows:

Expected Term (in years)	5.5
Risk-free interest rate	1.92%
Stock price volatility (annualized)	46.5%
Dividend yield	—
Current Share Price	$6.51
Exercise Price	$5.05

The Company recognized $656,485 in expense related to Mr. Williams' options during Fiscal 2014.

A summary of the activity in the Company's stock options under the 1997 and 2008 Plans for the years ended November 2, 2013 and November 1, 2014 is presented below:

	Number of Shares	Weighted Average Exercise Price
Outstanding at October 27, 2012	193,000	$ 3.31
Options granted	—	—
Options cancelled	—	—
Options exercised	(108,000)	2.94
Outstanding at November 2, 2013	85,000	3.78
Options granted	415,058	5.05
Options cancelled	—	—
Options exercised	(85,000)	3.78
Options outstanding at November 1, 2014	415,058	$ 5.05
Exercisable at November 2, 2013	85,000	
Exercisable at November 1, 2014	0	
Weighted average remaining contractual life (years) at November 1, 2014	9.55	

Computation of Earnings Per Share

The following table presents the computation of per share earnings (loss) for the years ended November 2, 2013 and November 1, 2014:

	Fiscal 2013	Fiscal 2014
Number of Common Shares:		
Weighted average outstanding	10,263,393	10,319,460
Issued upon assumed exercise of outstanding stock options	66,977	132,509
Effect of issuance of restricted common shares	13,067	12,400
Weighted average and potential dilutive outstanding	10,343,437	10,464,369
Basic earnings (loss) per common share:		
Income from continuing operations	$ 0.31	$ 0.54
Discontinued operations (net of taxes):		
Gain on Sale	0	0.72
Income (loss)	(0.11)	0.10
Net Income	$ 0.20	$ 1.36
Diluted earnings (loss) per common share:		
Income from continuing operations	$ 0.30	$ 0.53
Discontinued operations (net of taxes):		
Gain on Sale	0	0.71
Income (loss)	(0.10)	0.10
Net Income	$ 0.20	$ 1.34

6. INCOME TAXES

The provision (benefit) for income taxes included in the consolidated statements of operations consists of the following (in thousands):

	Fiscal 2013	Fiscal 2014
Current federal provision	$ 133	$ 27
Current state provision	261	40
Deferred federal provision	1,872	3,280
Deferred state provision (benefit)	429	552
Provision (benefit) for income taxes	$ 2,695	$ 3,899

A reconciliation between income taxes at the 34% statutory Federal income tax rate and the provision for income taxes for Fiscal 2013 and Fiscal 2014 is as follows (in thousands):

	Fiscal 2013	Fiscal 2014
Income tax provision at Federal statutory rate	$ 1,984	$ 3,209
Increase (decrease) in income taxes arising from effect of:		
State and local income taxes	759	820
Equity related compensation	—	85
Other	(22)	21
Increase (decrease) in uncertain tax positions	(26)	(236)
Provision for income taxes	$ 2,695	$ 3,899

Presented below are the elements which comprise deferred tax assets and liabilities (in thousands):

	November 2, 2013		November 1, 2014
Net deferred assets:			
Estimated allowance for doubtful accounts	$	716	$	372
Tax basis over financial statement basis of inventory		1,658		502
Accruals deductible for tax purposes when paid		510		517
Pension liability deductible for tax purposes when paid		32,509		25,193
Postretirement benefits deductible for tax purposes when paid		16		2
Alternative minimum tax credit carryforward available		2,472		2,498
Excess of tax basis of intangibles over financial statement basis		448		26
Financial statement basis under tax basis of property, plant, and equipment		3,862		2,640
Net operating loss carryforwards		21,508		20,669
Less valuation allowance		(1,674)		(1,800)
Net deferred assets	$	62,025	$	50,619

For 2014 and 2013, the Company recorded a tax expense on continuing operations of $3.9 million and $2.7 million, respectively. For both periods, the tax expense is in excess of the Federal statutory rate primarily due to state taxes. In 2014 and 2013, state taxes included a decrease in the benefit from state net operating loss carryovers, and in 2014 a decrease in the effective rate at which deferred tax benefits will be utilized on continuing operations.

In 2014, the Company reduced current taxes on continuing operations, income from discontinued operations and gain on sale of discontinued operations, with deferred tax assets including deferred tax assets of the discontinued operations, pension plan contributions in excess of financial statement expense, and net operating loss carryovers. For 2013, the Company utilized net operating losses recorded as a deferred tax asset to offset current taxable income. Current taxes for 2014 and 2013 include Federal alternative minimum taxes. For both periods, current state taxes are in jurisdictions where the Company did not have or could not fully utilize net operating loss carryovers.

The deferred tax asset represents the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting and income tax purposes. The Company monitors the status of the deferred tax asset on a regular basis as is required under ASC Topic 740. At November 1, 2014, the Company had regular Federal net operating loss carryforwards for tax purposes of approximately $54.1 million. The net operating loss carryforwards expire in years 2021 through 2032. The Company also has Federal alternative minimum tax net operating loss carryforwards of approximately $95.0 million that expire in 2019 through 2032. Alternative minimum tax credits of $2.5 million can be carried forward indefinitely and used as a credit against regular Federal taxes, subject to limitation.

The Company's future ability to utilize a portion of its alternative minimum tax net operating loss carryforwards is limited as a result of being treated as having a change in the ownership of the Company's stock as of December 2000 under Federal income tax laws. All regular operating losses occurred after the date of change. The effect of such an ownership change is to limit the annual utilization of the net operating loss carryforwards to an amount equal to the value of the Company immediately after the time of the change (subject to certain adjustments) multiplied by the Federal long-term tax exempt rate. Based on the expiration dates for the loss carryforwards and fair market value at the time of the prior ownership change, the Company does not believe that the limitations imposed as a result of prior ownership changes will result in alternative minimum tax Federal loss carryforwards

expiring unutilized that will impair the net deferred tax asset. Uncertainties surrounding income tax law changes, shifts in operations between state taxing jurisdictions and future operating income levels may, however, affect the ultimate realization of all or some portion of these deferred income tax assets. In addition, a future change in ownership could result in additional limitations on the ability of the Company to utilize its net operating loss carryforwards. Under applicable accounting guidelines, these future uncertainties, combined with factors giving rise to losses, requires a valuation allowance be recognized. The Company has recorded a valuation allowance for state net operating losses that may not be utilized before expiration.

The adoption of the provisions of ASC Topic 740 (formerly FIN 48) did not have a material impact on the Company's financial statements. As of October 28, 2007, the adoption date, the Company had gross uncertain tax positions of $1.0 million which were recorded directly to shareholders' equity, and which, if recognized, would affect the effective tax rate. As of November 1, 2014 the Company had gross unrecognized tax benefits of $0.1 million. The uncertain tax positions primarily relate to inconsistencies and uncertainties in state tax laws. The Company does not expect that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next twelve months but does expect a gradual decrease as events that gave rise to the positions are effectively settled.

A reconciliation of the beginning and ending amount of uncertain tax positions is as follows (in thousands):

	Fiscal 2013		Fiscal 2014	
Beginning balance	$	356	$	394
Additions for tax positions of prior years		96		2
(Reductions) for tax positions of prior years		(58)		(309)
Ending balance	$	394	$	87

The Company and one or more of its subsidiaries file income tax returns in the U.S. federal, various state and local jurisdictions. While the Company does business globally, it does not maintain a foreign presence that would subject the Company to foreign income taxes. In the normal course of business, the Company is subject to examination by taxing authorities. With few exceptions, the Company is no longer subject to state and local income tax examinations by tax authorities in filing jurisdictions for the years before 2011, although net operating loss carryovers from earlier years remain subject to adjustment.

The Company's continuing practice is to recognize interest and penalties related to income tax matters in income tax expense. As of both the fiscal year ends 2014 and 2013, the Company had approximately $0.1 million accrued for interest and penalties.

7. COMMITMENTS AND CONTINGENCIES

Leases – The Company leases office facilities, machinery and computer equipment under noncancellable operating leases. Rent expense was approximately $0.6 million in Fiscal 2013 and $0.3 million in Fiscal 2014. Future minimum payments, by year and in the aggregate, under the noncancellable operating leases with terms of one year or more consist of the following at November 1, 2014 (in thousands):

Fiscal Year Ending		Operating Leases
2015	$	315
2016		229
2017		111
2018		53
2019 and after		9
Total future minimum lease payments	$	717

Litigation – The Company is exposed to a number of asserted and unasserted potential claims encountered in the normal course of business including certain asbestos-based claims. The Company believes it has meritorious defenses in all lawsuits in which the Company or its subsidiaries is a defendant. Management believes that none of this litigation, if determined unfavorable to the Company or its subsidiaries, would have a material adverse effect on the financial condition or results of operations of the Company unless some of the losses are subsequently determined to be uninsured. See Note 15 regarding legal matters subsequent to year end.

8. RETIREMENT PLANS

Defined Benefit Pension Plan – Substantially all of the Company's employees employed prior to April 1, 2005 have benefits under a Company-sponsored defined benefit pension plan. The defined benefit pension plan was "frozen" effective December 31, 2005. Employees no longer earn additional benefits after that date. Benefits earned prior to December 31, 2005 will be paid out to eligible participants following retirement. The gain that resulted from the freeze was substantially offset by previously unrecognized actuarial losses.

The plan also provides benefits to individuals employed by the businesses which were sold or plants which were closed by the Company. The benefits of these former employees were "frozen" at the respective dates of sale of the businesses or closure of the plants. Accordingly, these former employees will retain benefits earned through the respective disposal dates; however, they do not accrue additional benefits.

The defined benefit pension plan was "unfrozen" for employees who were active employees on or after June 1, 2012. This new benefit, calculated based on years of service and a capped average salary, will be added to the amount of the pre-2005 benefit.

The Company's policy is to fund the annual contribution required by applicable regulations. Assets of the pension plan are invested in a bond portfolio covering specific liabilities and in common and preferred stocks, government and corporate bonds, and various short-term investments. During Fiscal 1999, the pension plan also purchased approximately 1.9 million shares of the Company's common stock in open market and negotiated transactions.

The investment strategy of the Plan is primarily continued growth of assets, other than those covering specific liabilities. Assets related to specific liabilities are managed in such a manner that any change in liabilities resulting from changes in discount (interest) rates are offset by changes in underlying assets. All assets, except for the Company's common stock, are managed by outside investment managers.

Asset allocations are reviewed on a regular basis by the Investment Committee of the Plan. Equities are 77% of Plan assets. Approximately 40% of equities are large capitalization equity securities. As noted, the Plan holds Company common stock. As a result of being a non-SEC registrant, being closely held, limited public disclosures made by the Company and the correspondingly minimal trading of JPS stock, the Investment Committee believes that the stock cannot be considered traded in volume in a free and

active market by informed persons. Therefore, each year the Committee has the stock value estimated by an independent valuation specialist. Company stock is approximately 26% of total Plan assets as of November 1, 2014. Because of the absence of a readily-obtainable market value and the inherent subjectivity in any valuation, the estimated value may differ significantly from the value that would have been used had a ready market for the stock existed. The Plan owns 1,925,685 shares of Company stock valued at $13 per share, or $25 million, as of November 1, 2014. The Plan has 18% of assets in a separate insurance account backed by a high-quality portfolio of U.S. Treasury, agency, and Corporate bonds. The remaining assets are allocated as set forth below. Except for Company common stock and U.S. Treasury securities, assets are diversified by issuer and industry. Other than the Company common stock and insurance separate account which are not automatically rebalanced, allocations are approximately equal to target allocations.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value (in thousands):

Asset Category	November 2, 2013	November 1, 2014
Level 2 – Significant Observable Inputs		
Common Trust Funds:		
Large capitalization equity	$ 21,210	$ 29,093
International Equity	5,456	7,272
Mid-Capitalization Equity	5,468	7,622
Small-Capitalization Equity	3,086	4,339
Intermediate Bond Fund	3,922	4,954
Cash Equivalent Fund	700	626
Insurance Separate Account	18,425	16,968
Subtotal – Level 2	58,267	70,874
Level 3 – Significant Unobservable Inputs		
Company Common Stock	22,531	25,034
TOTAL	$ 80,798	$ 95,908

The following table summarizes the changes in Level 3 assets measured at fair value on a recurring basis:

	JPS Industries, Inc. Common Stock
Balance, November 2, 2013	$ 22,531
Total unrealized gains	2,503
Balance, November 1, 2014	$ 25,034

On October 28, 2006, the Company adopted the measurement provision of ASC Topic 715, formerly SFAS 158, Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of SFASs 87, 88, 106 and 132. This requires employers to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. The Company recorded the funded status as of October 27, 2007 in accordance with ASC Topic 715.

Components of net periodic pension cost include the following (in thousands):

	Fiscal 2013	Fiscal 2014
Service cost-benefits earned during the period	$ 116	$ 107
Interest cost on projected benefit obligation	4,706	4,888
Expected return on plan assets	(6,427)	(6,537)
Recognized actuarial loss	5,283	4,878
Net periodic pension cost (benefit)	$ 3,678	$ 3,336

The weighted-average rates used in determining pension cost for the plan are as follows:

	Fiscal 2013	Fiscal 2014
Discount rate	4.41%	4.00%
Expected long-term rate of return on plan assets	8.00%	8.00%
Rate of compensation increase	N/A	N/A

As of November 1, 2014, the benefits expected to be paid in the next five fiscal years and in the aggregate for the five fiscal years thereafter are as follows (in thousands):

11/01/2014 – 10/31/2015	$9,709
11/01/2015 – 10/31/2016	$9,511
11/01/2016 – 10/31/2017	$9,307
11/01/2017 – 10/31/2018	$9,044
11/01/2018 – 10/31/2019	$8,796
11/01/2019 – 10/31/2024	$39,826

A reconciliation of the plan's projected benefit obligation, fair value of plan assets, funding status, and other applicable information is as follows (in thousands):

	November 2, 2013	November 1, 2014
Change in benefit obligation:		
Projected benefit obligation at beginning of year	$ 128,156	$ 117,057
Service cost	116	107
Interest cost	4,706	4,888
Benefits paid	(9,946)	(9,751)
Actuarial (loss) gain	(5,975)	2,861
Projected benefit obligation at end of year	$ 117,057	$ 115,162
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 71,318	$ 80,798
Actual return on plan assets	15,543	7,079
Employer contributions	3,883	17,782
Benefits paid	(9,946)	(9,751)
Fair value of plan assets at end of year	$ 80,798	$ 95,908
Projected benefit obligation (greater) than plan assets	$ (36,259)	$ (19,254)
Actuarial loss	96,030	93,470
Net actuarial pension loss recognized as a reduction of shareholders' equity	(96,030)	(93,470)
Net (liability) in accompanying consolidated balance sheets	$ (36,259)	$ (19,254)

401(k) Savings Plan – The Company also has a savings, investment and profit sharing plan available to employees meeting eligibility requirements. The plan is a tax qualified plan under Section 401(k) of the Internal Revenue Code. The Company makes a matching contribution of 25% of each participant's contribution with a maximum matching contribution of 1-1/2% of the participant's base compensation. The Company suspended the matching contribution starting on September 1, 2009 and resumed the matching contribution of 25% beginning January 2, 2011. Company contributions were $209,000 in Fiscal 2013 and $195,000 in Fiscal 2014.

Postretirement Benefits – At the beginning of Fiscal 2013, the Company had an unfunded postretirement plan that provided certain health care benefits to eligible retirees. On August 31, 2013, the Plan was terminated as there had been no participants in the Plan since 2012 and no claims or other expenses were outstanding. The liability for postretirement benefits was zero at both November 2, 2013 and November 1, 2014.

Postemployment Benefits – The Company provides certain benefits to former or inactive employees after employment but before retirement. In accordance with ASC Topic 712, Employers' Accounting for Post-Employment Benefits, formerly SFAS 112, these benefits are recognized on the accrual basis of accounting. The liability for postemployment benefits of $42,000 at November 2, 2013 and $5,000 at November 1, 2014 is included in other long-term liabilities in the accompanying consolidated financial statements.

9. NON-CURRENT ASSETS HELD FOR SALE

During the first quarter of 2011, the Company reclassified the land and building owned in Westfield, North Carolina to Assets Held for Sale and, accordingly, ceased to depreciate the assets. This land and building were formerly part of the Stevens Roofing division which was acquired by DOW Building Solutions (DOW) in 2008 through an asset sale that did not include the real property. When the Company assessed its long-lived assets for impairment as required by ASC 360 (formerly SFAS No. 144) in 2011, it was determined that the net book value of $1.2 million should be written down by $200,000 to properly reflect the fair market value of the property. In 2012, 136 of the 220 acres surrounding the facility were sold for $341,000. While the remaining land and building continue to be marketed, the amounts and limited number of offers received, the inability of potential buyers to actually close, and the length of time the property has been on the market led the Company to conclude that another write down was necessary as of November 2, 2013. A non-cash asset write-down of $489,000 was recorded in other expense for 2013, leaving the Asset Held for Sale valued at $170,000, less a $5,000 deposit received in 2014 towards a potential sale.

10. ACCOUNT RECEIVABLE – NON CURRENT

Included in accounts receivable at fiscal year end 2013 was a receivable in the amount of $4.2 million from a ballistics customer who filed bankruptcy during 2010. Management regularly assesses the progress of the bankruptcy proceedings and believes the entire outstanding balance has a more likely than not chance of full recovery upon settlement and distribution of the funds of the bankruptcy estate, including assets of the former CEO currently held in trust by the government. However, due to the age of the receivable, coupled with some possibility that the final amount to be received may not be the full amount due, management elected to record a $0.8 million reserve during 2014 in addition to the $0.2 million previously recorded. Additionally, based on management's estimate of the timing of collection, the net amount of the receivable has been classified as other noncurrent asset at fiscal year end 2014.

11. GOODWILL AND OTHER INTANGIBLE ASSETS

During fiscal year 2007, JPS acquired goodwill of $7.6 million in connection with the acquisition of the assets comprising the Anderson, South Carolina and Statesville, North Carolina operations of Hexcel Reinforcements Corp. Goodwill was increased by $0.3 million and $2.2 million in 2008 and 2009 respectively, due to the increase in purchase price resulting from the contingent earn-out payments which were recorded as additional costs of the acquisition and included in goodwill. Goodwill is non amortizing for book purposes, but is deductible for income tax purposes.

