







MESTEK, INC.

2015 Annual Report

Companies

HVAC

Beacon/Morris
RBI
ATH Advanced Thermal Hydronics
KN Series
Airtherm A Mestek Company
HEATNET 3.0
Space Pak
Embassy Industries Inc.
Turbonics Inc.
Argo Baseboard
Vulcan Radiator
Boyertown Foundry Company
Sterling
Koldwave
LJ Ming
awv
L&D
Airline Louvers
King
Dadanco
Arrow United Industries
Temprite Industries
Aztec
Cesco Products
abi
Applied Air
Sierra Fresh Air Systems

Machinery

Mestek Machinery
Lockformer • Iowa Precision • Engel • ISM by Lockformer
Formtek
More Productive Metalforming Solutions
Lockformer
B&K
Yoder
ISM by Lockformer
Roto-Die, Inc.
Tishken
Iowa Precision
Coiled Metal Processing Systems, Worldwide
Hill Engineering
Lion
Dahlstrom
Engel
cooper-weymouth,peterson
KK Krasny-Kaplan Corporation
Rowe Machinery & Manufacturing
Winpro

Architectural

Mestek Architectural
IntelligentEnvelopes™
Linel
AWV

Corporate Officers

Mestek Board of Directors

Stewart B. Reed (E, N)	Chairman of the Board and Chief Executive Officer
J. Nicholas Filler (E, A)	Vice Chairman of the Board
Daniel P. Boyle (A, C)	President, Schwerin Boyle Capital Management, Inc.
Christopher Chivetta (N)	President, Hastings + Chivetta
Derek W. Glanvill (C, N)	Retired President and COO, McCarthy Holdings, Inc.
David M. Kelly (E, A, C)	Retired Chairman and CEO, Matthews International Corporation

E-Member Executive Committee; C-Member Compensation Committee; N-Member Nominating/Governance Committee; A-Member Audit Committee

Mestek Principal Officers

Stewart B. Reed	Chairman of the Board and Chief Executive Officer
R. Bruce Dewey	President
Stephen M. Shea	Executive Vice President, Chief Financial Officer
Timothy D. Markel	Executive Vice President, President Distributor Products & Residential Comfort Groups
Mark C. Harrington	Executive Vice President, Engineering
William S. Rafferty	Executive Vice President
Joanne F. Berwald	Vice President, Human Resources
James J. Boland	Vice President, Commercial Hydronics
Lawrence P. Desmarais	Vice President
Emerson W. Hobgood	Vice President
Richard E. Kessler	Vice President and Chief Procurement Officer
James B. Monahan	Vice President, Manufacturing
Steven F. Olearcek	Vice President, General Counsel, Secretary
Charles L. Perry	Vice President, Sales, Sterling Gas Products
Kurt S. Shea	Vice President, Engineering, Distributor Products
John W. Wilson	Vice President, Mestek Technologies
Cindy T. Lacoste	Assistant Secretary

Principal Subsidiary Officers

Darby D. Benroth	President, AWV
George M. Kaler	President, Mestex
Darren E. Muchnicki	President, Formtek, Inc.
Donald S. Murray	President, AWV International, Ltd.
Richard L. Riggs	President, Boyertown Foundry Company
Robert B. Sloan	President, Linel
Kenneth D. Wahlers	President, Mestek Damper & Louver Group
Manny J. DaSilva	Vice President-Operations, RBI
Max Li	Vice President, Hebei Sterling Technology, Ltd.
Scott L. Sloan	Vice President-Operations, Mestek Machinery, Inc.
Matthew T. Watson	Vice President & General Manager, Formtek Maine

State of the Corporation

Fellow Shareholders,

"There can be few fields of human endeavour in which history counts for so little as in the world of finance. Past experience, to the extent that it is part of memory at all, is dismissed as the primitive refuge of those who do not have the insight to appreciate the incredible wonders of the present." –John Kenneth Galbraith

Indeed. First World central banks have acted, on a grand-scale by flooding the planet with ultra cheap credit created by tapping a computer keyboard, presenting humanity with "the incredible wonders of the present", free money for governments and creditworthy businesses. Zero Interest Rate Policy, Negative Interest Rate Policy, talk of eliminating the Euro 500 note, these incredible wonders defy financial history. This grand experiment breeds currency wars, a race to the bottom. Only the timing of the unhappy ending is in doubt, in my primitive opinion.

When capital costs little or nothing, misallocation of capital is the certain result, not to mention the intense pressure put on insurance companies, banks, pension funds, 401(k) retirement accounts, retirees, and middle class savers. Governments, ever eager to avoid structural reforms as demographics and globalization present new challenges, seek to relieve debt burdens by debasing the value of fiat money. In short, central banks are orchestrating a massive wealth transfer from savers to speculators and debtors, most notably the governments themselves which have piled up debt and made generous promises they are unable to keep.