12. LITIGATION CHARGE

In 2011, the Company incurred a $10.3 million charge related to litigation that commenced in 2007. Despite winning a jury trial in 2008, a local Massachusetts judge assessed liability against the Company on this matter in 2009, including some injunctive relief. The Company entered into a final settlement agreement, without admitting liability, on February 10, 2012. The charge consists of the cash settlement, certain write downs of machinery and equipment and inventory related to the litigation, and legal fees. Trailing legal and other expenses accounted for an additional $886,000 litigation charge in 2012. In 2013, previously incurred litigation expenses of $502,000 were recovered.

13. SEVERANCE

During Fiscal 2013, certain former executive officers became entitled to severance payments due to the triggering of Change of Control clauses in their employment agreements. These required severance payments could not be paid until Fiscal 2014 due to requirements under Section 409A of the Internal Revenue Code which prohibits certain payments until 6 months after the related Corporate event. As such, payments were funded via a Rabbi Trust in the amount of $3.7 million during Fiscal 2013. These funds were paid to the former officers during Fiscal 2014. An additional $0.3 million for Change of Control-related options buy-outs was also expensed during Fiscal 2013.

14. DISCONTINUED OPERATIONS

On April 30, 2014, the Company completed the sale of the assets of the Stevens Urethane division of its wholly owned subsidiary, JPS Elastomerics Corp., to Argotec LLC. The consideration for the sale consisted of approximately $25 million cash, of which $1.5 million is held in escrow pending any indemnification claims by the purchaser, subject to arbitration. The escrow is expected to be released to JPS in the amounts of $0.5 million and $1 million in January 2015 and August 2015, respectively. Additionally, Argotec LLC will pay to JPS contingent consideration based on a formula related to certain sales occurring during the period from the date of sale until December 31, 2016, not to exceed $3 million. JPS has accounted for the contingent consideration as a gain contingency and as such will not recognize any gain until the consideration is received.

The proceeds of the sale were used to repay the Company's term loan and the outstanding balance on its revolving credit facility. The remainder was used to fund additional contributions to the Company's defined benefit pension plan.

Because Stevens Urethane represented a major line of business and because the operations and cash flow could be clearly distinguished, the sale was treated as a discontinued operation. In the Consolidated Statements of Operations and Comprehensive Income, income (loss) from discontinued operations is reported separately from income and expenses from continuing operations and the prior period is presented on a comparable basis. In the Consolidated Statements of Cash Flows, the cash flows from discontinued

operations are presented separately from cash flows of continuing operations, with the prior period presented on a comparable basis. The results of the discontinued operation are summarized below (in thousands).

	2013	2014
Sales	$ 33,548	$ 13,421
Income (loss) before income taxes	(1,797)	1,643
Income tax (expense) benefit	704	(644)
Net income (loss)	$ (1,093)	$ 999
Gain on sale of Stevens Urethane (net of tax expense of $4,968)	-	$ 7,471

15. SUBSEQUENT EVENTS

In accordance with ASC Topic 855, the Company evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through January 14, 2015, the date the financial statements were available for issuance. The following subsequent event is noted.

On June 9, 2014, the Board of Directors of the Company appointed a Special Committee, consisting of Company Board members Robert J. Capozzi and Alan B. Howe, each of whom is an independent director. The Special Committee was appointed to, among other things, study and determine the strategic alternatives available to the Company and to communicate with Handy & Hardman Ltd. (H&H), an affiliate of Steel Partners Holdings, L.P. ("Steel Partners"), regarding an offer made by H&H to acquire all shares of stock of the Company. On December 10, 2014, Mr. Capozzi and Mr. Howe, in their capacities as Special Committee members, filed a complaint in Delaware Chancery Court against Jack L. Howard and John J. Quicke, each of whom serves on the Company's Board and is affiliated with Steel Partners (the "Delaware Action"). The complaint seeks certain injunctive relief and declaratory relief relating to actions by Mr. Howard and Mr. Quicke and the authority of the Special Committee. The Company is not a party to the Delaware Action and does not expect that the Delaware Action will have a material adverse effect on its financial condition or results of operation.

16. UNAUDITED INTERIM FINANCIAL DATA (in thousands except per share amounts)

The results for each quarter include all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for interim periods. Certain reclassifications as well as re-allocations among quarterly periods have been made for 2013 in order to conform to the current year's presentation. The consolidated financial results on an interim basis are not necessarily indicative of future financial results on either an interim or annual basis. Selected consolidated financial data for each quarter within Fiscal 2013 and Fiscal 2014 are as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Year Ended November 2, 2013:					
Net sales	$ 24,476	$ 39,388	$ 49,648	$ 54,961	$ 168,473
Cost of sales	19,535	32,426	41,859	46,819	140,639
Gross profit	4,941	6,962	7,789	8,142	27,834
Selling, general and administrative expenses, litigation charge, severance, and other income/expense	4,484	4,809	7,705	3,736	20,734
Operating profit (loss)	457	2,153	84	4,406	7,100
Interest expense, net	312	308	325	320	1,265
Income (loss) before income taxes	145	1,845	(241)	4,086	5,835
Provision (benefit) for income taxes	47	676	(113)	2,085	2,695
Income (loss) from continuing ops	98	1,169	(128)	2,001	3,140
Income (loss) from discontinued operations (net of taxes)	260	528	824	(2,705)	(1,093)
Net Income	$ 358	$ 1,697	$ 696	$ (704)	$ 2,047
Diluted earnings (loss) per common share	$ 0.12	$ 0.22	$ 0.11	$ (0.25)	$ 0.20

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Year Ended November 1, 2014:					
Net sales	$ 35,033	$ 43,856	$ 43,531	$ 40,421	$ 162,841
Cost of sales	29,462	36,249	36,373	32,151	134,235
Gross profit	5,571	7,607	7,158	8,270	28,606
Selling, general and administrative expenses, severance, and other income/expense	4,427	4,335	4,683	5,093	18,538
Operating profit (loss)	1,144	3,272	2,475	3,177	10,068
Interest expense, net	236	206	93	95	630
Income (loss) before income taxes	908	3,066	2,382	3,082	9,438
Provision (benefit) for income taxes	325	1,137	877	1,560	3,899
Income (loss) from continuing ops	583	1,929	1,505	1,522	5,539
Discontinued Operations (net of taxes)					
Gain on Sale	0	7,471	0	0	7,471
Income from disc ops	562	437	0	0	999
Net Income	$ 1,145	$ 9,837	$ 1,505	$ 1,521	$ 14,009
Diluted earnings (loss) per common share	$ 0.11	$ 0.95	$ 0.14	$ 0.14	$ 1.34

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

STEEL PARTNERS II LIQUIDATING SERIES TRUST

December 31, 2014

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Independent Auditor’s Report

To the Trustees and the Beneficiaries of
Steel Partners II Liquidating Series Trust

We have audited the accompanying financial statements of Steel Partners II Liquidating Series Trust, which comprise the statement of assets and liabilities, including the schedule of investments, as of December 31, 2014, and the related statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Steel Partners II Liquidating Series Trust as of December 31, 2014, and the results of its operations, changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

New York, New York
March 5, 2015

Steel Partners II Liquidating Series Trust
Statement of Assets and Liabilities
December 31, 2014
(Expressed in U.S. dollars)

ASSETS

	Series D	Series G	Series H	Series I	Total
Investments, at fair value (cost $15,241,098)	$ —	$ 15,362,229	$ 3,324,019	$ —	$ 18,686,248
Cash and cash equivalents	—	79,364	2,946,238	—	3,025,602
Redemption receivable	—	—	83,732	—	83,732
Restricted cash	—	125,463	74,535	—	199,998
Total assets	$ —	$ 15,567,056	$ 6,428,524	$ —	$ 21,995,580

LIABILITIES AND NET ASSETS

	Series D	Series G	Series H	Series I	Total
Accrued expenses & other liabilities	$ —	$ —	$ —	$ —	$ —
Total liabilities	—	—	—	—	—
Total net assets	$ —	$ 15,567,056	$ 6,428,524	$ —	$ 21,995,580

The accompanying notes are an integral part of this statement

Steel Partners II Liquidating Series Trust
Schedule of Investments
December 31, 2014
(Expressed in U.S. dollars)

Principal/ Shares	Series	Cost	Fair Value	Percentage of Series Net Assets
	Series G			
	Limited Partnership - Asia			
	Steel Partners China Access I L.P.	$ 11,847,718	$ 15,362,229	98.7%
	Total	11,847,718	15,362,229	98.7%
	Total investments	$ 11,847,718	$ 15,362,229	98.7%
	Series H			
	Limited Partnership - Asia			
349,300	Aderans Co Ltd	$ 3,393,380	$ 3,324,019	51.7%
	Total	3,393,380	3,324,019	51.7%
	Total investments	$ 3,393,380	$ 3,324,019	51.7%
	All series total investments	$ 15,241,098	$ 18,686,248	

The accompanying notes are an integral part of this statement

Steel Partners II Liquidating Series Trust
Statement of Operations
Year ended December 31, 2014
(Expressed in U.S. dollars)

	Series D	Series G	Series H	Series I	Total
Net realized and unrealized gain (loss) from investment transactions					
Realized loss from investments and foreign currency translation	$ (47,269,354)	$ —	$ (5,828,289)	$ —	$ (53,097,643)
Change in unrealized gain (loss) from investments and foreign currency translation	47,269,354	2,438,963	5,538,650	—	55,246,967
Total net realized and unrealized gain (loss) from investment transactions and foreign currency translation	—	2,438,963	(289,639)	—	2,149,324
Investment income					
Interest	151	40	398	—	589
Total investment income	151	40	398	—	589
Expenses					
Taxes	—	—	—	—	—
Professional fees	6,685	61,877	43,475	—	112,037
Total expenses	6,685	61,877	43,475	—	112,037
Net investment loss	(6,534)	(61,837)	(43,077)	—	(111,448)
Net income (loss)	$ (6,534)	$ 2,377,126	$ (332,716)	$ —	$ 2,037,876

The accompanying notes are an integral part of this statement

Steel Partners II Liquidating Series Trust
Statement of Changes in Net Assets
Year ended December 31, 2014

(Expressed in U.S. dollars)

	Series D	Series G	Series H	Series I	Total
Increase (decrease) in net assets from operations					
Realized loss from investments and foreign currency translation	$ (47,269,354)	$ —	$ (5,828,289)	$ —	$ (53,097,643)
Change in unrealized gain (loss) from investments and foreign currency translation	47,269,354	2,438,963	5,538,650	—	55,246,967
Net investment loss	(6,534)	(61,837)	(43,077)	—	(111,448)
Net increase (decrease) in net assets from operations	(6,534)	2,377,126	(332,716)	—	2,037,876
Decrease in net assets from capital transactions					
Distributions	(1,152,303)	—	(2,268,000)	—	(3,420,303)
Net decrease in net assets from capital transactions	(1,152,303)	—	(2,268,000)	—	(3,420,303)
Net increase (decrease) in net assets	(1,158,837)	2,377,126	(2,600,716)	—	(1,382,427)
Net assets at the beginning of year	1,158,837	13,189,930	9,029,240	—	23,378,007
Net assets at the end of year	$ —	$ 15,567,056	$ 6,428,524	$ —	$ 21,995,580

The accompanying notes are an integral part of this statement

Steel Partners II Liquidating Series Trust
Statement of Cash Flows
Year ended December 31, 2014
(Expressed in U.S. dollars)

	Series D	Series G	Series H	Series I	Total
Cash flows from operating activities					
Net income (loss) from operations	$ (6,534)	$ 2,377,126	$ (332,716)	$ —	$ 2,037,876
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Realized loss from investments and foreign currency translation	47,269,354	—	5,828,289	—	53,097,643
Change in net unrealized (gain) loss from investments and foreign currency translation	(47,269,354)	(2,438,963)	(5,538,650)	—	(55,246,967)
Proceeds, distribution from investment	—	—	2,883,189	—	2,883,189
Changes in assets and liabilities:					—
Change in restricted cash	58,469	(34,708)	(23,760)	—	1
Change in redemption receivable	—	—	(83,732)	—	(83,732)
Change in accrued expenses & other liabilities	—	—	(648)	(33,127)	(33,775)
Net cash provided by (used in) operating activities	51,935	(96,545)	2,731,972	(33,127)	2,654,235
Cash flows from financing activities					
Capital Distributions	(1,152,303)	—	(2,268,000)	—	(3,420,303)
Net cash used in financing activities	(1,152,303)	—	(2,268,000)	—	(3,420,303)
Net change in cash and cash equivalents	(1,100,368)	(96,545)	463,972	(33,127)	(766,068)
Cash and Cash Equivalents, December 31, 2013	1,100,368	175,909	2,482,266	33,127	3,791,670
Cash and Cash Equivalents, December 31, 2014	$ —	$ 79,364	$ 2,946,238	$ —	$ 3,025,602

The accompanying notes are an integral part of this statement

NOTE A - ORGANIZATION

Steel Partners II Liquidating Series Trust (the "Trust"), a Delaware statutory trust, was formed and commenced operations on July 15, 2009. The purpose of the Trust is to effect the orderly liquidation of certain assets previously held by Steel Partners II, L.P. ("SPII") in connection with the withdrawal of the limited partners of Steel Partners II (Onshore) L.P. (the "Onshore Fund").

The Trust is divided into Series A through I (each a "Series"). Each Series is separate and distinct with respect to its assets, liabilities and net assets. Each individual Series has no liability or claim with respect to the liabilities or assets, respectively, of the other Series. Each Series shares in the costs, assets and liabilities, if any, that are not specifically attributable to a particular Series.

Steel Partners II GP LLC is the liquidating trustee (the "Liquidating Trustee"). CSC Trust Company of Delaware ("CSC") is the Delaware trustee whose responsibilities are generally limited to providing certain services in connection with the administration of the Trust including custody of cash and cash equivalents. Until December 31, 2011 Steel Partners LLC ("SPLLC") was the investment manager of the Trust (the "Investment Manager"). Effective December 31, 2011 SP General Services LLC ("SPGS") an affiliate of SPLLC became the investment manager. The Liquidating Trustee and SPGS are under common control. The Liquidating Trustee and SPLLC were under common control until December 31, 2011.

On July 15, 2009, SPII contributed $243,832,751 of non-cash assets and $39,235,001 of cash to the Trust and became the initial beneficiary of each Series. In connection with the full withdrawal of the limited partners of the Onshore Fund on July 15, 2009, 56.25% of the beneficial interests of each Series were transferred to certain of the withdrawing limited partners, and SPII retained 43.75% of the beneficial interests of each Series. SPII held certain assets of the Trust for the benefit of the Trust as its nominee until such assets could be assigned to the Trust. As of December 31, 2009, SPII held no assets on behalf of the Trust. The Investment Manager serves as the manager of SPII and its parent, Steel Partners Holdings L.P. ("SPH"). SPII is a wholly owned subsidiary of SPH.

Pursuant to the Declaration of Trust, the term of the Trust was for a three year period from July 15, 2009. If the Trust property (as defined in the Declaration of Trust) has not been fully distributed to its beneficiaries, then the Liquidating Trustee may elect for the expiration of the three year anniversary not to be an event of dissolution and remain in existence for up to two successive one year periods, or such longer period as may be reasonably necessary to liquidate and distribute the assets in-kind. The Liquidating Trustee has elected for the Trust to remain in existence through July 15, 2015.

In December 2009 Series F was terminated. In February 2010 Series C was terminated. In December 2010 Series A and E were terminated. In October 2013 Series B was terminated. In December 2014 Series D and I were terminated.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP ”). The following are the significant accounting policies adopted by the Trust:

Cash and Cash Equivalents and Restricted Cash

All cash and cash equivalents are maintained by CSC in money-market funds held with an internationally recognized institutional fund. Restricted cash collateralizes certain indemnification undertakings of the Trust to CSC and is also maintained in the same money-market funds.

Use of Estimates

The preparation of financial statements in accordance with US GAAP requires the Trust management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from the estimates and differences may be material.

Investments and Income

Transactions and related revenues and expenses are recorded on a trade-date basis. Interest and dividend income are accrued as earned.

Taxation

The Trust is treated as a grantor trust for all federal, state and local tax purposes. Accordingly, no provision for income taxes has been made since all items of gain, loss, income and expense are allocable to the beneficiaries for inclusion in their respective income tax returns.

In accordance with the Financial Accounting Standards Board (“FASB”) rules on Accounting for Uncertainty in Income Taxes, a tax position can be recognized in the financial statements only when it is more likely than not that the position will be sustained upon examination by the relevant taxing authority based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized upon settlement. A liability is established for differences between positions taken in tax returns and amounts recognized in the financial statements.

As of December 31, 2014, the Trust has recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions. The Trust is not aware of any tax positions for which it is reasonably possible that the total amounts of the unrecognized tax benefits will significantly change in the next twelve months.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)

The Trust files grantor trust tax returns for federal and state purposes. The statute of limitation remains open to examine the Trust's tax returns filed for the tax period ended December 31, 2011 through the year ended December 31, 2014. To date, no examinations are in progress.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into United States dollars at the exchange rates prevailing at the reporting date. Foreign currency transactions are translated at the rate in effect at the date of the transaction. Realized foreign exchange gains and losses arising from the sale of foreign currency investments (if any) are recorded within realized gain (loss) from investments and foreign currency translation included in the statement of operations. Unrealized foreign exchange gains and losses arising from changes in the value of investments relating to changes in exchange rates are included within change in unrealized gain (loss) from investments and foreign currency translation in the statement of operations. Realized gains (losses) in foreign currency transactions from the translation of assets and liabilities other than investments are included within realized gain (loss) - in the statement of operations.

NOTE C - NEW ACCOUNTING PRONOUNCEMENTS

In April 2013, the FASB issued Accounting Standards Update 2013-07, "Presentation of Financial Statements - Liquidation Basis of Accounting," which contains guidance on applying the liquidation basis of accounting and the related disclosure requirements. Under the ASU, an entity must use the liquidation basis of accounting to present its financial statements when it determines that liquidation is imminent, unless the liquidation is the same as that under the plan specified in an entity's governing documents created at its inception. Liquidation is imminent when the likelihood is remote that the entity will return from liquidation and either (a) a plan for liquidation is approved by the person or persons with the authority to make such a plan effective or (b) a plan for liquidation is being imposed by other forces. The amendments require financial statements prepared using the liquidation basis of accounting to present relevant information about an entity's expected resources in liquidation by measuring and presenting assets at the amount of the expected cash proceeds from liquidation. These amendments are effective for entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013, and interim reporting periods therein. Entities should apply the requirements prospectively from the day that liquidation becomes imminent. The provisions of ASU 2013-07 are not expected to have a material impact on Trust's financial statements.

NOTE D - ALLOCATION OF NET INCOME OR LOSS

The net income or loss for each Series is allocated among the beneficiaries in proportion to their respective beneficial interests.

NOTE E - RELATED PARTY TRANSACTIONS

The Liquidating Trustee and the Investment Manager receive no compensation with respect to the services each provides to the Trust. The Liquidating Trustee and the Investment Manager are reimbursed for any expenses incurred by or paid on behalf of the Trust and are reimbursed for all costs and expenses they incur in connection with the services they provide to the Trust. The total for expenses paid by the Investment Manager on behalf of the Trust is $96,835 for the year ended December 31, 2014.

Officers of the Investment Manager and employees of its affiliates hold executive level positions and/or board memberships in certain of the Trusts' investments. Refer to Note F, *Investments and Other Matters*, for details of related party transactions attributable to specific trusts.

NOTE F - INVESTMENTS AND OTHER MATTERS

Series D

At December 31, 2012, Series D owned 72,236 shares of Fox & Hound Acquisition Corp. ("F&H") common stock. On March 19, 2012, SPH, along with others, participated in a $25 million capital raise by F&H as a result of a rights issue. Due to the terms of its declaration of trust and lack of capital, the Trust did not participate in the capital raise. As a result the fair value of its investment in F&H was significantly diluted, as it was for all non-participating shareholders. The effect of this dilution reduced the Trust's ownership of F&H equity from 48.7% to 0.3% and, accordingly, reduced the value of its investment in F&H.

On December 15, 2013, F&H applied for relief under the provisions of Chapter 11 of title 11 of the United States Code with the United States Bankruptcy Court for the District of Delaware.

On February 7, 2014, F&H entered into an Asset Purchase Agreement (the "APA") with Cerberus Business Finance LLC ("Cerberus"), in its capacity as agent on behalf of certain lenders affiliated with Cerberus under the F&H second lien credit agreement. The transactions contemplated by the Asset Purchase Agreement closed on March 12, 2014. Pursuant to the terms of the Asset Purchase Agreement, F&H Acquisition sold to Cerberus or its designee(s) substantially all of F&H's assets. The purchase price consisted of a combination of cash, the assumption of certain debt and certain liabilities, and the crediting of second lien debt held by the lenders affiliated with Cerberus. At the conclusion of the bankruptcy process, however, the Company does not anticipate that it will receive a distribution. On June 26, 2014 Series D distributed on a pro rata basis to its beneficiaries $1,152,303 of cash.

NOTE F - INVESTMENTS AND OTHER MATTERS (continued)

Series G

At December 31, 2014, Series G held an investment in Steel Partners China Access I L.P. (the “China Fund”), a limited partnership which is co-managed by certain affiliates of the Investment Manager whose objective is to achieve capital appreciation with respect to its stake in Mudanjiang HengFeng Paper Company Ltd (“HengFeng”), a Chinese listed company. At December 9, 2014 the China Fund sold all of its shares in HengFeng and held the cash proceeds in China as of December 31, 2014. The investment fund held by Series G ended its investment period in May 2009. During the year ended December 31, 2014, Series G recorded an unrealized gain of $2,438,963 on its investment, which is included within change in unrealized gain (loss) from investments and foreign currency translation in the statement of operations.

Series H

Series H had an investment in Steel Partners Japan Strategic Fund, L.P. (“SPJ”), a limited partnership which is co-managed by certain affiliates of the Investment Manager. On June 26, 2014 Series H distributed on a pro rata basis to its beneficiaries $2,268,000 of cash.

During the year ended December 31, 2014, Series H recorded a net realized and unrealized loss of $289,639 on its investment and is included within the net realized and unrealized gain (loss) from investment transactions and foreign currency translation in the statement of operations. On October 1, 2014 SPJ distributed cash in the amount of $1,857,415 to Series H. SPJ issued its final liquidating NAV as of November 30, 2014 and December 24, 2014 issued a full withdrawal notification. The proceeds from the full withdrawal in SPJ totaled $4,419,153 and were comprised of $1,025,774 (subject to a holdback of $83,732 to be distributed upon completion of SPJ’s liquidation audit and $942,042 which was distributed by SPJ December 31, 2014) and a distribution in kind of 349,300 shares of Aderans Co Ltd.

Series I

At December 31, 2012, Series I owned 44.49% of the outstanding membership interests (the "Units"), of California Waste Services, LLC, a California limited liability company (“CWS"); and two promissory notes in the principal amount of $1,284,697 and $1,253,008, respectively, made by CWS (the “CWS Notes”). In addition, Series I held an interest in a promissory note in the principal amount of $2,526,116 issued by Amcast Industrial Corporation (the “Amcast Note”). On April 29, 2013 Series I sold its interests in the CWS Units and Notes and the Amcast Note to Steel Partners, Ltd., in which officers of SPH have ownership interests. Consideration for the sale was a cash payment of $125,108, which represented the fair value of the interests at the date of sale. On June 19, 2013 Series I distributed to its beneficiaries on a pro rata basis $1,745,631 of cash.

NOTE G - FAIR VALUE MEASUREMENTS

The Trust's investments are carried at fair value pursuant to ASC 946 "Financial Services - Investment Companies." The Trust complies with ASC 820 "Fair Value Measurement," which 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 Trust. Unobservable inputs are inputs that reflect the Trust's assumptions about the factors market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 are listed equities.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments in this category include investments in private companies.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The Trust employs various methods within the market approach, income approach and/or cost approach and has also considered whether there were observable inputs. Certain discounts and other judgment factors were applied to arrive at the investments' fair value. The Trust's private investments are valued utilizing unobservable pricing inputs. The Trust's determination of fair value is based upon the best information available for a given circumstance and may incorporate assumptions that are management's best estimates after consideration of a variety of internal and external factors. The valuation methodology applied for each is determined based on the nature of the investment.

NOTE G - FAIR VALUE MEASUREMENTS (continued)

For private equity investments a market multiples approach that considers a specified financial measure (such as EBITDA) and recent public market and private transactions and other available measures for valuing comparable companies may be used. A discounted cash flow approach may be used where significant assumptions and judgments are incorporated, including estimates of assumed growth rates, terminal values, discount rates, capital structure and other factors. For private debt investments, the valuation method considers comparable market yields for such instruments and recovery assumptions. The Trust may utilize observable pricing inputs and assumptions in determining the fair value of its private investments. Observable and unobservable pricing inputs and assumptions may differ by investment and in the application of the valuation methodologies. The reported fair value estimates could vary materially if different unobservable pricing inputs and other assumptions were used.

A fair value memo for each of the Trusts' investment is prepared by the analyst or designees who monitor each investment. Once completed they are reviewed and then approved by the valuation committee which is comprised of the CEO, President and CFO of the liquidating Trustee.

At December 31, 2014, all investments held by Series H are Level 1 investments, and all investments held by Series G are Level 3 investments.

NOTE G - FAIR VALUE MEASUREMENTS (continued)

The changes in investments at fair value for which the Trust used Level 3 inputs to determine fair value are as follows for the year ended December 31, 2014:

	Series D	Series G	Series H	Total
Balance, January 1, 2014	$ —	$ 12,923,267	$ 6,496,847	$ 19,420,114
Change in unrealized gain (loss) from investments and foreign currency translation	47,269,354	2,438,962	5,611,011	55,319,327
Realized loss from investments and foreign currency translation	(47,269,354)	—	(5,828,289)	(53,097,643)
Transfer to Level 1			(3,393,380)	(3,393,380)
Sales	—	—	(2,886,189)	(2,886,189)
Balance, December 31, 2014	$ —	$ 15,362,229	$ —	$ 15,362,229
Changes in unrealized gain (loss) from investments held at December 31, 2014	$ —	$ 2,438,962	$ —	$ 2,438,962

The net change in unrealized gain (loss) from investments for the year ended December 31, 2014, was $55,319,327 and is included in the change in unrealized gain (loss) from investments and foreign currency translation in the statement of operations.

NOTE G - FAIR VALUE MEASUREMENTS (continued)

Significant Unobservable Inputs

The following table summarizes the significant unobservable inputs in the fair value measurements of our Level 3 investments by category of investment and valuation technique as of December 31, 2014:

Quantitative Information about Level 3 Fair Value Measurements

Investment	Fair Value as of December	Valuation Technique	Unobservable Input	Weighted Average
Series G	15,362,229	NAV*	n/a	n/a
Total investments, at fair value	$ 15,362,229			

*The fair values for the investments held by Series G has been estimated using the net asset value of such interests as reported by the respective investment fund.

NOTE H - RISK MANAGEMENT

The Trust is exposed to a variety of risks, including but not limited to, market risk, concentration and credit risk and liquidity risk. Due to the nature of the Trust and its purpose, its ability to manage these risks is limited to its ability to manage, to the extent possible, the investments it holds until they may be sold. All cash as of December 31, 2014 is held such that it is not subject to federal deposit insurance.

NOTE I - SUBSEQUENT EVENTS

The Trust has evaluated events and transactions that have occurred since December 31, 2014 through March 5, 2015, the date the financial statements were available for issuance and has determined the following subsequent events:

At January 13, 2015 the Liquidating Trustee liquidated its position in Aderans for cash.

At January 26, 2015 the manager issued a communication to investors notifying them that Series H would be distributed and full, making this the final distribution.

EXHIBIT 99.7

ModusLink Global Solutions, Inc.

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
ModusLink Global Solutions, Inc.
Waltham, Massachusetts

We have audited the accompanying consolidated balance sheet of ModusLink Global Solutions, Inc. as of July 31, 2014 and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ModusLink Global Solutions, Inc. at July 31, 2014, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), ModusLink Global Solutions, Inc.'s internal control over financial reporting as of July 31, 2014, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated October 14, 2014 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
Boston, Massachusetts
October 14, 2014

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
ModusLink Global Solutions, Inc.:

We have audited the accompanying consolidated balance sheet of ModusLink Global Solutions, Inc. and subsidiaries as of July 31, 2013, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the years in the two-year period ended July 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of ModusLink Global Solutions, Inc. and subsidiaries as of July 31, 2013, and the results of their operations and their cash flows for each of the years in the two-year period ended July 31, 2013, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP
Boston, Massachusetts
October 15, 2013

MODUSLINK GLOBAL SOLUTIONS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	July 31, 2014	July 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 183,515	$ 77,916
Trading securities	22,793	—
Accounts receivable, trade, net of allowance for doubtful accounts of $63 and $64 at July 31, 2014 and July 31, 2013, respectively	123,948	142,098
Inventories	65,269	61,322
Prepaid expenses and other current assets	10,243	9,750
Total current assets	405,768	291,086
Property and equipment, net	25,126	34,290
Investments in affiliates	7,172	7,970
Goodwill	3,058	3,058
Other intangible assets, net	667	1,764
Other assets	9,855	5,528
Total assets	$ 451,646	$ 343,696
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 105,045	$ 110,148
Accrued restructuring	2,246	4,670
Accrued expenses	39,544	34,748
Other current liabilities	51,759	26,865
Total current liabilities	198,594	176,431
Long-term portion of accrued restructuring	39	494
Notes payable	73,391	—
Other long-term liabilities	8,004	9,866
Long-term liabilities	81,434	10,360
Total liabilities	280,028	186,791
Commitments and contingencies (Notes 8 and 10)	—	—
Stockholders' equity:		
Preferred stock, $0.01 par value per share. Authorized 5,000,000 shares; zero issued or outstanding shares at July 31, 2014 and July 31, 2013	—	—
Common stock, $0.01 par value per share. Authorized 1,400,000,000 shares; 52,100,763 issued and outstanding shares at July 31, 2014; 51,575,893 issued and outstanding shares at July 31, 2013	521	516
Additional paid-in capital	7,450,541	7,419,806
Accumulated deficit	(7,293,412)	(7,277,130)
Accumulated other comprehensive income	13,968	13,713
Total stockholders' equity	171,618	156,905
Total liabilities and stockholders' equity	$ 451,646	$ 343,696

The accompanying notes are an integral part of these consolidated financial statements.

MODUSLINK GLOBAL SOLUTIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Years Ended July 31,		
	2014	2013	2012
Net revenue	$ 723,400	$ 754,504	$ 713,947
Cost of revenue	648,675	680,134	645,388
Gross profit	74,725	74,370	68,559
Operating expenses			
Selling, general and administrative	72,020	86,972	94,737
Amortization of intangible assets	1,097	1,133	1,139
Impairment of long-lived assets	500	—	1,128
Restructuring, net	6,557	14,497	6,416
Total operating expenses	80,174	102,602	103,420
Operating loss	(5,449)	(28,232)	(34,861)
Other income (expense):			
Interest income	382	300	380
Interest expense	(5,009)	(612)	(373)
Other gains (losses), net	(50)	(2,642)	14,390
Impairment of investments in affiliates	(1,420)	(2,750)	(2,864)
Total other income (expense)	(6,097)	(5,704)	11,533
Loss from continuing operations before income taxes	(11,546)	(33,936)	(23,328)
Income tax expense	4,682	3,779	3,035
Equity in losses of affiliates, net of tax	134	1,615	1,245
Loss from continuing operations	(16,362)	(39,330)	(27,608)
Discontinued operations, net of income taxes:			
Income (loss) from discontinued operations	80	(1,025)	(10,500)
Net loss	$ (16,282)	$ (40,355)	$ (38,108)
Net loss per share—basic and diluted:			
Loss from continuing operations	$ (0.32)	$ (0.84)	$ (0.63)
Loss from discontinued operations	—	(0.02)	(0.24)
Net loss	$ (0.32)	$ (0.86)	$ (0.87)
Weighted average common shares outstanding—basic and diluted	51,582	46,654	43,565

The accompanying notes are an integral part of these consolidated financial statements.

MODUSLINK GLOBAL SOLUTIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)

	Years Ended July 31,		
	2014	2013	2012
Net loss	$ (16,282)	$ (40,355)	$ (38,108)
Other comprehensive income:			
Foreign currency translation adjustment	74	3,057	(10,650)
Pension liability adjustments, net of tax	166	(831)	(3,545)
Net unrealized holding gain on securities, net of tax	15	46	—
Other comprehensive income (loss)	255	2,272	(14,195)
Comprehensive loss	$ (16,027)	$ (38,083)	$ (52,303)

The accompanying notes are an integral part of these consolidated financial statements.

MODUSLINK GLOBAL SOLUTIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)

	Number of Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance at July 31, 2011	43,829,097	$ 438	$ 7,387,135	$ (7,198,667)	$ 25,636	$ 214,542
Net loss				(38,108)		(38,108)
Issuance of common stock pursuant to employee stock purchase plan and stock option exercises	45,977	—	91	—	—	91
Restricted stock grants	217,359	2	(2)	—	—	—
Restricted stock forfeitures	(165,811)	(1)	(187)	—	—	(188)
Share-based compensation	—	—	2,990	—	—	2,990
Other comprehensive items	—	—	—	—	(14,195)	(14,195)
Balance at July 31, 2012	43,926,622	439	7,390,027	(7,236,775)	11,441	165,132
Net loss				(40,355)		(40,355)
Issuance of common stock to Steel Partners Holdings, L.P., net of transaction costs of $2.3 million	7,500,000	75	27,600	—	—	27,675
Issuance of common stock pursuant to employee stock purchase plan and stock option exercises	11,986	—	31	—	—	31
Restricted stock grants	278,220	3	(3)	—	—	—
Restricted stock forfeitures	(140,935)	(1)	(157)	—	—	(158)
Share-based compensation	—	—	2,308	—	—	2,308
Other comprehensive items	—	—	—	—	2,272	2,272
Balance at July 31, 2013	51,575,893	516	7,419,806	(7,277,130)	13,713	156,905
Net loss				(16,282)	—	(16,282)
Equity portion of convertible senior notes	—	—	27,163	—	—	27,163
Issuance of common stock pursuant to employee stock purchase plan and stock option exercises	354,711	3	1,365	—	—	1,368
Restricted stock grants	184,130	2	(2)	—	—	—
Restricted stock forfeitures	(13,971)	—	(45)	—	—	(45)
Share-based compensation	—	—	2,254	—	—	2,254
Other comprehensive items	—	—	—	—	255	255
Balance at July 31, 2014	52,100,763	$ 521	$ 7,450,541	$ (7,293,412)	$ 13,968	$ 171,618

The accompanying notes are an integral part of these consolidated financial statements.

MODUSLINK GLOBAL SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

	Years Ended July 31,		
	2014	2013	2012
Cash flows from operating activities of continuing operations:			
Net loss	$ (16,282)	$ (40,355)	$ (38,108)
Income (loss) from discontinued operations	80	(1,025)	(10,500)
Loss from continuing operations	(16,362)	(39,330)	(27,608)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by (used in) operating activities of continuing operations:			
Depreciation	13,179	14,118	13,920
Amortization of intangible assets	1,097	1,133	1,139
Amortization of deferred financing costs	1,255	353	—
Accretion of debt discount	1,489	—	—
Impairment of long-lived assets	500	—	1,128
Share-based compensation	2,254	2,308	2,990
Non-operating losses, net	50	2,642	(14,390)
Equity in losses of affiliates and impairments	1,554	4,365	4,109
Changes in operating assets and liabilities:			
Trade accounts receivable, net	17,698	8,583	(9,783)
Inventories	(4,403)	22,434	(18,084)
Prepaid expenses and other current assets	(511)	2,356	(2,328)
Accounts payable, accrued restructuring and accrued expenses	(2,513)	(5,851)	8,800
Refundable and accrued income taxes, net	(311)	(3,652)	(5,766)
Other assets and liabilities	(4,837)	(1,478)	7,560
Net cash provided by (used in) operating activities of continuing operations	10,139	7,981	(38,313)
Cash flows from investing activities of continuing operations:			
Additions to property and equipment	(4,489)	(7,296)	(11,118)
Proceeds from the disposition of the TFL business, net of transaction costs of $81	—	1,269	—
Proceeds from the sale of available-for-sale securities	—	96	—
Proceeds from the sale of equity investments in affiliates	—	207	24
Purchase of trading securities	(395)	—	—
Investments in affiliates	(756)	(1,712)	(2,912)
Net cash used in investing activities of continuing operations	(5,640)	(7,436)	(14,006)
Cash flows from financing activities of continuing operations:			
Payment of deferred financing costs	(628)	(1,416)	—
Repayments on capital lease obligations	(130)	(60)	(124)
Proceeds from revolving line of credit	5,127	—	10,000
Repayments of revolving line of credit	(674)	—	(10,000)
Proceeds from issuance of common stock to Steel Partners Holdings, L.P., net of transaction costs of $2,325	—	27,675	—
Proceeds from issuance of common stock	1,368	—	91
Proceeds from issuance of convertible notes, net of transaction costs of $3,430	96,570	—	—
Repurchase of common stock	—	(158)	(188)
Net cash provided by (used in) financing activities of continuing operations	101,633	26,041	(221)
Cash flows from discontinued operations:			
Operating cash flows	(324)	(1,645)	(1,126)
Investing cash flows	—	—	(446)
Net cash used in discontinued operations	(324)	(1,645)	(1,572)
Net effect of exchange rate changes on cash and cash equivalents	(209)	606	(4,744)
Net increase (decrease) in cash and cash equivalents	105,599	25,547	(58,856)
Cash and cash equivalents at beginning of period	77,916	52,369	111,225
Cash and cash equivalents at end of period	$ 183,515	$ 77,916	$ 52,369

The accompanying notes are an integral part of these consolidated financial statements.