I'm reminded of Hyman Minsky Moments, and Minsky's theory of finance: hedge, speculative, and Ponzi borrowers. Minsky Moments can occur when asset price bubbles accompanied by excessive debt create financial fragility and instability resulting in a sudden asset value collapse. Hedge finance occurs when a borrower can pay principal and interest payments under adverse circumstances. Speculative finance occurs when a borrower can pay interest payments, but must continually roll over the principal. Ponzi finance is when a borrower depends on future asset appreciation to service its obligations by borrowing more. Mestek is not afraid of moderate debt, yet greatly prefers to be a hedge debtor.

For a creditworthy business like Mestek, the temptation to borrow almost free money for expensive yet accretive acquisitions is powerful. If earnings per share reign supreme, then it's obvious that your company lacks inspired leadership. Don't fight the Fed, the trend is your friend, go with the flow, the numbers look good, all the mantras of Wall Street financial engineers. Why be a primitive financial dinosaur who fails to appreciate the incredible wonders of the present? Or, if Mestek leadership chooses not to participate in the current financial bacchanalia, then why not return the after tax cash flow to shareholders? I'll try my best to explain our reasoning.

Balance sheets matter, for numerous reasons, especially given the central banks' current grand financial experiment, the denouement of which is uncertain, but unlikely to be favorable. Management's duty is to preserve and grow the intrinsic value of Mestek, and to provide competitive risk adjusted returns to shareholders. Warren Buffet's first rule is not to lose money. While this is not always possible, it is always well worth consideration. Mestek serves the cyclical building construction industry, an important difference from consumer staples; and Mestek's future acquisitions are also likely to be dependent on the health of the construction industry. Double digit EBITDA multiples, in some cases in the teens, often create excessive risks in cyclical industries while limiting potential rewards. Best case scenarios conjured up by well dressed investment bankers are fun to view, in some cases genuinely amusing, future earnings hockey stick and all, while keeping one's powder dry is less fun but usually a better business decision.

Most manufacturing businesses including Mestek face many operational risks: legal, environmental, regulatory, disruptive technological changes, low priced foreign competition, and construction industry recessions for example. Maintaining financial flexibility is prudent if not essential. Recessions create multiple opportunities for companies with strong balance sheets including hiring great people, maintaining and enhancing R&D while competitors cut back, maintaining and enhancing sales and marketing initiatives to increase market share, better protecting dedicated employees from layoffs, and acquiring businesses and product lines at equitable prices. Mestek never welcomes recessions or other serious business challenges; but we don't fear them either.

During the last industry recession, hale and hearty commercial bankers morphed into nervous bean counters almost overnight. Bankers have a frustrating job; they are almost always lending a given business too little or too much. We desire to help them sleep better when viewing our account during lean times. Still, my investing and business experience suggests that one should be bold and self-confident when others are fearful, but humble and paranoid when others are exuberant about future prospects. At Mestek, we strive to be both determined and flexible at all times.

Regarding operations, your company believes first and foremost in team building and teamwork. This is a core cultural belief, not a slogan. We measure success and failure by the talent and dedication of our employees, and how well we improve our teams each year. Sometimes management will err when choosing priorities; but if we have the best teams in our industry niches we will rebound and prosper. Almost always, Mestek will hire great people who fit within our business models and culture, and assist current employees develop their skills, regardless of general economic conditions. Great teams make good things happen, find a way to win sooner or later.

Mestek is committed to being the best home for quality businesses in our industries. Freedom to express yourself professionally and otherwise, respect for healthy local cultures, corporate financial and management resources including myself as servants rather than masters, and taking the common sense path to building a great business are what motivates us. Unlike private equity firms, we build businesses to nurture and own forever, offering an interesting and reliable home for quality people. Long term mutual commitment to each other is core to our culture. Quarterly earnings reports are far down on our list of priorities. If Mestek is ever sold, the largest Mestek shareholder would not agree to sell to any acquirer who did not share these beliefs. I am all too familiar with this shareholder, and unlikely to change his mind.

2015 financial results were satisfactory all things considered, despite some investment misadventures by me. I was either just plain wrong, or perhaps too early, in my belief that precious metals were reasonably priced versus stocks, bonds, and negative real interest rates on cash. Mea culpa. I still believe precious metals, most notably platinum selling at a large discount to gold, are a superior holding versus cash or bonds, and perhaps stocks. Mestek continues to hold a moderate percentage of its liquid assets in platinum futures as a hedge against governments' intense efforts to debase hard-earned cash reserves as openly advocated by Ms. Yellen and Messrs Draghi and Kuroda among others.

Both revenues and after tax earnings increased marginally during 2015. Gross profit improved by 180 basis points to 34.2 percent, a record result primarily due to depressed steel, copper, and aluminum input costs. R&D expenses increased by 28% to $7.65 million due to several major projects including fire-tube boilers and ultra high efficiency makeup air rooftop units, projects not yet contributing revenue. I'm confident that some of these initiatives will provide good returns while at the same time building stronger new product development teams for future endeavors. Other engineering and SG&A expenses were well controlled, except for my ill-conceived or poorly timed hedge position. Lower income taxes resulted primarily from profits earned in lower taxed jurisdictions, which may or may not recur in future years. Earnings of $2.40 per share were a record result, but certainly not a break-out year.