(1) NATURE OF OPERATIONS

ModusLink Global Solutions, Inc. (together with its consolidated subsidiaries, "ModusLink Global Solutions" or the "Company"), through its wholly owned subsidiaries, ModusLink Corporation ("ModusLink") and ModusLink PTS, Inc. ("ModusLink PTS"), is a leader in global supply chain business process management serving clients in markets such as consumer electronics, communications, computing, medical devices, software, and retail. The Company designs and executes critical elements in its clients' global supply chains to improve speed to market, product customization, flexibility, cost, quality and service. These benefits are delivered through a combination of industry expertise, innovative service solutions, integrated operations, proven business processes, expansive global footprint and world-class technology.

The Company has an integrated network of strategically located facilities in various countries, including numerous sites throughout North America, Europe and Asia. The Company previously operated under the names CMGI, Inc. and CMG Information Services, Inc. and was incorporated in Delaware in 1986.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements reflect the application of certain significant accounting policies described below.

Principles of Consolidation

The accompanying consolidated financial statements of the Company include the results of its wholly-owned and majority-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. The Company accounts for investments in businesses in which it owns between 20% and 50% of the voting interest using the equity method, if the Company has the ability to exercise significant influence over the investee company. All other investments over which the Company does not have the ability to exercise significant influence, or for which there is not a readily determinable market value, are accounted for under the cost method of accounting.

Reclassification

Certain reclassifications have been made to prior periods to conform with current reporting. On the Statements of Operations the Equity in losses of affiliates are classified after the Loss from continuing operations before income taxes.

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis the Company evaluates its estimates including those related to revenue recognition, allowance for doubtful accounts, inventories, fair value of its trading and available-for-sale securities, intangible assets, income taxes, restructuring, valuation of long-lived assets, impairments, contingencies, restructuring charges, litigation and the fair value of stock options and share bonus awards granted under the Company's stock based compensation plans. Accounting estimates are based on historical experience and various assumptions that are considered reasonable under the circumstances. However, because these estimates inherently involve judgments and uncertainties, actual results could differ materially from those estimated.

Revenue Recognition

The Company's revenue primarily comes from the sale of supply chain management services to our clients. Amounts billed to clients under these arrangements include revenue attributable to the services performed as well as for materials procured on our clients' behalf as part of our service to them. Other sources of revenue include the sale of products and other services. Revenue is recognized for services when the services are performed and for product sales when the products are shipped or in certain cases when products are built and title had transferred, if the client has also contracted with us for warehousing and/or logistics services for a separate fee, assuming all other applicable revenue recognition criteria are met.

The Company recognizes revenue in accordance with the provisions of the Accounting Standards Codification ("ASC") Topic 605, "Revenue Recognition" ("ASC Topic 605"). Specifically, the Company recognizes revenue when persuasive evidence of an arrangement exists, title and risk of loss have passed or services have been rendered, the sales price is fixed or determinable and collection of the related receivable is reasonably assured. The Company's shipping terms vary by

client and can include FOB shipping point, which means that risk of loss passes to the client when it is shipped from the Company's location, as well as other terms such as ex-works, meaning that title and risk of loss transfer upon delivery of product to the customer's designated carrier. The Company also evaluates the terms of each major client contract relative to a number of criteria that management considers in making its determination with respect to gross versus net reporting of revenue for transactions with its clients. Management's criteria for making these judgments place particular emphasis on determining the primary obligor in a transaction and which party bears general inventory risk. The Company records all shipping and handling fees billed to clients as revenue, and related costs as cost of sales, when incurred.

The Company applies the provisions of ASC Topic 985, "Software" ("ASC Topic 985"), with respect to certain transactions involving the sale of software products by our e-Business operations.

The Company also follows the guidance of ASC Topic 605 for determining whether an arrangement involving more than one deliverable contains more than one unit of accounting and how the arrangement consideration should be measured and allocated to the separate units of accounting. Under this guidance, when vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, a best estimate of the selling price is required to separate deliverables and allocate arrangement consideration using the relative selling price method. For those contracts which contain multiple deliverables, management must first determine whether each service, or deliverable, meets the separation criteria. In general, a deliverable (or a group of deliverables) meets the separation criteria if the deliverable has standalone value to the client. Each deliverable that meets the separation criteria is considered a "separate unit of accounting." Management allocates the total arrangement consideration to each separate unit of accounting based on the relative selling price of each separate unit of accounting. After the arrangement consideration has been allocated to each separate unit of accounting, management applies the appropriate revenue recognition method for each separate unit of accounting as described previously based on the nature of the arrangement. In general, revenue is recognized upon completion of the last deliverable. All deliverables that do not meet the separation criteria are combined into one unit of accounting and the appropriate revenue recognition method is applied.

Foreign Currency Translation

All assets and liabilities of the Company's foreign subsidiaries, whose functional currency is the local currency, are translated to U.S. dollars at the rates in effect at the balance sheet date. All amounts in the Consolidated Statements of Operations are translated using the average exchange rates in effect during the year. Resulting translation adjustments are reflected in the accumulated other comprehensive income (loss) component of stockholders' equity. Settlement of receivables and payables in a foreign currency that is not the functional currency result in foreign currency transaction gains and losses. Foreign currency transaction gains and losses are included in "Other gains (losses), net" in the Consolidated Statements of Operations.

Cash, Cash Equivalents and Short-term Investments

The Company considers all highly liquid investments with original maturities of 90 days or less at the time of purchase to be cash equivalents. Investments with maturities greater than 90 days to twelve months at the time of purchase are considered short-term investments. Cash and cash equivalents consisted of the following:

	July 31,	
	2014	**2013**
	(In thousands)	
Cash and bank deposits	$ 32,889	$ 77,916
Money market funds	150,626	—
	$ 183,515	$ 77,916

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, current liabilities and the revolving line of credit approximate fair value because of the short maturity of these instruments. The carrying value of capital lease obligations approximates fair value, as estimated by using discounted future cash flows based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. The fair values of the Company's Trading Securities are estimated using quoted market prices. The fair value of our Notes payable is $93.8 million, which represents the value at which our lenders could trade our debt with in the financial markets, and does not represent the settlement value of these long-term debt liabilities to us. The fair value of the Notes payable could vary each period based on fluctuations in market interest rates, as well as changes to our credit ratings. The Notes payable are traded and their fair values are based upon traded prices as of the reporting dates.

The defined benefit plans have 100% of their assets invested in bank-managed portfolios of debt securities and other assets. Conservation of capital with some conservative growth potential is the strategy for the plans. The Company's pension plans are outside the United States, where asset allocation decisions are typically made by an independent board of trustees. Investment objectives are aligned to generate returns that will enable the plans to meet their future obligations. The Company acts in a consulting and governance role in reviewing investment strategy and providing a recommended list of investment managers for each plan, with final decisions on asset allocation and investment manager made by local trustees.

ASC Topic 820 provides that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants based on the highest and best use of the asset or liability. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. ASC Topic 820 requires the Company to use valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

Level 1:	Observable inputs such as quoted prices for identical assets or liabilities in active markets
Level 2:	Other inputs that are observable directly or indirectly, such as quoted prices for similar assets or liabilities or market-corroborated inputs
Level 3:	Unobservable inputs for which there is little or no market data and which require the Company to develop its own assumptions about how market participants would price the assets or liabilities

Investments

Marketable securities held by the Company which meet the criteria for classification as trading securities or available-for-sale are carried at fair value. Gains and losses on securities classified as trading are reflected in other income (expense) in the Company's Consolidated Statements of Operations. Unrealized holding gains and losses on securities classified as available-for-sale are carried net of income taxes, when applicable, as a component of accumulated other comprehensive income (loss) in the Consolidated Statements of Stockholders' Equity.

The Company maintains interests in several privately held companies primarily through its various venture capital funds. The Company's venture capital investment portfolio, @Ventures, invests in early-stage technology companies. These investments are generally made in connection with a round of financing with other third-party investors. Investments in which the Company's interest is less than 20% and which are not classified as available-for-sale securities are carried at the lower of cost or net realizable value unless it is determined that the Company exercises significant influence over the investee company, in which case the equity method of accounting is used. For those investments in which the Company's voting interest is between 20% and 50%, the equity method of accounting is generally used. Under this method, the investment balance, originally recorded at cost, is adjusted to recognize the Company's share of net earnings or losses of the investee company as they occur, limited to the extent of the Company's investment in, advances to and commitments for the investee. The Company's share of net income or losses of the investee are reflected in "Equity in losses of affiliates, net of tax" in the Company's Consolidated Statements of Operations.

The Company assesses the need to record impairment losses on its investments and records such losses when the impairment of an investment is determined to be other than temporary in nature. The process of assessing whether a particular equity investment's net realizable value is less than its carrying cost requires a significant amount of judgment. This valuation process is based primarily on information that the Company obtains from these privately held companies who are not subject to the same disclosure and audit requirements as the reports required of U.S. public companies. As such, the timeliness and completeness of the data may vary. Based on the Company's evaluation, it recorded impairment charges related to its investments in privately held companies of approximately $1.4 million, $2.8 million, and $2.9 million for the fiscal years ended July 31, 2014, 2013 and 2012, respectively. These impairment losses are reflected in "Impairment of investments in affiliates" in the Company's Consolidated Statements of Operations.

At the time an equity method investee issues its stock to unrelated parties, the Company accounts for that share issuance as if the Company has sold a proportionate share of its investment. The Company records any gain or loss resulting from an equity method investee's share issuance in its Consolidated Statements of Operations.

Inventory

Inventories are stated at the lower of cost or market. Cost is determined by both the moving average and the first-in, first-out methods. Materials that the Company typically procures on behalf of its clients that are included in inventory include materials such as compact discs, printed materials, manuals, labels, hardware accessories, hard disk drives, consumer packaging, shipping boxes and labels, power cords and cables for client-owned electronic devices.

Inventories consisted of the following:

	July 31,	
	2014	2013
	(In thousands)	
Raw materials	$ 51,179	$ 46,920
Work-in-process	910	1,256
Finished goods	13,180	13,146
	$ 65,269	$ 61,322

The Company continuously monitors inventory balances and records inventory provisions for any excess of the cost of the inventory over its estimated market value. The Company also monitors inventory balances for obsolescence and excess quantities as compared to projected demands. The Company's inventory methodology is based on assumptions about average shelf life of inventory, forecasted volumes, forecasted selling prices, write-down history of inventory and market conditions. While such assumptions may change from period to period, in determining the net realizable value of its inventories, the Company uses the best information available as of the balance sheet date. If actual market conditions are less favorable than those projected, or the Company experiences a higher incidence of inventory obsolescence because of rapidly changing technology and client requirements, additional inventory provisions may be required. Once established, write-downs of inventory are considered permanent adjustments to the cost basis of inventory and cannot be reversed due to subsequent increases in demand forecasts. Accordingly, if inventory previously written down to its net realizable value is subsequently sold, gross profit margins would be favorably impacted.

Long-Lived Assets, Goodwill and Other Intangible Assets

The Company follows ASC Topic 360, "Property, Plant, and Equipment" ("ASC Topic 360"). Under ASC Topic 360, the Company tests certain long-lived assets or group of assets for recoverability whenever events or changes in circumstances indicate that the Company may not be able to recover the asset's carrying amount. ASC Topic 360 defines impairment as the condition that exists when the carrying amount of a long-lived asset or group, including property and equipment and other definite-lived intangible assets, exceeds its fair value. The Company evaluates recoverability by determining whether the undiscounted cash flows expected to result from the use and eventual disposition of that asset or group cover the carrying value at the evaluation date. If the undiscounted cash flows are not sufficient to cover the carrying value, the Company measures an impairment loss as the excess of the carrying amount of the long-lived asset or group over its fair value. Management may use third party valuation experts to assist in its determination of fair value.

The Company is required to test goodwill for impairment annually or if a triggering event occurs in accordance with the provisions of ASC Topic 350, "Goodwill and Other" ("ASC Topic 350"). The Company's policy is to perform its annual impairment testing for all reporting units, determined to be the Americas, Europe, Asia, e-Business, and ModusLink PTS operating segments, on July 31 of each fiscal year.

The Company's valuation methodology for assessing impairment of long-lived assets, goodwill and other intangible assets requires management to make judgments and assumptions based on historical experience and on projections of future operating performance. Management may use third party valuation advisors to assist in its determination of the fair value of reporting units subject to impairment testing. The Company operates in highly competitive environments and projections of future operating results and cash flows may vary significantly from actual results. If our assumptions used in estimating our valuations of the Company's reporting units for purposes of impairment testing differ materially from actual future results, the Company may record impairment charges in the future and our financial results may be materially adversely affected.

Restructuring Expenses

The Company follows the provisions of ASC Topic 420, "Exit or Disposal Cost Obligations", which addresses financial accounting and reporting for costs associated with exit or disposal activities. The statement requires companies to recognize costs associated with exit or disposal activities when a liability has been incurred rather than at the date of a commitment to an exit or disposal plan. The Company records liabilities that primarily include estimated severance and other costs related to employee benefits and certain estimated costs related to equipment and facility lease obligations and other service contracts. These contractual obligations principally represent future obligations under non-cancelable real estate leases. Restructuring estimates relating to real estate leases involve consideration of a number of factors including: potential sublet rental rates, estimated vacancy period for the property, brokerage commissions and certain other costs. Estimates relating to potential sublet rates and expected vacancy periods are most likely to have a material impact on the Company's results of operations in the event that actual amounts differ significantly from estimates. These estimates involve judgment and uncertainties, and the settlement of these liabilities could differ materially from recorded amounts.

Property and Equipment

Property, plant and equipment are stated at cost. The costs of additions and improvements are capitalized, while maintenance and repairs are charged to expense as incurred. Depreciation and amortization is provided on the straight-line basis over the estimated useful lives of the respective assets. The Company capitalizes certain computer software development costs when incurred in connection with developing or obtaining computer software for internal use. The estimated useful lives are as follows:

Buildings	32 years
Machinery & equipment	3 to 5 years
Furniture & fixtures	5 to 7 years
Automobiles	5 years
Software	3 to 8 years
Leasehold improvements	Shorter of the remaining lease term or the estimated useful life of the asset

Income Taxes

Income taxes are accounted for under the provisions of ASC Topic 740, "Income Taxes" ("ASC Topic 740"), using the asset and liability method whereby deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. ASC Topic 740 also requires that the deferred tax assets be reduced by a valuation allowance, if based on the weight of available evidence, it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. This methodology is subjective and requires significant estimates and judgments in the determination of the recoverability of deferred tax assets and in the calculation of certain tax liabilities.

In accordance with ASC Topic 740, the Company applies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in a company's financial statements. ASC Topic 740 prescribes a recognition threshold of more-likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. In accordance with the Company's accounting policy, interest and penalties related to uncertain tax positions is included in the "income tax expense" line of the Consolidated Statements of Operations. See Note 14, "Income Taxes," for additional information.

Earnings (Loss) Per Share

The following table reconciles earnings per share for the fiscal years ended July 31, 2014, 2013 and 2012.

	Years Ended		
	2014	2013	2012
	(In thousands, except per share data)		
Loss from continuing operations	$ (16,362)	(39,330)	$ (27,608)
Income (loss) from discontinued operations	80	(1,025)	(10,500)
Net Loss	$ (16,282)	$ (40,355)	$ (38,108)
Weighted average common shares outstanding	51,582	46,654	43,565
Weighted average common equivalent shares arising from dilutive stock options and restricted stock	—	—	—
Weighted average number of common and potential common shares	51,582	46,654	43,565
Basic and diluted net income (loss) per common share from:			
Continuing operations	$ (0.32)	$ (0.84)	$ (0.63)
Discontinued operations	—	(0.02)	(0.24)
	$ (0.32)	$ (0.86)	$ (0.87)

Approximately 3.0 million, 3.4 million, and 2.9 million common stock equivalent shares relating to the effects of outstanding stock options and restricted stock were excluded from the denominator in the calculation of diluted earnings per share for the fiscal years ended July 31, 2014, 2013, and 2012, respectively, as their effect would be anti-dilutive due to the fact that the Company recorded a net loss for those periods. Approximately 6.2 million common shares outstanding associated with the convertible Notes, using the if-converted method, were excluded from the denominator in the calculation of diluted earnings per share for the fiscal years ended July 31, 2014.

Share-Based Compensation Plans

The Company recognizes share-based compensation in accordance with the provisions of ASC Topic 718, "Compensation— Stock Compensation" ("ASC Topic 718") which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options and employee stock purchases based on estimated fair values.

The Company estimates the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods. The Company estimates forfeitures at the time of grant and revises those estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The Company uses a binomial-lattice option-pricing model ("binomial-lattice model") for valuation of share-based awards with time-based vesting. The Company believes that the binomial-lattice model is an accurate model for valuing employee stock options since it reflects the impact of stock price changes on option exercise behavior. For share-based awards based on market conditions, specifically, the Company's stock price, the compensation cost and derived service periods are estimated using the Monte Carlo valuation method. The Company uses third party analyses to assist in developing the assumptions used in its binomial-lattice model and Monte Carlo valuations and the resulting fair value used to record compensation expense. The Company's determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to the Company's expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. Any significant changes in these assumptions may materially affect the estimated fair value of the share-based award.

Major Clients and Concentration of Credit Risk

Sales to one client, Hewlett-Packard, accounted for approximately 29%, 29% and 31% of the Company's consolidated net revenue for the fiscal years ended July 31, 2014, 2013, and 2012, respectively. Hewlett-Packard accounted for approximately 17% and 23% of the Company's Net Accounts Receivable balance as of July 31, 2014 and 2013, respectively. To manage risk, the Company performs ongoing credit evaluations of its clients' financial condition. The Company generally

does not require collateral on accounts receivable. The Company maintains an allowance for doubtful accounts based on its assessment of the collectability of accounts receivable.

Financial instruments which potentially subject the Company to concentrations of credit risk are cash, cash equivalents, available-for-sale securities and accounts receivable. The Company's cash equivalent portfolio is diversified and consists primarily of short-term investment grade securities placed with high credit quality financial institutions.

Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-02, "Reporting Amounts Reclassified Out of Accumulated Other Comprehensive Income," which amends Accounting Standards Codification ("ASC") 220, "Comprehensive Income." The amended guidance requires entities to provide information about the amounts reclassified out of accumulated other comprehensive income by component. Additionally, entities are required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. The amended guidance does not change the current requirements for reporting net income or other comprehensive income. The amendment is effective prospectively for annual periods, and interim periods within those annual periods, beginning after December 15, 2012. The adoption of this new guidance did not have a material impact on the Company's financial statements as these updates have an impact on presentation only.

In July 2013, the Financial Accounting Standards Board ("FASB") issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Exists", amending the guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, similar tax loss, or tax credit carryforward exists. The guidance requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented as a reduction of a deferred tax asset when a net operating loss carryforward, similar tax loss, or tax credit carryforward exists, with certain exceptions. This accounting guidance is effective prospectively starting with our first quarter of fiscal year 2015, and is related to presentation only. Its adoption will not have a material impact on our consolidated results of operations, financial position or cash flows.

In April 2014, the FASB issued ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which amends ASC 205, Presentation of Financial Statements, and ASC 360, Property, Plant and Equipment. This ASU defines a discontinued operation as a component or group of components that is disposed of or meets the criteria as held for sale and represents a strategic shift that has or will have a major effect on an entity's operations and financial results. This ASU requires additional disclosures about discontinued operations and new disclosures for components of an entity that are held for sale or disposed of and are individually significant but do not qualify for presentation as a discontinued operation. The adoption will not have a material 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), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The effective date will be the first quarter of fiscal year 2018 using one of two retrospective application methods. The Company is evaluating the potential effects on the consolidated financial statements.

(3) ACCOUNTS RECEIVABLE

The Company's unsecured accounts receivable are stated at original invoice amount less an estimate made for doubtful receivables based on a monthly review of all outstanding amounts. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering each customer's financial condition, credit history and current economic conditions. The Company writes off accounts receivable when management deems them uncollectible and records recoveries of accounts receivable previously written off when received. When accounts receivable are considered past due, the Company generally does not charge interest on past due balances. The allowance for doubtful accounts consisted of the following:

	July 31,		
	2014	2013	2012
	(In thousands)		
Balance at beginning of year	$ 64	$ 344	$ 473
Provisions charged to expense	59	146	15
Accounts written off—continued operations	(60)	(120)	(144)
Accounts written off—discontinued operations	—	(222)	—
Balance reclassified to discountinued operations	—	(84)	—
	$ 63	$ 64	$ 344

During the fourth quarter of fiscal 2013, as a part of its working capital management, the Company entered into a factoring agreement with a third party financial institution for the sale of certain accounts receivables without recourse. The activity under this agreement is accounted for as a sale of accounts receivable under ASC 860 "Transfers and Servicing". This agreement relates exclusively to the accounts receivables of one of the Company's significant clients. The amount sold varies each month based on the amount of underlying receivables and cash flow requirements of the Company. The factoring agreement is permitted under the Company's Credit Facility agreement.

The total amount of accounts receivable factored was $27.3 million and $7.7 million for the years ended July 31, 2014 and 2013, respectively. The cost incurred on the sale of these receivables was $14 thousand and $6 thousand for the years ended July 31, 2014 and 2013, respectively. The cost of selling these receivable is dependent upon the number of days between the sale date of the receivable and the date the client's invoice is due and the interest rate. The interest rate associated with the sale of these receivables is equal to LIBOR plus 0.85%. The expense associated with the sale of these receivables is recorded as a component of selling, general and administrative expense in the accompanying consolidated statements of operations.

(4) PROPERTY AND EQUIPMENT

Property and equipment at cost, consists of the following:

	July 31,	
	2014	2013
	(In thousands)	
Buildings	$ 31,430	$ 21,020
Machinery and equipment	45,910	17,012
Leasehold improvements	17,026	18,327
Software	42,554	43,905
Other	33,789	4,473
	170,709	104,737
Less: Accumulated depreciation and amortization	(145,583)	(70,447)
Property and equipment, net	$ 25,126	$ 34,290

Assets under capital leases which are included in the amounts above are summarized as follows:

	July 31,	
	2014	2013
	(In thousands)	
Machinery and equipment	$ 383	$ 343
Other	259	178
	642	521
Less: Accumulated depreciation and amortization	(451)	(455)
	$ 191	$ 66

The Company recorded depreciation expense of $13.2 million, $14.1 million and $13.9 million for the fiscal years ended July 31, 2014, 2013, and 2012, respectively. Depreciation expense within the Americas, Asia, Europe, and All Other was $3.4 million, $4.8 million, $4.2 million, and $0.8 million, respectively, for fiscal year 2014, $4.0 million, $4.8 million, $4.6 million, and $0.7 million, respectively, for fiscal year 2013, $4.3 million, $4.4 million, $4.5 million, and $0.8 million, respectively, for fiscal year 2012. Amortization of assets recorded under capital leases is included in the depreciation expense amounts.

During the second quarter of fiscal year 2014, the Company determined that the carrying value of its Kildare facility in the Europe region was not fully recoverable from future cash flows. The Company recorded an impairment charge of $0.5 million to adjust the carrying value to its estimated fair value. This charge is reflected in "impairment of long-lived assets" in the Consolidated Statements of Operations for the fiscal year ended July 31, 2014.

(5) INVESTMENTS

Trading securities

Near the end of the quarter ended July 31, 2014, the Company acquired $12.9 million in 4.0625% convertible debentures of a publicly traded entity. At this time the Company is uncertain to the holding period of these securities, therefore these securities are classified at trading. These securities offer higher yields than currently being achieved in money market securities or other equivalent investments. As of July 31, 2014, the trades associates with these securities had not settled and, as such, the payment associated with the acquisition of these securities had not been made. The liability associated with this payment is classified under other current liabilities on our balance sheet. Near the end of the quarter ended July 31, 2014 the Company acquired $9.9 million in common stock of a publicly traded entity. As of July 31, 2014, most of the trades associated with these
securities had not settled and, as such, $9.4 million of the payment associated with the acquisition of these securities had not been made. The liability associated with this payment is classified under other current liabilities on our balance sheet. Unrealized gains and losses associated with these securities were immaterial for the fiscal year ended July 31, 2014.

Subsequent to July 31, 2014 the Company continued its investing activities and acquired additional 4.0625% convertible debentures of a publicly traded entity and acquired additional common stock of a publicly traded entity. As of the date of the filing of this Form 10-K the Company had acquired 4.0625% convertible debentures for a cost basis of $34.0 million and common stock at a cost basis of $35.5 million.

@Ventures

The Company maintains interests in several privately held companies primarily through its interests in two venture capital funds which invest as "@Ventures." The Company invests in early stage technology companies. These investments are generally made in connection with a round of financing with other third-party investors.

During the fiscal years ended July 31, 2014, 2013 and 2012, $0.8 million, $1.7 million and $2.9 million, respectively, was invested by @Ventures in privately held companies. At July 31, 2014 and 2013, the Company's carrying value of investments in privately held companies was $7.2 million and $8.0 million, respectively. During the fiscal years ended July 31, 2014, 2013, and 2012, the Company recorded $1.4 million, $2.8 million and $2.9 million, respectively, of impairment charges related to certain investments in the @Ventures portfolio of companies. During the fiscal year ended July 31, 2014, @Ventures did not receive any distributions from its investments. During the fiscal years ended July 31, 2013, @Ventures received distributions of approximately $0.2 million. During the fiscal year ended July 31, 2012, @Ventures did not receive any distributions from its investments.

Investments in which the Company's interest is less than 20% and which are not classified as available-for-sale securities are carried at the lower of cost or net realizable value unless it is determined that the Company exercises significant influence over the investee company, in which case the equity method of accounting is used. For those investments in which the Company's voting interest is between 20% and 50%, the equity method of accounting is generally used. Under this method, the investment balance, originally recorded at cost, is adjusted to recognize the Company's share of net earnings or losses of the investee company as they occur, limited to the extent of the Company's investment in, advances to and commitments for the investee. These adjustments are reflected in "Equity in losses of affiliates, net of tax" in the Company's Consolidated Statements of Operations. For the fiscal years ended July 31, 2014, 2013, and 2012, the Company recorded its proportionate share of the affiliates' losses of $0.1 million, $1.6 million and $1.2 million, respectively.

The Company assesses the need to record impairment losses on its investments and records such losses when the impairment of an investment is determined to be other than temporary in nature. The process of assessing whether a particular investment's net realizable value is less than its carrying cost requires a significant amount of judgment. In making this

judgment, the Company carefully considers the investee's cash position, projected cash flows (both short and long-term), financing needs, recent financing rounds, most recent valuation data, the current investing environment, management/ownership changes and competition. The valuation process is based primarily on information that the Company requests from these privately held companies and is not subject to the same disclosure and audit requirements as the reports required of U.S. public companies. As such, the reliability and the accuracy of the data may vary.

During the year ended July 31, 2014, the Company became aware in various quarters that there may be indicators of impairment for a certain investment in the @Ventures portfolio of companies. The Company completed evaluations for impairment in connection with the preparation of the financial statements for those periods and determined that the investment was impaired. As a result, the Company recorded impairment charges of $1.4 million during the year ended July 31, 2014.

During the year ended July 31, 2013, the Company became aware in various quarters that there may be indicators of impairment for a certain investment in the @Ventures portfolio of companies. The Company completed evaluations for impairment in connection with the preparation of the financial statements for those periods and determined that the investment was impaired. As a result, the Company recorded impairment charges of $2.8 million during the year ended July 31, 2013.

During the year ended July 31, 2012, the Company became aware that there may be indicators of impairment for a certain investment in the @Ventures portfolio of companies. The Company completed its evaluation for impairment in connection with the preparation of the financial statements and determined that the investment was impaired. As a result, the Company recorded an impairment charge of approximately $2.9 million during the year ended July 31, 2012.

As of July 31, 2014, the Company, through @Ventures, held investments in four portfolio companies, although investments in these companies are individually nominal. From time to time, the Company may make new and follow-on venture capital investments and may from time to time receive distributions from investee companies. As of July 31, 2014, the Company is not committed to fund any follow-on investments in any of the @Ventures portfolio companies.

(6) GOODWILL AND INTANGIBLE ASSETS

The Company conducts its annual goodwill impairment test on July 31 of each fiscal year. In addition, if and when events or circumstances change that would more likely than not reduce the fair value of any of its reporting units below its carrying value, an interim test would be performed. In making this assessment, the Company relies on a number of factors including operating results, business plans, economic projections, anticipated future cash flows, transactions and marketplace data. The Company's reporting units are the same as the operating segments: Americas, Asia, Europe, e-Business, and ModusLink PTS. As disclosed in Note 18, the Company disposed of its TFL operating segment during the second quarter of fiscal year 2013. Impairment charges related to TFL for all periods presented have been classified within discontinued operations within the accompanying consolidated statements of operations.

The Company's remaining goodwill of $3.1 million as of July 31, 2014 and 2013, relates to the Company's e-Business reporting unit. During the fourth quarter of fiscal year 2014, the Company completed its annual impairment analysis of goodwill. The Company concluded that its goodwill was not impaired as of July 31, 2014.

The estimated fair values of our reporting units for the goodwill impairment test were evaluated using an income approach by calculating the present value of estimated future cash flows. We believe the use of the income approach is appropriate due to lack of comparability to guideline companies and the lack of comparable transactions under the market approach. The income approach incorporates many assumptions including future growth rates, discount factors, expected capital expenditures and income tax cash flows. In developing an appropriate discount rate to apply in its estimated cash flow models the Company developed an estimate of its weighted-average cost of capital.

The changes in the carrying amount of goodwill allocated to the Company's operating segments are as follows:

	Americas	Asia	Europe	All Other	Consolidated Total
	(in thousands)				
Balance as of July 31, 2012					
Goodwill	$ 94,477	$ 73,948	$ 30,108	$ 5,857	$ 204,390
Accumulated impairment charges	(94,477)	(73,948)	(30,108)	(2,799)	(201,332)
	$ —	$ —	$ —	$ 3,058	$ 3,058
Balance as of July 31, 2013					
Goodwill	$ 94,477	$ 73,948	$ 30,108	$ 5,857	$ 204,390
Accumulated impairment charges	(94,477)	(73,948)	(30,108)	(2,799)	(201,332)
	$ —	$ —	$ —	$ 3,058	$ 3,058
Balance as of July 31, 2014					
Goodwill	$ 94,477	$ 73,948	$ 30,108	$ 5,857	$ 204,390
Accumulated impairment charges	(94,477)	(73,948)	(30,108)	(2,799)	(201,332)
	$ —	$ —	$ —	$ 3,058	$ 3,058

The components of intangible assets are as follows:

	July 31, 2014 (in thousands)				July 31, 2013 (in thousands)			
	Gross Carrying Amount	Accumulated Amortization/ Impairment	Net Book Value	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization/ Impairment	Net Book Value	Weighted Average Amortization Period
Client Relationships	$ 4,399	$ 4,002	$ 397	7 years	$ 4,399	$ 3,374	$ 1,025	7 years
Developed Technology	5,092	4,859	233	3 to 7 years	5,092	4,475	617	3 to 7 years
Trade Names	1,515	1,478	37	3 to 7 years	1,515	1,393	122	3 to 7 years
Non-Competes	83	83	—	1 to 5 years	83	83	—	1 to 5 years
Total	$ 11,089	$ 10,422	$ 667		$ 11,089	$ 9,325	$ 1,764	

Amortization expense for intangible assets for the fiscal years ended July 31, 2014, 2013, and 2012 totaled $1.1 million, $1.1 million and $1.1 million, respectively.

Estimated annual amortization expense for intangible assets in future periods, is as follows:

Fiscal Year	Amount (in thousands)
2015	$ 667

(7) RESTRUCTURING

The following tables summarize the activity in the restructuring accrual for the fiscal years ended July 31, 2014, 2013, and 2012:

	Employee Related Expenses	Contractual Obligations	Total
		(In thousands)	
Accrued restructuring balance at July 31, 2011	$ 296	$ 1,168	$ 1,464
Restructuring charges	5,274	1,442	6,716
Restructuring adjustments	(439)	139	(300)
Cash paid	(4,645)	(1,759)	(6,404)
Non-cash adjustments	(44)	108	64
Restructuring charges, discontinued operations	944	95	1,039
Cash paid, discontinued operations	(760)	(95)	(855)
Accrued restructuring balance at July 31, 2012	626	1,098	1,724
Restructuring charges	13,638	1,112	14,750
Restructuring adjustments	(232)	(21)	(253)
Cash paid	(9,947)	(999)	(10,946)
Non-cash adjustments	133	—	133
Restructuring charges, discontinued operations	42	112	154
Cash paid, discontinued operations	(243)	(97)	(340)
Reclassification of restructuring charges of discontinued operations	(43)	(15)	(58)
Accrued restructuring balance at July 31, 2013	3,974	1,190	5,164
Restructuring charges	6,111	294	6,405
Restructuring adjustments	161	(9)	152
Cash paid	(8,640)	(817)	(9,457)
Non-cash adjustments	81	(60)	21
Accrued restructuring balance at July 31, 2014	$ 1,687	$ 598	$ 2,285

It is expected that the payments of employee-related charges will be substantially completed during the fiscal year ending July 31, 2015. The remaining contractual obligations primarily relate to facility lease obligations for vacant space resulting from the previous restructuring activities of the Company. The Company anticipates that contractual obligations will be substantially fulfilled by August 2015.

During the fiscal year ended July 31, 2014, the Company recorded a net restructuring charge of $6.6 million. Of this amount, $6.3 million primarily related to the workforce reduction of 181 employees across all operating segments, and $0.3 million related to contractual obligations.

During the fiscal year ended July 31, 2013, the Company recorded a net restructuring charge of $14.5 million. Of this amount, $13.4 million primarily related to the workforce reduction of 465 employees across all operating segments, and $1.1 million related to contractual obligations related to a facility closure in Hungary.

During the fiscal year ended July 31, 2012 the Company recorded a net restructuring charge of approximately $6.4 million. Of this amount, $4.8 million primarily related to the workforce reduction of 270 employees in the Americas, Asia, and Europe, $1.6 million related to contractual obligations related to facility closure at the Raleigh facility. These restructuring charges are net of $0.3 million in reductions to initial estimates for recorded employee-related expenses and facilities lease obligations primarily based on changes in underlying assumptions.