Most HVAC product lines including commercial boilers, commercial radiation, residential baseboard, unit heaters, engineered commercial and mission critical equipment, industrial HVAC equipment, and dampers and louvers had satisfactory years. Dadanco active chilled beams had an excellent year with strong growth of sales and profits. Overall sales were flat and operating profits up, reflecting better margins on newer products and the continuing gradual decline of certain mature product lines. Linel and AWV architectural products also produced flat sales and improved profits due to lower aluminum costs and more disciplined job quoting practices at AWV.

Machinery sales and profits, although mixed, improved substantially overall. Our metal forming and processing machinery businesses in Ohio and Maine had outstanding years due to successfully managed large scale on top orders. These complicated projects reflect well on the highly skilled personnel at these locations. International sales including our China machinery building business suffered declining sales and losses. Multiple reasons such as lower oil and mineral prices in key markets, Mideast political turmoil, and European economic stagnation were to blame for these disappointing results.

State of the Corporation

We are delighted to welcome Turbonics and Airline Louvers as new Mestek businesses. Both are well-respected brands, Turbonics for specialty hydronic heating units, and Airline for architectural louvers. We are stepping up investment in R&D and sales & marketing in each business while welcoming some terrific people to Mestek.

Backlogs are generally comparable to last year. The balance sheet remains rock solid, and continues to improve further. While we are eager to fund new promising R&D and other initiatives, and to purchase quality businesses that fit strategically and culturally, we will continue to focus on risk versus reward. We try to always think like a big small business, rather than a small big business. We hate office politics and bureaucracy with a passion. We have a flat organizational structure. Whoever has the best idea wins, no matter if he or she is the most junior person in the meeting. We admit our mistakes early and often, trying to prevent our colleagues from making similar mistakes. We remember leaner times when money and credit were scarce. We don't pretend to be big time executives; most of us came up through the ranks intimately involved in the details of operations.

Yet, please don't interpret our culture as lacking courage. We stand ready to make major decisions promptly, and to commit substantial resources, financial and otherwise. Sometimes we will be wrong of course. We will not bet your company, never; but we are prepared to invest sizable amounts if we like the risk versus reward aspects of the investment. We like to place our bets on great people, not a financial pro forma.

For the second time in Mestek's history we have decided to spin-off non-core businesses, Anemostat Inc. and Anemostat Door Products Inc. Both companies are well-managed yet at a crossroads. Anemostat Inc. has been stifled in several ways including lack of floor-space and sharing painting facilities and machinery with Anemostat Door. And visa versa. Anemostat Inc. is rejuvenated as an independent business with energized and committed leadership, and with greater opportunities for growth. Anemostat Door is now able to focus on its market niche, unfettered by the distractions of Anemostat Inc., at its new location in San Antonio, Texas, better able to serve its customers with quicker deliveries. We highly regard the leadership teams of both businesses, and believe both will thrive as independent entities. It was a difficult decision involving people and circumstances; but I believe it was the right decision for the future of these companies.

Mestek management continues to learn new things every day, and has many irons in the fire. Day to day we are capable operators; our challenge is becoming better at sorting through strategic priorities, attracting great new people to the company, retaining and developing our current employees who are exceptional colleagues in my opinion, and improving our capacity to better serve our industries. We continue to be grateful to our loyal employees, independent manufacturers' representative partners, customers who believe in and trust us to provide added value, professional architects and engineers, our valued suppliers, and our patient and supportive shareholder owners. Thank you!

With kind regards,



Stewart B. Reed
Chairman & CEO

RSM

Independent Auditor's Report

RSM US LLP

Board of Directors and Shareholders
Mestek, Inc.
Westfield, Massachusetts

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Mestek Inc. (the Company), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the years then ended and the related notes to the consolidated financial statements, (collectively, 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 audits. We conducted our audits 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 Mestek, Inc. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Boston, Massachusetts
April 26, 2016

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SELECTED FINANCIAL DATA

Selected financial data for the Company for each of the last five years is shown in the following table, which is derived from and should be read in conjunction with the Consolidated Financial Statements included elsewhere in this report. Selected financial data reflecting the operations of acquired businesses is shown only for periods following the related acquisition.

SUMMARY OF FINANCIAL POSITION as of December 31,

(Dollars in thousands except per share data)

	2015	2014	2013	2012	2011
Total Assets	$ 238,669	$ 238,110	$ 213,717	$ 197,153	$200,513
Working Capital	103,219	95,147	77,091	59,058	70,518
Total Debt	10,163	10,338	10,535	12,057	11,833
Mestek Inc. Shareholders' Equity	158,788	152,669	136,544	119,095	129,429
Shareholders' Equity Per Common Share (1)	$ 21.20	$ 20.38	$ 18.23	$ 15.90	$ 17.36

SUMMARY OF OPERATIONS for the years ended December 31,

(Dollars in thousands except per share data)

	2015	2014	2013	2012	2011
Revenues from Continuing Operations	$ 347,106	$ 345,464	$ 331,851	$ 299,347	$ 304,624
Net Income from Continuing Operations attributable to Mestek	$ 17,954	$ 17,370	$ 16,593	$ 12,478	$ 12,755
Net Loss from Discontinued Operations	$ ---	$ ---	$ ---	$ ---	$ (4,075)
Net Income	$ 17,954	$ 17,370	$ 16,593	$ 12,478	$ 8,680
Earnings per Common Share:					
Basic and Diluted Earnings per Common Share:					
Net Income from Continuing Operations	$ 2.40	$ 2.32	$ 2.22	$ 1.67	$ 1.69
Net Loss from Discontinued Operations	$ ---	$ ---	$ ---	$ ---	$ (0.54)
Net Income	$ 2.40	$ 2.32	$ 2.22	$ 1.67	$ 1.15

(1) Equity per common share amounts are computed using the common shares outstanding as of December 31, 2015, 2014, 2013, 2012, and 2011.