The net restructuring charges for the fiscal years ended July 31, 2014, 2013, and 2012 would have been allocated as follows had the Company recorded the expense and adjustments within the functional department of the restructured activities:

	Years Ended July 31,		
	2014	2013	2012
	(In thousands)		
Cost of revenue	$ 4,283	$ 10,625	$ 3,960
Selling, general and administrative	2,274	3,872	2,456
	$ 6,557	$ 14,497	$ 6,416

The following tables summarize the restructuring accrual by operating segment, the All Other category for the fiscal years ended July 31, 2014, 2013, and 2012:

	Americas	Asia	Europe	All Other	Discontinued Operations	Consolidated Total
	(In thousands)					
Accrued restructuring balance at July 31, 2011	$ 1,346	$ —	$ 118	$ —	$ —	$ 1,464
Restructuring charges	1,706	702	3,766	542	—	6,716
Restructuring adjustments	(94)	(56)	(85)	(65)	—	(300)
Cash paid	(1,933)	(647)	(3,690)	(134)	—	(6,404)
Non-cash adjustments	61	1	(58)	—	60	64
Restructuring charges, discontinued operations		—	—	—	1,039	1,039
Cash paid, discontinued operations	—	—	—	—	(855)	(855)
Accrued restructuring balance at July 31, 2012	1,086	—	51	343	244	1,724
Restructuring charges	1,614	2,516	9,610	1,010	—	14,750
Restructuring adjustments	(21)	(89)	27	(170)	—	(253)
Cash paid	(2,284)	(1,899)	(5,517)	(1,246)	—	(10,946)
Non-cash adjustments	(13)	(8)	85	69	—	133
Restructuring charges, discontinued operations	—	—	—	—	154	154
Cash paid, discontinued operations	—	—	—	—	(340)	(340)
Reclassification of restructuring charges of discontinued operations	—	—	—	—	(58)	(58)
Accrued restructuring balance at July 31, 2013	382	520	4,256	6	—	5,164
Restructuring charges	918	944	4,235	308	—	6,405
Restructuring adjustments	(49)	(11)	102	110	—	152
Cash paid	(975)	(1,161)	(6,957)	(364)	—	(9,457)
Non-cash adjustments	(81)	(18)	114	6	—	21
Accrued restructuring balance at July 31, 2014	$ 195	$ 274	$ 1,750	$ 66	$ —	$ 2,285

(8) OTHER CURRENT LIABILITIES

The following schedule reflects the components of “Other Current Liabilities”:

	July 31, 2014	July 31, 2013
	(In thousands)	
Accrued pricing liabilities	$ 19,301	$ 20,854
Unsettled trading securities liabilities	22,430	—
Credit facility liability	4,453	—
Other	5,575	6,011
	$ 51,759	$ 26,865

As of July 31, 2014 and 2013, the Company had accrued pricing liabilities of approximately $19.3 million and $20.9 million. As previously reported by the Company, several principal adjustments were made to its historic financial statements for periods ending on or before January 31, 2012, the most significant of which related to the treatment of vendor rebates in its pricing policies. Where the retention of a rebate or a mark-up was determined to have been inconsistent with a client contract (collectively referred to as "pricing adjustments"), the Company concluded that these amounts were not properly recorded as revenue. Accordingly, revenue was reduced by an equivalent amount for the period that the rebate was estimated to have affected. A corresponding liability for the same amount was recorded in that period (referred to as accrued pricing liabilities). The Company believes that it may not ultimately be required to pay all of the accrued pricing liabilities, due in part to the nature of the interactions with its clients. The remaining accrued pricing liabilities at July 31, 2014 will be derecognized when there is sufficient information for the Company to conclude that such liabilities have been extinguished, which may occur through payment, legal release, or other legal or factual determination.

(9) DEBT

Notes Payable

On March 18, 2014, the Company entered into an indenture (the "Indenture") with Wells Fargo Bank, National Association, as trustee (the "Trustee"), relating to the Company's issuance of $100 million of 5.25% Convertible Senior Notes (the "Notes"). The Notes bear interest at the rate of 5.25% per year, payable semi-annually in arrears on March 1 and September 1 of each year, beginning on September 1, 2014. The Notes will mature on March 1, 2019 unless earlier repurchased by the Company or converted by the holder in accordance with their terms prior to such maturity date.

Holders of the Notes may convert all or any portion of their notes, in multiples of $1,000 principal amount, at their option at any-time prior to the close of business or the business day immediately preceding the maturity date. Each $1,000 of principal of the Notes will initially be convertible into 166.2593 shares of our common stock, which is equivalent to an initial conversion price of approximately $6.01 per share, subject to adjustment upon the occurrence of certain events, or, if the Company obtains the required consent from its shareholders, into shares of the Company's common stock, cash or a combination of cash and shares of its common stock, at the Company's election. If the Company has received stockholder approval, and it elects to settle conversions through the payment of cash or payment or delivery of a combination of cash and shares, the Company's conversion obligation will be based on the volume weighted average prices ("VWAP") of its common stock for each VWAP trading day in a 40 VWAP trading day observation period. The Notes and any of the shares of common stock issuable upon conversion have not been registered.

Holders will have the right to require the Company to repurchase their Notes, at a repurchase price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest, upon the occurrence of certain fundamental changes, subject to certain conditions. No fundamental changes occurred during the fiscal year ended July 31, 2014.

The Company may not redeem the Notes prior to the mandatory date, and no sinking fund is provided for the Notes. The Company will have the right to elect to cause the mandatory conversion of the Notes in whole, and not in part, at any time on or after March 6, 2017, if the last reported sale price of its common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which the Company notifies holders of its election to mandatorily convert the Notes, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company notifies holders of its election to mandatorily convert the notes.

The Company has valued the debt using similar nonconvertible debt as of the original issuance date of the Notes and bifurcated the conversion option associated with the Notes from the host debt instrument and recorded the conversion option of $28.1 million in stockholders' equity prior to the allocation of debt issuance costs. The initial value of the equity component, which reflects the equity conversion feature, is equal to the initial debt discount. The resulting debt discount on the Notes is

being accreted to interest expense at the effective interest rate over the estimated life of the Notes. The equity component is included in the additional paid-in-capital portion of stockholders' equity on the Company's consolidated balance sheet. In addition, the debt issuance costs of $3.4 million are allocated between the liability and equity components in proportion to the allocation of the proceeds. The issuance costs allocated to the liability component ($2.5 million) are capitalized as a long-term asset on the Company's balance sheet and amortized as additional interest expense over the term of the Notes. This amount has been classified as long-term as the underlying debt instrument has been classified as a long-term liability in the Company's balance sheet. The issuance costs allocated to the equity component is recorded as a reduction to additional paid-in capital. As of July 31, 2014, the net carrying value of the Notes was $73.4 million.

	July 31, 2014 (In thousands)
Carrying amount of equity component (net of allocated debt issuance costs)	$ 27,177
Principal amount of Notes	$ 100,000
Unamortized debt discount	(26,609)
Net carrying amount	$ 73,391

As of July 31, 2014, the remaining period over which the unamortized discount will be amortized is 55 months.

	Year ended July 31, 2014 (In thousands)
Interest expense related to contractual interest coupon	$ 1,940
Interest expense related to accretion of the discount	1,489
Interest expense related to debt issuance costs	183
	$ 3,612

During the year ended July 31, 2014, we recognized interest expense of $3.6 million associated with the Notes. The effective interest rate on the Notes, including amortization of debt issuance costs and accretion of the discount, is 14.04%. The notes bear interest of 5.25%.

Wells Fargo Bank Credit Facility

On October 31, 2012, the Company and certain of its domestic subsidiaries entered into a Credit Agreement (the "Credit Facility") with Wells Fargo Bank, National Association as lender and agent for the lenders party thereto. The Credit Facility provided a senior secured revolving credit facility up to an initial aggregate principal amount of $50.0 million or the calculated borrowing base and was secured by substantially all of the domestic assets of the Company. As of July 31, 2013, the calculated borrowing base was $29.9 million. The Credit Facility was scheduled to terminate on October 31, 2015. Interest on the Credit Facility was based on the Company's options of LIBOR plus 2.5% or the base rate plus 1.5%. The Credit Facility included one restrictive financial covenant, which is minimum EBITDA, and restrictions that limited the ability of the Company, to among other things, create liens, incur additional indebtedness, make investments, or dispose of assets or property without prior approval from the lenders.

On March 13, 2014, the Company entered into a Second Amendment to Credit Facility, which amended the Company's Credit Agreement, dated as of October 31, 2012, as amended by the First Amendment to Credit Agreement dated December 18, 2013. The Amendment modified certain provisions of the Credit Agreement that would have restricted or otherwise affected the issuance of the Notes and the use of proceeds therefrom, the conversion of the Notes into common stock of the Company, and the payment of interest on the Notes. Effective as of April 16, 2014, the Company voluntarily terminated the Credit Facility. The Company did not have any outstanding indebtedness related to the Credit Facility as of July 31, 2014.

PNC Bank Credit Facility

On June 30, 2014, two direct and wholly owned subsidiaries of the Company (the “Borrowers”) entered into a revolving credit and security agreement (the “Credit Agreement”), as borrowers and guarantors, with PNC Bank and National Association, as lender and as agent, respectively.

The Credit Agreement which has a five (5) year term, includes a maximum credit commitment of $50.0 million, is available for letters of credit (with a sublimit of $5.0 million) and has a $20.0 million uncommitted accordion feature. The actual maximum credit available under the Credit Agreement varies from time to time and is determined by calculating the applicable borrowing base, which is based upon applicable percentages of the values of eligible accounts receivable and eligible inventory minus reserves determined by the Agent (including other reserves that the Agent may establish from time to time in its permitted discretion), all as specified in the Credit Agreement. Amounts borrowed under the Credit Agreement are due and payable, together with all unpaid interest, fees and other obligations, on June 30, 2019.

Generally, borrowings under the Credit Agreement bear interest at a rate per annum equal to, at the Borrowers’ option, either (a) LIBOR (adjusted to reflect any required bank reserves) for an interest period equal to one, two or three months (as selected by the Borrowers) plus a margin of 2.25% per annum or (b) a base rate determined by reference to the highest of (1) the base commercial lending rate publicly announced from time to time by PNC Bank, National Association, (2) the sum of the Federal Funds Open Rate in effect on such day plus one half of one percent (0.5%) per annum, or (3) the LIBOR rate (adjusted to reflect any required bank reserves) in effect on such day plus 1.00% per annum. In addition to paying interest on outstanding principal under the Credit Agreement, the Borrowers are required to pay a commitment fee, in respect of the unutilized commitments thereunder, of 0.25% per annum, paid quarterly in arrears. The Borrowers are also required to pay a customary letter of credit fee equal to the applicable margin on revolving credit LIBOR loans and fronting fees.

Obligations under the Credit Agreement are guaranteed by the Borrowers’ existing and future direct and indirect wholly-owned domestic subsidiaries, subject to certain limited exceptions; and the Credit Agreement is secured by security interests in substantially all the Borrowers’ assets and the assets of each subsidiary guarantor, whether owned as of the closing or thereafter acquired, including a pledge of 100.0% of the equity interests of each subsidiary guarantor that is a domestic entity (subject to certain limited exceptions) and 65.0% of the voting equity interests of any direct first tier foreign entity owned by either Borrower or by a subsidiary guarantor. The Company is not a borrower or a guarantor under the Credit Agreement.

The Credit Agreement contains certain customary negative covenants, which include limitations on mergers and acquisitions, the sale of assets, liens, guarantees, investments, loans, capital expenditures, dividends, indebtedness, changes in the nature of business, transactions with affiliates, the creation of subsidiaries, changes in fiscal year and accounting practices, changes to governing documents, compliance with certain statutes, and prepayments of certain indebtedness. The Credit Agreement also contains certain customary affirmative covenants (including periodic reporting obligations) and events of default, including upon a change of control. The Credit Agreement requires compliance with certain financial covenants providing for maintenance of specified liquidity, maintenance of a minimum fixed charge coverage ratio and/or maintenance of a maximum leverage ratio following the occurrence of certain events and/or prior to taking certain actions, all as more fully described in the Credit Agreement. The Company believes that the Credit Agreement provides greater financial flexibility to the Company and the Borrowers and may enhance their ability to consummate one or several larger and/or more attractive acquisitions and should provide our clients and/or potential clients with greater confidence in the Company’s and the Borrowers’ liquidity. During the fiscal year ended July 31, 2014, the Company did not meet the criteria that would cause its financial covenants to be effective. As of July 31, 2014, the Company had $4.5 million outstanding on the PNC Bank credit facility which is included in other current liabilities on the consolidated balance sheet.

(10) COMMITMENTS AND CONTINGENCIES

The Company leases facilities and certain other machinery and equipment under various non-cancelable operating leases and executory contracts expiring through December 2021. Certain non-cancelable leases are classified as capital leases and the leased assets are included in property, plant and equipment, at cost. Future annual minimum payments, including restructuring related obligations as of July 31, 2014, are as follows:

	Operating Leases	Stadium Obligation	Capital Lease Obligations	Purchase Obligations	Convertible Notes Interest & Principal	Total
			(In thousands)			
For the fiscal years ended July 31:						
2015	17,702	1,600	168	44,564	5,002	69,036
2016	13,297	—	167	—	5,250	18,714
2017	7,719	—	204	—	5,250	13,173
2018	4,947	—	—	—	5,250	10,197
2019	3,536	—	—	—	105,250	108,786
Thereafter	7,514	—	—	—	—	7,514
	54,715	1,600	539	44,564	126,002	227,420

Total rent and equipment lease expense charged to continuing operations was $21.3 million, $25.2 million and $26.5 million for the fiscal years ended July 31, 2014, 2013, and 2012, respectively.

In August 2000, the Company announced it had acquired the exclusive naming and sponsorship rights to the New England Patriots' new stadium, for a period of fifteen years. In August 2002, the Company finalized an agreement with the owner of the stadium to amend the sponsorship agreement. Under the terms of the amended agreement, the Company relinquished the stadium naming rights and remains obligated for a series of annual payments of $1.6 million per year through 2015. The Company applied a discount rate to the future payment stream to reflect the present value of its obligation on the Consolidated Balance Sheets.

From time to time, the Company agrees to provide indemnification to its clients in the ordinary course of business. Typically, the Company agrees to indemnify its clients for losses caused by the Company. As of July 31, 2014, the Company had no recorded liabilities with respect to these arrangements.

Legal Proceedings

On February 15, 2012, the staff of the Division of Enforcement of the SEC initiated with the Company an informal inquiry, and later a formal action, regarding the Company's treatment of rebates associated with volume discounts provided by vendors. To date, the SEC has not asserted any formal claims.

On June 11, 2012, we announced the pending restatement of the Company's financial statements for the periods ending on or before April 30, 2012 (the "June 11, 2012 Announcement"), related to the Company's accounting treatment of rebates associated with volume discounts provided by vendors. The restated financial statements were filed on January 11, 2013. After the June 11, 2012 Announcement, stockholders of the Company commenced three purported class actions in the United States District Court for the District of Massachusetts arising from the circumstances described in the June 11, 2012 Announcement (the "Securities Actions"), entitled, respectively:

- *Irene Collier, Individually And On Behalf Of All Others Similarly Situated, vs. ModusLink Global Solutions, Inc., Joseph C. Lawler and Steven G. Crane*, Case 1:12-CV-11044-DJC, filed June 12, 2012 (the "Collier Action");
- *Alexander Shnerer Individually And On Behalf Of All Others Similarly Situated, vs. ModusLink Global Solutions, Inc., Joseph C. Lawler and Steven G. Crane*, Case 1:12-CV-11078-DJC, filed June 18, 2012 (the "Shnerer Action"); and
- *Harold Heszkel, Individually and on Behalf of All Others Similarly Situated v. ModusLink Global Solutions, Inc., Joseph C. Lawler, and Steven G. Crane*, Case 1:12-CV-11279-DJC, filed July 11, 2012 (the "Heszkel Action").

Each of the Securities Actions purports to be brought on behalf of those persons who purchased shares of the Company between September 26, 2007 through and including June 8, 2012 (the "Class Period") and alleges that failure to timely disclose the issues raised in the June 11, 2012 Announcement during the Class Period rendered defendants' public statements concerning the Company's financial condition materially false and misleading in violation of Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated thereunder. On February 11, 2013, plaintiffs filed a consolidated amended complaint in the Securities Actions. The Company moved to dismiss the amended complaint on March 11, 2013. On March 26, 2014, following a November 8, 2013 hearing, the Court denied the Company's motion to dismiss, and, on May 26, 2014, the Company answered the Amended Complaint. In October 2014, the parties agreed to a stipulation for a proposed $4 million

class settlement to be covered by insurance proceeds, subject to Court approval. The settlement will be presented for preliminary approval at a hearing to be scheduled by the Court.

(11) DEFINED BENEFIT PENSION PLANS

The Company sponsors two defined benefit pension plans covering certain of its employees in its Netherlands facility, one defined benefit pension plan covering certain of its employees in its Taiwan facility and one unfunded defined benefit pension plan covering certain of its employees in Japan. Pension costs are actuarially determined.

The aggregate change in benefit obligation and plan assets related to these plans was as follows:

	July 31,	
	2014	2013
	(In thousands)	
Change in benefit obligation		
Benefit obligation at beginning of year	$ 20,095	$ 17,159
Service cost	521	644
Interest cost	743	728
Actuarial (gain) loss	5,291	2,564
Employee contributions	182	296
Amendments	(187)	—
Benefits and administrative expenses paid	(445)	(260)
Adjustments	310	—
Effect of curtailment	(371)	(2,258)
Currency translation	187	1,222
Benefit obligation at end of year	26,326	20,095
Change in plan assets		
Fair value of plan assets at beginning of year	16,498	14,151
Actual return on plan assets	5,316	172
Employee contributions	175	296
Employer contributions	844	1,079
Benefits and administrative expenses paid	(445)	(260)
Currency translation	155	1,060
Fair value of plan assets at end of year	22,543	16,498
Funded status		
Assets	—	—
Current liability	—	(1)
Noncurrent liability	(3,783)	(3,596)
Net amount recognized in statement of financial position as a noncurrent asset (liability)	$ (3,783)	$ (3,597)

The accumulated benefit obligation was approximately $22.5 million and $17.3 million at July 31, 2014, and 2013, respectively.

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

	July 31,	
	2014	2013
	(In thousands)	
Projected benefit obligation	$ 24,352	$ 18,664
Accumulated benefit obligation	$ 21,675	$ 16,454
Fair value of plan assets	$ 21,425	$ 15,423

Components of net periodic pension cost were as follows:

	Years Ended July 31,		
	2014	2013	2012
	(In thousands)		
Service cost	$ 521	$ 644	$ 368
Interest costs	743	728	589
Expected return on plan assets	(577)	(538)	(473)
Amortization of net actuarial (gain) loss	62	38	(88)
Curtailment gain	—	(504)	—
Net periodic pension costs	$ 749	$ 368	$ 396

The amount included in accumulated other comprehensive income expected to be recognized as a component of net periodic pension costs in fiscal year 2015 is approximately $0.1 million related to amortization of a net actuarial loss and prior service cost.

Assumptions:

Weighted-average assumptions used to determine benefit obligations was as follows:

	July 31,		
	2014	2013	2012
Discount rate	2.95%	3.61%	3.95%
Rate of compensation increase	2.05%	2.07%	2.12%

Weighted-average assumptions used to determine net periodic pension cost was as follows:

	Years Ended July 31,		
	2014	2013	2012
Discount rate	3.73%	4.13%	5.50%
Expected long-term rate of return on plan assets	3.54%	3.43%	3.34%
Rate of compensation increase	2.01%	2.05%	2.00%

The discount rate reflects our best estimate of the interest rate at which pension benefits could be effectively settled as of the valuation date. It is based on the Mercer Yield Curve for the Eurozone as per July 31, 2015 for the appropriate duration of the plan.

To develop the expected long-term rate of return on assets assumptions consideration is given to the current level of expected returns on risk free investments, the historical level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations for the future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

Benefit payments:

The following table summarizes expected benefit payments from the plans through fiscal year 2023. Actual benefit payments may differ from expected benefit payments. The minimum required contributions to the plan are expected to be approximately $0.9 million in fiscal year 2015.

	Pension Benefit Payments
	(in thousands)
For the fiscal years ended July 31:	
2015	102
2016	123
2017	164
2018	185
2019	214
Next 5 years	1,588

The current target allocations for plan assets are 100% for debt securities. The market value of plan assets using Level 2 inputs is approximately $22.5 million.

Valuation Technique:

Benefit obligations are computed using the projected unit credit method. Benefits are attributed to service based on the plan's benefit formula. Cumulative gains and losses in excess of 10% of the greater of the pension benefit obligation or market-related value of plan assets are amortized over the expected average remaining future service of the current active membership.

(12) OTHER GAINS (LOSSES), NET

The following schedule reflects the components of "Other gains (losses), net":

	Years Ended July 31,		
	2014	2013	2012
		(In thousands)	
Derecognition of accrued pricing liabilities	$ —	$ —	$ 11,811
Foreign currency exchange gain (losses)	(480)	(2,050)	2,948
Gain on disposal of assets	475	97	—
Other, net	(45)	(689)	(369)
	$ (50)	$ (2,642)	$ 14,390

During the fiscal years ended July 31, 2012 the Company recorded gains from the derecognition of accrued pricing liabilities of $11.8 million (see Note (8)). The Company recorded foreign exchange gains (losses) of $0.5 million, $(2.1) million and $2.9 million during the fiscal year ended July 31, 2014, 2013, and 2012, respectively. These net gains and losses related primarily to realized and unrealized gains losses from foreign currency exposures and settled transactions in the Americas, Asia and Europe.

(13) SHARE-BASED PAYMENTS

Stock Option Plans

During the fiscal year ended July 31, 2014, the Company had outstanding awards for stock options under five plans: the 2010 Incentive Award Plan (the "2010 Plan"), the 2005 Non-Employee Director Plan (the "2005 Plan"), the 2004 Stock Incentive Plan (the "2004 Plan"), the 2002 Non-Officer Employee Stock Incentive Plan (the "2002 Plan"), and the 2000 Stock Incentive Plan (the "2000 Plan"). Options granted under the 2010 Plan, 2004 Plan, 2002 Plan and the 2000 Plan are generally exercisable as to 25% of the shares underlying the options beginning one year after the date of grant, with the option being exercisable as to the remaining shares in equal monthly installments over the next three years. The Company may also grant awards other than stock options under the 2010 Plan.

Options granted under the 2005 plan are exercisable in equal monthly installments over three years, and have a term of ten years. As of December 2010, no additional grants may be issued under this plan. Stock options granted under all other plans have contractual terms of seven years.

During the fiscal year ended July 31, 2013 the Company issued to certain officers options that vest based on market conditions, specifically, the performance of the Company's stock (the "Market Options"). The Market Options have a seven-year term and vest and become exercisable as to 20% of the total number of shares subject to the Market Option on each of the first five anniversaries of the grant date, subject to a minimum average share price being achieved as of each such vesting date (the "Price Performance Threshold"), which shall be (i) 1.5 times the exercise price, (ii) 2 times the exercise price, (iii) 2.5 times the exercise price, (iv) 3 times the exercise price and (v) 3.5 times the exercise price, respectively. If the specified minimum average share price for the applicable anniversary date is not achieved, 20% of the total number of shares subject to the Market Option shall not vest and become exercisable but may vest on the subsequent anniversary date if the minimum average share price related to the earlier anniversary date is achieved or exceeded on the subsequent anniversary date.

During the fiscal year ended July 31, 2014 the Company granted to certain officers contingently issuable restricted stock awards that will only be granted to the extent that the Company achieves a certain Adjusted EBITDA metric as defined in the award plan (the "Performance Shares"). The Performance Shares have a seven-year term and, if awarded, vest and become exercisable as to 33.3% of the total number of shares subject to the Performance Shares on each of the first three anniversaries of the grant date.

Under the 2010 Plan, pursuant to which the Company may grant stock options, stock appreciation rights, restricted stock awards and other equity-based awards for the issuance of (i) 5,000,000 shares of common stock of the Company plus (ii) the number of shares subject to outstanding awards under the Company's 2000 Plan, 2002 Plan and 2004 Plan (collectively, the "Prior Plans") that expire or are forfeited following December 8, 2010, the effective date of the 2010 Plan. As of December 8, 2010, the Company ceased making any further awards under its Prior Plans. As of December 8, 2010, the effective date of the 2010 Plan, there were an additional 2,922,258 shares of Common Stock underlying equity awards issued under the Company's Prior Plans. This amount represents the maximum number of additional shares that may be added to the 2010 Plan should these awards expire or be forfeited subsequent to December 8, 2010. Any awards that were outstanding under the Prior Plans as of the effective date continued to be subject to the terms and conditions of such Prior Plan. As of July 31, 2014, 3,743,904 shares were available for future issuance under the 2010 Plan.

The Board of Directors administers all stock plans, approves the individuals to whom options will be granted, and determines the number of shares and exercise price of each option and may delegate this authority to a committee of the Board or to certain officers of the Company in accordance with SEC regulations and applicable Delaware law.

Employee Stock Purchase Plan

The Company offers to its employees an Employee Stock Purchase Plan, (the "ESPP") under which an aggregate of 600,000 shares of the Company's stock may be issued. Employees who elect to participate in the ESPP instruct the Company to withhold a specified amount through payroll deductions during each quarterly period. On the last business day of each applicable quarterly payment period, the amount withheld is used to purchase the Company's common stock at a purchase price equal to 85% of the lower of the market price on the first or last business day of the quarterly period. During the fiscal years ended July 31, 2014, 2013, and 2012, the Company issued approximately 18,000, 12,000 and 23,000, shares, respectively, under the ESPP. Approximately 192,000 shares are available for future issuance as of July 31, 2014.

Stock Option Valuation and Expense Information

The following table summarizes share-based compensation expense related to employee stock options, employee stock purchases and nonvested shares for the fiscal years ended July 31, 2014, 2013, and 2012:

	Years Ended July 31,		
	2014	2013	2012
	(In thousands)		
Cost of revenue	$ 434	$ 263	$ 344
Selling, general and administrative	1,820	2,045	2,646
	$ 2,254	$ 2,308	$ 2,990

The Company estimates the fair value of stock option awards on the date of grant using a binomial-lattice model. The weighted-average grant date fair value of employee stock options granted during the fiscal years ended July 31, 2014, 2013, and 2012 was $1.89, $1.56 and $1.98, respectively, using the binomial-lattice model with the following weighted-average assumptions:

	Years Ended July 31,		
	2014	2013	2012
Expected volatility	57.32%	60.53%	59.56%
Risk-free interest rate	1.16%	0.78%	0.84%
Expected term (in years)	4.41	4.60	4.66
Expected dividend yield	—%	—%	—%

The volatility assumption for fiscal years 2014, 2013 and 2012 is based on the weighted-average of the historical volatility of the Company’s common shares for a period equal to the expected term of the stock option awards.

The weighted-average risk-free interest rate assumption is based upon the interpolation of various U.S. Treasury rates, as of the month of the grants.

The expected term of employee stock options represents the weighted-average period the stock options are expected to remain outstanding and is based on historical option activity. The determination of the expected term of employee stock options assumes that employees’ exercise behavior is comparable to historical option activity. The binomial-lattice model estimates the probability of exercise as a function of time based on the entire history of exercises and cancellations on all past option grants made by the Company. The expected term generated by these probabilities reflects actual and anticipated exercise behavior of options granted historically.

As share-based compensation expense recognized in the Consolidated Statements of Operations for the fiscal years ended July 31, 2014, 2013, and 2012 is based on awards ultimately expected to vest, it has been 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. Forfeitures were estimated based on historical experience.

Stock Options

A summary of option activity for the fiscal year ended July 31, 2014 is as follows:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
	(in thousands, except exercise price and years)			
Stock options outstanding, July 31, 2013	3,437	$ 5.28		
Granted	968	4.19		
Exercised	(337)	3.42		
Forfeited or expired	(1,124)	6.52		
Stock options outstanding, July 31, 2014	2,944	4.66	5.21	$ 532
Stock options exercisable, July 31, 2014	947	$ 6.55	3.83	$ 143

As of July 31, 2014, unrecognized share-based compensation related to stock options was approximately $2.3 million. This cost is expected to be expensed over a weighted average period of 2.8 years. The aggregate intrinsic value of options exercised during the fiscal year ended July 31, 2014 was $0.2 million. The aggregate intrinsic value of options exercised during the fiscal years ended July 31, 2013, and 2012 was immaterial.

As of July 31, 2014, there were 2.8 million stock options that were vested and expected to vest in the future with a weighted- average remaining contractual term of 5.17 years. The aggregate intrinsic value of these awards is $0.5 million.

Nonvested Stock

Nonvested stock consists of shares of common stock that are subject to restrictions on transfer and risk of forfeiture until the fulfillment of specified conditions. Nonvested stock is expensed ratably over the term of the restriction period, ranging from one to five years unless there are performance restrictions placed on the nonvested stock, in which case the nonvested stock is expensed using graded vesting. Nonvested stock compensation expense for the fiscal years ended July 31, 2014, 2013, and 2012 was $0.7 million, $1.1 million and $1.6 million, respectively.

A summary of the activity of our nonvested stock for the fiscal year ended July 31, 2014, is as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value
	(share amounts in thousands)	
Nonvested stock outstanding, July 31, 2013	149	$ 3.94
Granted	184	3.05
Vested	(85)	4.18
Forfeited	(9)	4.20
Nonvested stock outstanding, July 31, 2014	239	$ 3.16

The fair value of nonvested shares is determined based on the market price of the Company's common stock on the grant date. The total grant date fair value of nonvested stock that vested during the fiscal years ended July 31, 2014, 2013, and 2012 was approximately $0.3 million, $2.2 million and $2.1 million, respectively. As of July 31, 2014, there was approximately $1.0 million of total unrecognized compensation cost related to nonvested stock to be recognized over a weighted-average period of 2.5 years.

(14) INCOME TAXES

The components of loss from continuing operations before provision for income taxes are as follows:

	Years Ended July 31,		
	2014	2013	2012
		(in thousands)	
Income (loss) from continuing operations before income taxes:			
U.S.	$ (21,437)	$ (41,257)	$ (26,794)
Foreign	9,891	7,321	3,466
Total loss from continuing operations before income taxes	$ (11,546)	$ (33,936)	$ (23,328)

The components of income tax expense have been recorded in the Company's consolidated financial statements as follows:

	Years Ended July 31,		
	2014	2013	2012
		(in thousands)	
Income tax expense from continuing operations	$ 4,682	$ 3,779	$ 3,035
Total income tax expense	$ 4,682	$ 3,779	$ 3,035

The components of income tax expense from continuing operations consist of the following:

	July 31,		
	2014	2013	2012
		(in thousands)	
Current provision:			
Federal	$ —	$ —	$ —
State	—	—	—
Foreign	4,916	4,307	2,632
	4,916	4,307	2,632
Deferred provision:			
Federal	—	—	—
State	—	—	—
Foreign	(234)	(528)	403
	(234)	(528)	403
Total tax provision	$ 4,682	$ 3,779	$ 3,035

Deferred income tax assets and liabilities have been classified on the Consolidated Balance Sheets in accordance with the nature of the item giving rise to the temporary differences. As of July 31, 2014, the Company recorded a current deferred tax asset of $1.3 million, a non-current deferred tax asset of $2.9 million and a non-current deferred tax liability of $1.2 million in other current assets, other assets and Other long-term liabilities, respectively. As of July 31, 2013, the Company recorded a current deferred tax asset of $1.1 million, non-current deferred tax assets of $2.2 million and a non-current deferred tax liability of $0.4 million in other current assets, other assets and other long-term liabilities, respectively. The components of deferred tax assets and liabilities are as follows:

	July 31, 2014			July 31, 2013		
	Current	Non-current	Total	Current	Non-current	Total
		(In thousands)			(In thousands)	
Deferred tax assets:						
Accruals and reserves	9,634	4,981	14,615	9,304	6,409	15,713
Tax basis in excess of financial basis for intangible and fixed assets	—	17,251	17,251	—	15,413	15,413
Tax basis in excess of financial basis of investments in affiliates	—	9,699	9,699	—	8,002	8,002
Net operating loss and capital loss carry forwards	—	747,038	747,038	—	749,501	749,501
Total gross deferred tax assets	9,634	778,969	788,603	9,304	779,325	788,629
Less: valuation allowance	(8,364)	(749,961)	(758,325)	(8,159)	(758,199)	(766,358)
Net deferred tax assets	1,270	29,008	30,278	1,145	21,126	22,271
Deferred tax liabilities:						
Accruals and reserves	(31)	—	(31)	(39)	—	(39)
Financial basis in excess of tax basis for intangible and fixed assets	—	(1,210)	(1,210)	—	(1,343)	(1,343)
Convertible Debt	—	(11,302)	(11,302)	—	—	—
Undistributed accumulated earnings of foreign subsidiaries	—	(14,680)	(14,680)	—	(18,010)	(18,010)
Total gross deferred tax liabilities	(31)	(27,192)	(27,223)	(39)	(19,353)	(19,392)
Net deferred tax asset (liability)	1,239	1,816	3,055	1,106	1,773	2,879

Subsequently reported tax benefits relating to the valuation allowance for deferred tax assets as of July 31, 2014 will be allocated as follows (in thousands):

Income tax benefit recognized in the consolidated statement of operations	$	(742,864)
Additional paid in capital		(15,461)
	$	(758,325)

The net change in the total valuation allowance for the fiscal year ended July 31, 2014 was a decrease of approximately $8.0 million. This decrease is primarily due to a decrease in the U.S. valuation allowance due to the utilization of net operating losses. A valuation allowance has been recorded against the gross deferred tax asset in the U.S and certain foreign subsidiaries since management believes that after considering all the available objective evidence, both positive and negative, historical and prospective, it is more likely than not that certain assets will not be realized. The net change in the total valuation allowance for the fiscal year ended July 31, 2013 was an increase of approximately $9.7 million.

The Company has certain deferred tax benefits, including those generated by net operating losses and certain other tax attributes (collectively, the "Tax Benefits"). The Company's ability to use these Tax Benefits could be substantially limited if it were to experience an "ownership change," as defined under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). In general, an ownership change would occur if there is a greater than 50-percentage point change in ownership of securities by stockholders owning (or deemed to own under Section 382 of the Code) five percent or more of a corporation's securities over a rolling three-year period.

Accordingly, on October 17, 2011, the Company's Board of Directors adopted a Tax Benefit Preservation Plan between the Company and American Stock Transfer & Trust Company, LLC, as rights agent (as amended from time to time, the "Tax Plan"). The Tax Plan reduces the likelihood that changes in the Company's investor base have the unintended effect of limiting

the Company's use of its Tax Benefits. The Tax Plan is intended to require any person acquiring shares of the Company's securities equal to or exceeding 4.99% of the Company's outstanding shares to obtain the approval of the Board of Directors. This would protect the Tax Benefits because changes in ownership by a person owning less than 4.99% of the Company's stock are not included in the calculation of "ownership change" for purposes of Section 382 of the Code.

The Company has net operating loss carryforwards for federal and state tax purposes of approximately $2.0 billion and $459.7 million, respectively, at July 31, 2014. The federal net operating losses will expire from fiscal year 2021 through 2033 and the state net operating losses will expire from fiscal year 2014 through 2033. The Company has a foreign net operating loss carryforward of approximately $72.2 million, of which $54.7 million has an indefinite carryforward period. In addition, the Company has capital loss carryforwards for federal and state tax purposes of approximately $16.3 million and $16.3 million, respectively. The federal and state capital losses will expire in fiscal year 2015 and 2016, respectively.

The Company's ModusLink Corporation subsidiary has undistributed earnings from its foreign subsidiaries of approximately $52.0 million at July 31, 2014, of which approximately $10.1 million is considered to be permanently reinvested due to certain restrictions under local laws as well as the Company's plans to reinvest such earnings for future expansion in certain foreign jurisdictions. The amount of taxes attributable to the permanently undistributed earnings is estimated at $13.3 million. The Company has recorded a deferred tax liability of $14.7 million on the remaining $41.9 million of undistributed earnings that are not considered to be permanently reinvested.

Income tax expense attributable to income from continuing operations differs from the expense computed by applying the U.S. federal income tax rate of 35% to income (loss) from continuing operations before income taxes as a result of the following:

	Years Ended July 31,		
	2014	2013	2012
	(In thousands)		
Computed "expected" income tax expense (benefit)	$ (3,907)	$ (12,443)	$ (12,447)
Increase (decrease) in income tax expense resulting from:			
Losses not benefited	3,282	13,413	11,112
Foreign dividends	5,737	2,956	3,298
Foreign tax rate differential	(750)	(316)	1,133
Capitalized costs	(54)	100	179
Nondeductible expenses	(49)	254	355
Foreign withholding taxes	423	218	542
Reversal of uncertain tax position reserves	—	(403)	(1,137)
Actual income tax expense	$ 4,682	$ 3,779	$ 3,035

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax regulations in several tax jurisdictions. The Company is periodically reviewed by domestic and foreign tax authorities regarding the amount of taxes due. These reviews include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the exposure associated with various filing positions, we record estimated reserves when necessary. Based on our evaluation of current tax positions, the Company believes it has appropriately accrued for exposures.