MESTEK, INC.
CONSOLIDATED BALANCE SHEETS
As of December 31, 2015 and 2014

(Dollars in Thousands)

	December 31, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 64,570	$ 54,408
Accounts Receivable - less allowances of $3,928 and $4,785, respectively	45,523	49,229
Inventories - net	44,474	46,767
Other Current Assets	11,060	8,628
Total Current Assets	165,627	159,032
Property and Equipment - net	40,969	43,004
Property Held for Sale	2,327	2,327
Deferred Tax Assets	4,192	4,773
Other Assets - net	4,744	3,920
Goodwill	20,810	25,054
Total Assets	$ 238,669	$ 238,110
LIABILITIES		
Current Liabilities		
Current Portion of Long Term Debt	$ 180	$ 175
Accounts Payable	12,553	12,776
Accrued Payroll and Related Expenses	14,768	17,171
Customer Deposits	15,837	14,796
Current Portion of Environmental Reserves	231	488
Warranty Reserve	2,981	3,458
Other Accrued Liabilities	15,858	15,021
Total Current Liabilities	62,408	63,885
Environmental Reserves - long term	5,222	7,308
Long-Term Debt, net of current portion	9,983	10,163
Other Liabilities	525	2,346
Total Liabilities	78,138	83,702
Commitments and Contingencies (Notes 8 and 11)		
SHAREHOLDERS' EQUITY		
Common Stock, no par, stated value $0.05 per share, 20,000,000 shares authorized 8,368,726 shares issued	417	417
Paid in Capital	5,184	5,054
Retained Earnings	166,390	158,629
Treasury Shares, at cost (878,010 common shares)	(11,293)	(11,293)
Accumulated Other Comprehensive Loss	(1,910)	(138)
Total Mestek, Inc. Shareholders' Equity	158,788	152,669
Non-controlling Interest	1,743	1,739
Total Shareholders' Equity	160,531	154,408
Total Liabilities and Shareholders' Equity	$ 238,669	$ 238,110

See Accompanying Notes to the Consolidated Financial Statements.

MESTEK, INC.
CONSOLIDATED STATEMENTS OF INCOME
For the years ended December 31, 2015 and 2014

	(Dollars in Thousands) Years Ended December 31, 2015	2014
Net Sales	$ 347,106	$ 345,464
Cost of Goods Sold	228,544	233,669
Gross Profit	118,562	111,795
Selling Expense	43,503	43,360
General and Administrative Expense	26,027	26,598
Engineering Expense	14,706	12,632
Plant Shutdown, Hedging and Other Charges	7,234	1,291
Operating Profit	27,092	27,914
Interest Income (Expense) - net	47	(80)
Other Income (Expense) - net	282	(6)
Income Before Income Taxes	27,421	27,828
Provision for Income Tax	9,463	10,385
Net Income from Continuing Operations	17,958	17,443
Less: Net Income - Non-controlling Interests	4	73
Net Income	$ 17,954	$ 17,370
Basic and Diluted Earnings Per Common Share	$ 2.40	$ 2.32
Basic and Diluted Weighted Average Shares Outstanding	7,491	7,491

See Accompanying Notes to the Consolidated Financial Statements.

MESTEK, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2015 and 2014

	2015	2014
	(Dollars and Shares in thousands, except Earnings per common share)	
Net Income	$ 17,958	$ 17,443
Other Comprehensive Loss, net of tax		
Foreign Currency Translation Adjustments	(2,471)	(1,019)
Defined Benefit Pension Plans:		
Net Gain (Loss) Arising During Period	209	(741)
Amortization of Net Loss	910	148
Defined Benefit Pension Plans Gain (Loss)	1,119	(593)
Other Comprehensive Loss before tax	(1,352)	(1,612)
Income Tax Benefit (Expense) Related To Components of Other Comprehensive Loss	(420)	237
Other Loss	(1,772)	(1,375)
Net Comprehensive Income	16,186	16,068
Less: Net Comprehensive Income—Non-controlling Interest	4	73
Net Comprehensive Income Attributable to Mestek, Inc.	$ 16,182	$ 15,995

See Accompanying Notes to the Consolidated Financial Statements.

MESTEK, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the years ended December 31, 2015 and 2014

(Dollars in thousands)	Common Stock	Paid In Capital	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interests	Total
Balance – December 31, 2013	$ 417	$ 4,924	$ 141,259	$(11,293)	$ 1,237	$ 1,666	$ 138,210
Net Income			17,370			73	17,443
Cumulative Translation Adjustment					(1,019)		(1,019)
Changes in Minimum Liability – Defined Benefit Plan – Net of Tax					(356)		(356)
Stock Based Compensation		130					130
Balance – December 31, 2014	417	5,054	158,629	(11,293)	(138)	1,739	154,408
Net Income			17,954			4	17,958
Cumulative Translation Adjustment					(2,471)		(2,471)
Changes in Minimum Liability – Defined Benefit Plan – Net of Tax					699		699
Anemostat Spin-Off (see Note 12)			(10,193)				(10,193)
Stock Based Compensation		130					130
Balance – December 31, 2015	$ 417	$ 5,184	$ 166,390	$(11,293)	$ (1,910)	$ 1,743	$ 160,531

See Accompanying Notes to the Consolidated Financial Statements.

MESTEK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2015 and 2014

	(Dollars in thousands) 2015	2014
Cash Flows from Operating Activities:		
Net Income	$ 17,958	$ 17,443
Adjustments to Reconcile Net Income to Net Cash provided by Operating Activities:		
Depreciation and Amortization	4,995	4,847
Unrealized (Gain) Loss on Trading Securities	(265)	1,074
Provision for Deferred Taxes	2,060	5,080
Stock Compensation Expense	130	130
Provision for Losses on Accounts Receivable, net of write offs and recoveries	(681)	142
Provision for Environmental Reserve	(1,699)	-
Loss on Sale of Property and Equipment	8	36
Purchases of and proceeds from trading securities, net	(2,241)	-
Change in Assets and Liabilities:		
Accounts Receivable	530	(3,620)
Inventory	(1,128)	(6,736)
Accounts Payable	229	826
Customer Deposits	1,049	6,378
Environmental Reserves	(644)	(669)
Other Assets and Liabilities, net	(3,118)	(1,059)
Net Cash Provided by Operating Activities	17,183	23,872
Cash Flows from Investing Activities:		
Capital Expenditures	(5,083)	(6,594)
Proceeds from Sale of Fixed Assets	228	782
Net Cash Used in Investing Activities	(4,855)	(5,812)
Cash Flows from Financing Activities:		
Cash Included in Anemostat Spin-off	(2,043)	-
Principal Payments Under Long Term Debt Obligations	(175)	(197)
Net Cash Used in Financing Activities	(2,218)	(197)
Net Increase in Cash and Cash Equivalents	10,110	17,863
Exchange Rate Effect on Cash and Cash Equivalents	52	37
Cash and Cash Equivalents - Beginning of Period	54,408	36,508
Cash and Cash Equivalents - End of Period	$ 64,570	$ 54,408
Non-Cash Events:		
Distribution of Anemostat Assets & Liabilities	$ 8,150	$ -

See Accompanying Notes to the Consolidated Financial Statements.

MESTEK, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Mestek Inc. and its subsidiaries (the "Company") operate primarily, in two manufacturing business segments: heating, ventilating and air conditioning equipment (HVAC) including architectural products, and metal forming equipment. The Company manufactures its HVAC equipment and metal forming equipment at 13 factory locations and sells through established distributor, dealer and manufacturer's representative channels, primarily in the United States and Canada.

Basis of Presentation

The Consolidated Financial Statements include the accounts of Mestek and its wholly owned subsidiaries and certain partially owned entities over which it has a controlling financial interest. All material inter-company accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates and assumptions relate to revenue recognition, accounts receivable valuations, inventory valuations, goodwill valuation, intangible asset valuations, warranty costs, product liability costs, environmental reserves, workers compensation claims reserves, health care claims reserves, stock compensation, pension accrual, accounting for income taxes and the realization of deferred tax assets. Actual amounts could differ significantly from these estimates.

Revenue Recognition

The Company's revenue recognition activities relate almost entirely to the manufacture and sale of heating, ventilating and air conditioning ("HVAC") products and equipment and metal forming equipment. Under generally accepted accounting principles, revenues are considered to have been earned when the Company has substantially accomplished what it must do to be entitled to the benefits represented by the revenues. With respect to sales of the Company's HVAC or metal forming equipment, the following criteria represent preconditions to the recognition of revenue:

* persuasive evidence of an arrangement must exist;
* delivery has occurred or services rendered;
* the sales price to the customer is fixed or determinable; and
* collection is reasonably assured.

Revenues for certain long-term, custom-built engineering projects are recognized on a percentage of completion basis. The lengths of these contracts can exceed twelve months from order to delivery and acceptance. Percentages-of-completion are determined by relating the actual costs of work performed to date for each contract to its estimated final costs. Revisions in costs and profit estimates are reflected in the period in which the facts causing the revision become known. For all fixed price and long-term contracts, if a loss is anticipated on the contract, a provision is made in the period in which such losses are determined. Overbillings are included in customer deposits in the accompanying consolidated balance sheets.

In some cases, the Company's arrangements may contain multiple elements. In those situations, the arrangements are analyzed to determine whether the deliverables can be divided into separate units of accounting or treated as a single unit of accounting. For those deliverables that qualify as separate units of accounting, the Company must assign value based on each deliverable's vendor-specific objective evidence ("VSOE") of fair value, if available, third-party evidence ("TPE") of its value if VSOE is not available, or estimated selling price ("ESP") if neither VSOE or TPE is available. Arrangement consideration is then allocated to all deliverables using the relative selling price method.