The Company operates in multiple taxing jurisdictions, both within and outside of the United States. At July 31, 2014, 2013, and 2012, the total amount of the liability for unrecognized tax benefits, including interest, related to federal, state and foreign taxes was approximately $1.1 million, $1.0 million and $1.3 million, respectively. To the extent the unrecognized tax benefits are recognized, the entire amount would impact income tax expense.

The Company files income tax returns in the U.S., various states and in foreign jurisdictions. The federal and state income tax returns are generally subject to tax examinations for the tax years ended July 31, 2010 through July 31, 2014. To the extent the Company has tax attribute carryforwards, the tax year in which the attribute was generated may still be adjusted upon examination by the Internal Revenue Service or state tax authorities to the extent utilized in a future period. In addition, a number of tax years remain subject to examination by the appropriate government agencies for certain countries in the Europe and Asia regions. In Europe, the Company's 2006 through 2013 tax years remain subject to examination in most locations while the Company's 2002 through 2013 tax years remain subject to examination in most Asia locations.

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

	Years Ended July 31,		
	2014	2013	2012
		(In thousands)	
Balance as of beginning of year	$ 1,015	$ 1,230	$ 2,273
Additions for current year tax positions	13	79	73
Additions for prior year tax positions	—	—	564
Currency translation	—	33	—
Reductions for lapses in statute of limitations	—	(212)	(1,680)
Reductions of prior year tax positions	—	(115)	—
Balance as of end of year	$ 1,028	$ 1,015	$ 1,230

In accordance with the Company's accounting policy, interest related to income taxes is included in the provision of income taxes line of the Consolidated Statements of Operations. For the fiscal year ended July 31, 2014, the Company has not recognized any material interest expense related to uncertain tax positions. As of July 31, 2014, 2013, and 2012, the Company had recorded liabilities for interest expense related to uncertain tax positions in the amount of $48,000, $10,000 and $78,000, respectively. The Company did not accrue for penalties related to income tax positions as there were no income tax positions that required the Company to accrue penalties. The Company does not expect that any unrecognized tax benefits will reverse in the next twelve months.

(15) ACCUMULATED OTHER COMPREHENSIVE INCOME

The components of accumulated other comprehensive income, net of income taxes, are as follows:

	Foreign currency items	Pension items	Unrealized gains (losses) on securities	Total
		(In thousands)		
Accumulated other comprehensive income at July 31, 2013	$ 15,759	$ (2,066)	$ 20	$ 13,713
Foreign currency translation adjustment	74	—	—	74
Net unrealized holding gain on securities, net of tax	—	—	15	15
Pension liability adjustments, net of tax	—	166	—	166
Net current-period other comprehensive income	74	166	15	255
Accumulated other comprehensive income at July 31, 2014	$ 15,833	$ (1,900)	$ 35	$ 13,968

In each of the fiscal years ended July 31, 2014, 2013, and 2012, the Company recorded an immaterial amount in taxes related to other comprehensive income.

(16) STATEMENT OF CASH FLOWS SUPPLEMENTAL INFORMATION

Cash used for operating activities reflect cash payments for interest and income taxes as follows:

	Years Ended July 31,		
	2014	2013	2012
	(In thousands)		
Cash paid for interest	$ 33	$ 30	$ 26
Cash paid for income taxes	$ 3,838	$ 4,632	$ 3,538

Cash paid for taxes can be higher than income tax expense as shown on the Company's consolidated statements of operations due to prepayments made in certain jurisdictions as well as to the timing of required payments in relation to recorded expense, which can cross fiscal years.

Non-cash Activities

Non-cash financing activities during the fiscal years ended July 31, 2014, 2013, and 2012 included the issuance of approximately 0.2 million, 0.3 million and 0.2 million shares, respectively, of nonvested common stock, valued at approximately $1.0 million, $0.8 million and $1.1 million, respectively, to certain employees of the Company.

Non-cash investing activities during the fiscal year ended July 31, 2014 included unsettled trades associated with the acquisition of $12.9 million in 4.0625% convertible debentures of a publicly traded entity and $9.4 million in common stock of a publicly traded entity.

(17) STOCKHOLDERS' EQUITY

Preferred Stock

Our board of directors has the authority, subject to any limitations prescribed by Delaware law, to issue shares of preferred stock in one or more series and to fix and determine the designation, privileges, preferences and rights and the qualifications, limitations and restrictions of those shares, including dividend rights, conversion rights, voting rights, redemption rights, terms of sinking funds, liquidation preferences and the number of shares constituting any series or the designation of the series, without any further vote or action by the stockholders. Any shares of our preferred stock so issued may have priority over our common stock with respect to dividend, liquidation and other rights. Our board of directors may authorize the issuance of preferred stock with voting rights or conversion features that could adversely affect the voting power or other rights of the holders of our common stock. Although the issuance of preferred stock could provide us with flexibility in connection with possible acquisitions and other corporate purposes, under some circumstances, it could have the effect of delaying, deferring or preventing a change of control.

Common Stock

Each holder of our common stock is entitled to:

- one vote per share on all matters submitted to a vote of the stockholders, subject to the rights of any preferred stock that may be outstanding;
- dividends as may be declared by our board of directors out of funds legally available for that purpose, subject to the rights of any preferred stock that may be outstanding; and
- a pro rata share in any distribution of our assets after payment or providing for the payment of liabilities and the liquidation preference of any outstanding preferred stock in the event of liquidation.

Holders of our common stock have no cumulative voting rights, redemption rights or preemptive rights to purchase or subscribe for any shares of our common stock or other securities. All of the outstanding shares of common stock are fully paid and nonassessable. The rights, preferences and privileges of holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any existing series of preferred stock and any series of preferred stock that we may designate and issue in the future. There are no redemption or sinking fund provisions applicable to our common stock.

On March 12, 2013, stockholders of the Company approved the sale of 7,500,000 shares of newly issued common stock to Steel Partners Holdings L.P. ("Steel Partners") at a price of $4.00 per share, resulting in aggregate proceeds of $30.0 million before transaction costs. The Company incurred $2.3 million of transaction costs, which consisted primarily of investment banking and legal fees, resulting in net proceeds from the sale of $27.7 million. In addition, as part of the transaction, the Company issued Steel Partners a warrant to acquire an additional 2,000,000 shares at an exercise price of $5.00 per share.

Pursuant to the investment agreement, the Company agreed to grant Steel Partners certain registration rights. The Company agreed to file a resale registration statement on Form S-3 as soon as practicable after it is eligible to do so, covering the shares of common stock purchased by Steel Partners and the shares of common stock issuable upon exercise of the warrants. The Company is required to keep the resale registration statement effective for three years following the date it is declared effective. Steel Partners also has the right, until such time as it owns less than one-third of the common stock originally issued to it under the investment agreement, to require that the Company file a prospectus supplement or amendment to cover sales of common stock through a firm commitment underwritten public offering. The underwriters of any underwritten offering have the right to limit the number of shares to be included in any such offering. In addition, the Company has agreed to certain "piggyback registration rights." If the Company registers any securities for public sale, Steel Partners has the right to include its shares in the registration, subject to certain exceptions. The underwriters of any underwritten offering have the right to limit the number of Steel Partners' shares to be included in any such offering for marketing reasons. The Company has agreed to pay the expenses of Steel Partners in connection with any registration of the securities issued in the Steel Partners investment and to provide customary indemnification to Steel Partners in connection with such registration.

(18) DISCONTINUED OPERATIONS AND DIVESTITURES

On January 11, 2013, the Company's wholly-owned subsidiary, Tech for Less LLC ("TFL") sold substantially all of its assets to Encore Holdings, LLC ("Encore"). The consideration paid by Encore for the assets was $1.6 million, which consisted of a gross purchase price of $1.9 million less certain adjustments. At the time of sale, the Company received $1.4 million of the purchase price, with the remaining $0.2 million held in escrow for the satisfaction of any post-closing claims. During the fourth quarter of fiscal 2013, the Company reached a settlement agreement with Encore whereby the Company received $0.1 million of the escrow amount, with the remainder reverting to Encore. As a result of the settlement of the escrow amount, the Company's gain on the sale of TFL was reduced by $0.1 million from $0.7 million to $0.6 million. In conjunction with the asset sale agreement, the Company entered into a transition support agreement with Encore to provide certain administrative services for a period of 90 days from the closing date of the transaction. The Company's obligations under the transition support agreement were completed during the third quarter of fiscal year 2013. The Company did not generate significant continuing cash flows from the transition support agreement.

The Company's other discontinued operations relate to a lease obligation associated with a previously vacated facility. In July 2013, the Company reached an agreement with its landlord for the early termination of the lease agreement. As part of the lease termination agreement, the Company paid $0.4 million to the landlord on August 1, 2013 and was released from any future obligations associated with the leased facility. The Company also assigned its interest in its sublease rental income to the landlord.

Summarized financial information for the discontinued operations of the Company are as follows:

	Years Ended July 31,		
	2014	2013	2012
	(in thousands)		
Results of operations:			
Net revenue	$ —	$ 4,592	$ 25,944
Other gains (losses), net	80	582	627
Total expenses	—	(6,199)	(37,071)
Income (loss) from discontinued operations	$ 80	$ (1,025)	$ (10,500)

	July 31,	
	2014	2013
	(in thousands)	
Financial position:		
Current liabilities	$ —	$ (610)
Non-current liabilities	—	—
Net liabilities of discontinued operations	$ —	$ (610)

(19) FAIR VALUE MEASUREMENTS

Assets and Liabilities that are Measured at Fair Value on a Recurring Basis

The following tables presents the Company's financial assets measured at fair value on a recurring basis as of July 31, 2014 and July 31, 2013, classified by fair value hierarchy:

		Fair Value Measurements at Reporting Date Using		
(In thousands)	**July 31, 2014**	**Level 1**	**Level 2**	**Level 3**
Marketable equity securities	9,856	9,856	—	—
Marketable corporate bonds	12,937	12,937	—	—
Money market funds	150,626	150,626	—	—

		Fair Value Measurements at Reporting Date Using		
(In thousands)	**July 31, 2013**	**Level 1**	**Level 2**	**Level 3**
Marketable equity securities	—	—	—	—
Marketable corporate bonds	—	—	—	—
Money market funds	—	—	—	—

There were no transfers between Levels 1, 2 or 3 during any of the periods presented.

When available, quoted prices were used to determine fair value. When quoted prices in active markets were available, investments were classified within Level 1 of the fair value hierarchy. When quoted prices in active markets were not available, fair values were determined using pricing models, and the inputs to those pricing models were based on observable market inputs. The inputs to the pricing models were typically benchmark yields, reported trades, broker-dealer quotes, issuer spreads and benchmark securities, among others.

Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis

For the years ended July 31, 2014 and July 31, 2013, the Company's only significant assets or liabilities measured at fair value on a nonrecurring basis subsequent to their initial recognition were the Company's @Ventures investments, goodwill and certain assets subject to long-lived asset impairment.

The Company reviews the carrying amounts of these assets whenever certain events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Company also performs an impairment evaluation of goodwill on an annual basis. An impairment loss is recognized when the carrying amount of the asset group or reporting unit is not recoverable and exceeds its fair value. The Company estimated the fair values of assets subject to impairment based on the Company's own judgments about the assumptions that market participants would use in pricing the assets and on observable market data, when available. The Company uses the income approach when determining the fair value of its reporting units.

Fair Value of Financial Instruments

The Company's financial instruments not measured at fair value on a recurring basis include cash and cash equivalents, accounts receivable, accounts payable and long-term debt and are reflected in the financial statements at cost. With the exception of long-term debt, cost approximates fair value for these items due to their short-term nature. Included in trading securities in the accompanying balance sheet are marketable equity securities and marketable corporate bonds. These instruments are valued at quoted market prices in active markets. Included in cash and cash equivalents in the accompanying balance sheet are money market funds. These are valued at quoted market prices in active markets.

(20) SEGMENT INFORMATION

The Company has five operating segments: Americas; Asia; Europe; e-Business; and ModusLink PTS. Based on the information provided to the Company's chief operating decision-maker ("CODM") for purposes of making decisions about allocating resources and assessing performance and quantitative thresholds, the Company has determined that it has three reportable segments: Americas; Asia; and Europe. The Company reports the ModusLink PTS operating segment in aggregation with the Americas operating segment as part of the Americas reportable segment. In addition to its three reportable segments, the Company reports an All Other category. The All Other category primarily represents the e-Business operating segment. The Company also has Corporate-level activity, which consists primarily of costs associated with certain corporate administrative functions such as legal and finance, which are not allocated to the Company's reportable segments and administration costs

related to the Company’s venture capital activities. The Corporate-level balance sheet information includes cash and cash equivalents, available-for-sale securities, investments and other assets, which are not identifiable to the operations of the Company’s operating segments.

Management evaluates segment performance based on segment net revenue, operating income (loss) and “adjusted operating income (loss)”, which is defined as the operating income (loss) excluding net charges related to depreciation, amortization of intangible assets, goodwill and long-lived asset impairment, share-based compensation and restructuring. These items are excluded because they may be considered to be of a non-operational or non-cash nature. Historically, the Company has recorded significant impairment and restructuring charges and therefore management uses adjusted operating income to assist in evaluating the performance of the Company’s core operations.

Summarized financial information of the Company’s continuing operations by operating segment is as follows:

	Years Ended July 31,		
	2014	2013	2012
	(In thousands)		
Net revenue:			
Americas	$ 299,026	$ 268,490	$ 249,940
Asia	176,592	212,963	218,880
Europe	209,550	237,222	211,319
All Other	38,232	35,829	33,808
	$ 723,400	$ 754,504	$ 713,947
Operating income (loss):			
Americas	$ 9,456	$ (230)	$ (14,108)
Asia	17,335	22,841	21,450
Europe	(12,319)	(22,091)	(15,718)
All Other	(249)	349	634
Total Segment operating income (loss)	14,223	869	(7,742)
Corporate-level activity	(19,672)	(29,101)	(27,119)
Total operating loss	(5,449)	(28,232)	(34,861)
Total other income (expense)	(6,097)	(5,704)	11,533
Loss from continuing operations before income taxes	$ (11,546)	$ (33,936)	$ (23,328)

	July 31, 2014	July 31, 2013
	(In thousands)	
Total assets:		
Americas	$ 73,254	$ 65,790
Asia	78,749	93,547
Europe	81,327	97,524
All Other	14,221	17,369
Sub-total—segment assets	247,551	274,230
Corporate	204,095	69,466
	$ 451,646	$ 343,696

Summarized financial information of the Company's net revenue from external customers by group of services is as follows:

	Years Ended July 31,		
	2014	2013	2012
		(In thousands)	
Supply chain services	$ 635,503	$ 676,709	$ 646,564
Aftermarket services	49,665	41,966	33,575
e-Business services	38,232	35,829	33,808
	$ 723,400	$ 754,504	$ 713,947

As of July 31, 2014, approximately $19.3 million, $4.4 million and $4.7 million of the Company's long-lived assets were located in the U.S.A., Singapore and Ireland, respectively. As of July 31, 2013, approximately $21.8 million, $5.2 million and $5.0 million of the Company's long-lived assets were located in the U.S.A., Singapore and Ireland, respectively. For the fiscal year ended July 31, 2014, the Company's net revenues within U.S.A., China, Netherlands and Czech Republic were $297.3 million, $131.3 million, $101.9 million and $91.9 million, respectively. For the fiscal year ended July 31, 2013, the Company's net revenues within U.S.A., China, Netherlands and Czech Republic were $277.4 million, $147.3 million, $91.8 million and $97.9 million, respectively. For the fiscal year ended July 31, 2012, the Company's net revenues within U.S.A., China, Netherlands and Czech Republic were $282.1 million, $141.9 million, $106.5 million and $60.4 million, respectively

(21) SELECTED QUARTERLY FINANCIAL INFORMATION (Unaudited)

The following table sets forth selected quarterly financial information for the fiscal years ended July 31, 2014 and 2013. The operating results for any given quarter are not necessarily indicative of results for any future period.

	Years Ended				Years Ended			
	Oct. 31, '13	Jan. 31, '14	Apr. 30, '14	Jul. 31, '14	Oct. 31, '12	Jan. 31, '13	Apr. 30, '13	Jul. 31, '13
	(In thousands, except per share data)				(In thousands, except per share data)			
Net revenue	$ 191,415	$ 194,011	$ 173,274	$ 164,700	$ 197,051	$ 203,436	$ 173,016	$ 181,001
Cost of revenue	169,420	171,431	157,575	150,249	178,427	183,158	157,641	160,908
Gross profit	21,995	22,580	15,699	14,451	18,624	20,278	15,375	20,093
Total operating expenses	19,374	21,345	20,837	18,618	25,895	28,804	22,135	25,768
Operating income (loss)	2,621	1,235	(5,138)	(4,167)	(7,271)	(8,526)	(6,760)	(5,675)
Total other income (expense)	(812)	581	(3,640)	(2,226)	(1,340)	(2,491)	(677)	(1,196)
Income tax expense (benefit)	1,137	753	700	2,092	909	674	392	1,804
Equity in losses of affiliates, net of tax	(134)	—	—	—	(311)	(726)	(418)	(160)
Income (loss) from continuing operations	538	1,063	(9,478)	(8,485)	(9,831)	(12,417)	(8,247)	(8,835)
Income (Loss) from discontinued operations	79	1	—	—	(827)	(133)	(59)	(6)
Net income (loss)	$ 617	$ 1,064	$ (9,478)	$ (8,485)	$ (10,658)	$ (12,550)	$ (8,306)	$ (8,841)
Basic and diluted earnings - loss) per share:								
Income (loss) from continuing operations	$ 0.01	$ 0.02	$ (0.18)	$ (0.16)	$ (0.22)	$ (0.29)	$ (0.17)	$ (0.17)
Income (loss) from discontinued operations	—	—	—	—	(0.02)	—	—	—
Net income (loss)	$ 0.01	$ 0.02	$ (0.18)	$ (0.16)	$ (0.24)	$ (0.29)	$ (0.17)	$ (0.17)