MESTEK, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

1. SIGNIFICANT ACCOUNTING POLICIES…continued

Revenue Recognition…continued

If management determines that the deliverables can be divided into separate units of accounting, the consideration received is allocated at inception of the arrangement to all deliverables based on their relative selling price.

Sales include shipping and handling costs billed to customers, and the related costs are included in the cost of sales. State sales taxes collected from customers are recorded in the accrued liabilities until paid. Accordingly sales taxes have no effect on revenues or operating expenses.

Short-term Investment and Cash Equivalents

The Company considers all highly liquid investments with a maturity of 90 days or less at the time of purchase to be cash equivalents. Cash equivalents include investments in an institutional money market fund, which invests in U.S. Treasury bills, notes and bonds, and/or repurchase agreements, backed by such obligations.

The Company maintains a brokerage account for speculative commodities purchases and related investments which is included in Cash and Cash Equivalents and Other Current Assets in the accompanying consolidated balance sheets. These investments are classified as trading and are recorded at their fair values using the specific identification method. The unrealized holding gains or losses on any investments are included in Plant Shutdown, Hedging and Other Charges in the accompanying consolidated statements of income. The cumulative realized and unrealized holding gains and losses for these activities in 2015 and 2014 were a pretax loss of $6.2 million, primarily related to long positions on various commodities and a pretax loss of $1.1 million, respectively. By design, these investment activities represent direct or indirect hedges against commodities and the overall economic health of the construction industry, which positions are for the most part inversely correlated to the risks the Company is exposed to in its day-to-day operating activities. As such, the hedging losses incurred in 2015 were largely offset by margin improvements in the Company's HVAC and Metal Forming Equipment segments associated with falling commodity prices in 2015. Since these investments do not qualify as effective hedges for accounting purposes, the realized and unrealized holding gains or losses on any investments are included in Plant Shutdown, Hedging and Other Charges in the accompanying consolidated statements of income.

Accounts and Notes Receivable

Accounts and notes receivable are reduced by an allowance for amounts that may become uncollectible in the future. The accounts receivable allowance for uncollectible amounts is based primarily on management’s analyses of accounts in the receivable portfolio and historical write-off experience. Recoveries of receivables previously written off are recorded when cash is received.

Inventories

Inventories are valued at the lower of cost or market. Cost of inventories is principally determined by the last-in, first-out (“LIFO”) method. Approximately 66% and 66% of inventory cost were determined using the LIFO method for the years ended December 31, 2015 and 2014, respectively, with the remaining inventories determined using the first-in, first-out method.

Property and Equipment

Property and equipment are carried at cost. Depreciation and amortization are computed using the straight-line and accelerated methods over the estimated useful lives of the assets or, for leasehold improvements, the life of the lease, if shorter. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to operations as incurred; significant improvements are capitalized.

MESTEK, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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1. SIGNIFICANT ACCOUNTING POLICIES…continued

Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of a business acquired in a business combination over the fair value of the net assets acquired and liabilities assumed. The Company accounts for goodwill in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350-20 "Goodwill and Other Intangible Assets" ("ASC 350-20"). The Company does not amortize goodwill and intangible assets with indefinite useful lives, rather such assets are required to be tested for impairment at least annually or sooner whenever events or changes in circumstances indicate that the assets may be impaired. The Company did not recognize any impairment charges related to goodwill or indefinite lived intangible assets during 2015 or 2014. The Company established reporting units based on its current reporting structure. For purposes of testing goodwill for impairment, goodwill has been allocated to these reporting units to the extent it relates to each reporting unit. In 2015 and 2014, the Company's goodwill was allocated to the HVAC and Metal Forming reporting units.

Goodwill and Intangible Assets consisted of the following at:

	December 31, 2015	December 31, 2014
	(Dollars in thousands)	
Goodwill – net of prior amortization	$ 20,810	$ 25,054
Patents, Rights and Trademarks	$ 4,301	$ 4,778
Accumulated Amortization, Patents, Rights and Trademarks	(3,329)	(3,751)
Patents, Rights and Trademarks – net (included in other assets)	$ 972	$ 1,027

The decrease in the carrying amount of goodwill is due to foreign currency translation loss of approximately $304,000 and the spin-off of Anemostat goodwill (see Note 12) of approximately $4,153,000, net of the addition of $250,000 of goodwill associated with an immaterial acquisition. There were no material additions to goodwill in 2015 or 2014. Amortization expense relating to the intangible assets for the years ending December 31, 2015 and 2014 was $78,000 and $150,000, respectively.

Impairment of Long-Lived Assets.

The Company reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Triggering events that could indicate the carrying value of long-lived assets is not fully recoverable may include the loss of significant customers, adverse changes to volumes and/or profitability in specific markets and changes in the Company's business strategy that result in a significant reduction in cash flows generated in a specific operation. Management also performs an annual assessment of the useful lives of the contract rights and accelerates amortization, if necessary. If it is determined that the carrying value of the assets is not recoverable, the Company would write down the long-lived assets by the amount by which the carrying value exceeds fair value. The Company determined there was no impairment of long-lived assets at December 31, 2015 or December 31, 2014.

Advertising Expense

Advertising costs are charged to operations as incurred. Such charges aggregated $3,239,000 and $3,130,000, for the years ended December 31, 2015 and 2014, respectively, and are included in Selling Expense in the accompanying consolidated statements of income.

MESTEK, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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1. SIGNIFICANT ACCOUNTING POLICIES…continued

Product Warranty

The Company provides warranties on certain products which range from one year to lifetime warranty. The estimated cost of product warranties are included in accrued expenses, determined primarily from historical information, at the time product revenue is recognized. Should actual product failure warranties differ from the Company's estimates, revisions to the estimated warranty liability would be required. Warranty expense for the years ended December 31, 2015 and 2014, was $2,035,000 and $1,555,000, respectively, for the years ended December 31, 2015 and 2014.

Research and Development Expense

Research and development expenses are charged to operations as incurred. Such charges aggregated $7,655,000 and $5,990,000, for the years ended December 31 2015 and 2014, respectively, and are included in Engineering Expense in the accompanying consolidated statements of income.

Treasury Shares

Common stock held in the Company's treasury has been recorded at cost. If treasury stock is re-issued, proceeds in excess of cost are credited to paid-in-capital.

Earnings per Common Share

Basic earnings per share have been computed using the weighted average number of common shares outstanding. Common stock options of the Company, as more fully described in Note 10, were considered in the computation of diluted earnings per share, except when such effect would be anti-dilutive.

Currency Translation

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at exchange rates prevailing on the balance sheet dates. The Statement of Income is translated at weighted-average exchange rates. Adjustments resulting from the translation of financial statements are excluded from the determination of income and are recorded in Accumulated Other Comprehensive Loss as a separate component of Shareholders' Equity. Transaction gains and losses are included in other expense and were not material in either 2015 or 2014.

Other Comprehensive Income

In accordance with accounting standards, the Company is required to report in its financial statements, in addition to its net income, comprehensive income, which includes all changes in equity during a period from non-owner sources, including foreign currency items and pension plan adjustments.

Income Taxes

Deferred tax assets and 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. Deferred tax assets and 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 liabilities of a change in tax rates is recognized in the period that includes the enactment date.

Fair Value of Financial Instruments, Concentration of Credit and other Risk and Significant Customers

The carrying values of cash, cash equivalents, brokerage accounts, investments, accounts receivable, accounts payable, accrued expenses and short term bank debt approximate fair market value due to the short-term nature of these financial instruments. The carrying value of long-term debt approximates fair market value, which is based on quoted market prices or on rates available to the Company for debt with similar terms and maturities. Financial instruments that potentially subject the Company to concentrations of credit risk are principally cash, cash equivalents, brokerage accounts and accounts receivable.

MESTEK, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

1. SIGNIFICANT ACCOUNTING POLICIES…continued

Fair Value of Financial Instruments, Concentration of Credit and other Risk and Significant Customers…continued)

The Company has no significant off-balance-sheet or concentration of credit risk exposure such as foreign exchange contracts or option contracts. The Company maintains its cash and cash equivalents with established financial institutions. Certain cash in foreign institutions may be subject to temporary withdrawal restrictions. Concentration of credit risk with respect to accounts receivable is limited to certain customers to whom the Company makes substantial sales. To reduce its credit risk, the Company routinely assesses the financial strength of its customers. The Company maintains an allowance for potential credit losses but historically has not experienced any significant losses related to individual customers or groups of customers beyond what is provided for in the allowance. No individual customer accounted for more than 10% of revenues in 2015 or 2014. No individual customer accounted for more than 10% of the Company's accounts receivable at December 31, 2015 or 2014.

Derivatives and Hedging

The Company accounts for derivatives and hedging activities in accordance with derivatives and hedging accounting guidance that establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The guidance also requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

Labor Force

Certain of the company's personnel are represented by labor unions. The Company has contracts with each union which are generally renewed for 3 to 4 year terms. The concentration of employees under union contracts represents approximately 30% and 38% of the Company's workforce as of December 31, 2015 and 2014, respectively.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with FASB ASC 718, "Compensation – Stock Compensation". FASB ASC 718 requires all share-based payments to employees, including grants of employee stock options and modifications to existing stock options to be recognized in the statement of income based on their fair values on the grant or modification date.

Under the fair-value method, stock-based compensation associated with stock awards is determined based on the estimated fair value of the award itself, measured using either current market data or an established option-pricing model. The Company utilizes the Black-Scholes option pricing model to determine the fair value of options granted and has elected the accrual method for recognizing compensation costs.

The determination of the fair value of stock-based payment awards utilizing the Black-Scholes model is affected by the stock price and a number of assumptions, including expected volatility, expected term, risk-free interest rate and expected dividend yield. The Company does not have a history of market prices of the common stock as it is not a public company, and as such volatility is estimated using historical volatilities of similar public entities. The expected term of the awards is estimated based on the simplified method. The risk-free interest rate assumption is based on observable interest rates appropriate for the terms of the awards. The dividend yield assumption is based on a history and expectation of paying no dividends (excluding special dividends). Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates: forfeitures represent only the unvested portion of a surrendered option.

No options were granted for the years ending December 31, 2015 or 2014.

For each of the years ended December 31, 2015 and 2014, the Company recorded stock-based compensation expense of $130,000 in connection with share based payment awards granted in earlier years. As of December 31, 2015, there was $74,000 of unrecognized compensation expense related to non-vested stock awards that is expected to be recognized through 2016.

MESTEK, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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1. SIGNIFICANT ACCOUNTING POLICIES…continued

Defined Benefit Plans

The Company accounts for its terminated defined benefit pension plans in accordance with FASB ASC 715, "Compensation – Retirement Benefits," which requires plan sponsors of defined benefit pension and other postretirement benefit plans (collectively, "Benefit Plans") to recognize the funded status of their Benefit Plans in the consolidated balance sheet, measure the fair value of plan assets and benefit obligations as of the date of the fiscal year-end, and provide additional disclosures (see Note 7).

Reclassification

Reclassifications have been made to previously-issued financial statements to conform to the current year presentation. These reclassifications had no impact on net income.

Recently Adopted Accounting Pronouncements

In July 2013, the FASB issued ASU 2013-11, *Income Taxes ((Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.* ASU 2013-11 requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward. If a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date, the unrecognized tax benefit should be presented in the financial statements as a liability and not combined with deferred tax assets. ASU 2013-11 is effective prospectively for fiscal years and interim periods within those years, beginning after December 15, 2015. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In April 2014, the FASB issued Accounting Standards Update 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.* The update provides that an entity, a group of components of an entity, or a business is required to be reported in discontinued operations once it meets the held for sale criteria, is disposed of by sale, or is disposed of other than by sale only if the disposal represents a strategic shift that has, or will have, a major effect on an entity's operations and financial results. The update also requires that additional disclosures about discontinued operations be made. This guidance is effective prospectively for annual reporting periods, and interim reporting periods within those reporting periods, beginning after December 15, 2014. We adopted this guidance effective January 1, 2015 with no significant impact on our consolidated financial position or results of operations**.** As explained in Note 12, in accordance with the update, the spinoff of Anemostat Inc. on December 31, 2015 was not accounted for as a discontinued operation.

In April 2015, the FASB issued Accounting Standards Update (ASU) 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Cost.* This ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs is not affected by the new guidance. This guidance is effective for fiscal years beginning after December 15, 2015. Early application is permitted for financial statements that have not been previously issued, and the guidance should be adopted on a retrospective basis, wherein the balance sheet of each individual period presented is adjusted to reflect the period-specific effects of applying the new guidance. The Company is currently evaluating the impact of this standard on its consolidated financial position and results of operations.

In July 2015, the FASB issued Accounting Standards Update (ASU) 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, to address concerns about the complexity of its guidance on measuring inventory. Generally accepted accounting principles historically have required reporting organizations to measure inventory at the lower of cost or market. When measuring inventory, "market" could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. ASU 2015-11 does not apply to inventory measured using the last-in, first-out method or the retail inventory method. The ASU applies to all other inventory, which includes inventory measured using the first-in, first-out method or the average cost method. Inventory within the scope of ASU 2015-11 now is required to be measured at the lower of cost and net realizable value. Net realizable value is defined as "the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation." This ASU is effective for fiscal years beginning after December 15, 2016, and should be applied prospectively with earlier application permitted as of the beginning annual reporting period. The Company is currently evaluating the impact of this standard on its consolidated financial position and results of operations.

MESTEK, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

1. SIGNIFICANT ACCOUNTING POLICIES…continued

Recently Adopted Accounting Pronouncements…continued

In August 2015, the FASB issued Accounting Standards Update (ASU) 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. This ASU: (a) defers the effective date of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, by one year for both public and nonpublic entities and (b) allows early adoption of the ASU by all entities as of the original effective date for public entities. ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, will require an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. This ASU is effective for annual reporting periods beginning after December 15, 2018, and early adoption is permitted in any of the following periods: (a) an annual reporting period beginning after December 15, 2016 or (b) an annual reporting period beginning after December 15, 2016 and the interim periods within annual reporting periods beginning one year after the annual reporting period in which the new guidance is first applied. The Company is currently evaluating the impact of this standard on its consolidated financial position and results of operations.

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*, which simplifies the presentation of deferred income taxes. ASU 2015-17 requires that deferred tax assets and liabilities be classified as noncurrent in a classified statement of financial position. ASU 2015-17 is effective for financial statements issued for fiscal years beginning after December 15, 2016 with early adoption permitted. ASU 2015-17 may be either applied prospectively to all deferred tax assets and liabilities or retrospectively to all periods presented. The Company has elected to early adopt ASU 2015-17 retrospectively in 2015. As a result, all deferred tax assets and liabilities have been presented as noncurrent on the balance sheets as of December 31, 2015 and 2014. In accordance with the retrospective adoption, $4.1 million of deferred tax assets were reclassified to noncurrent on the balance sheet as of December 31, 2014. There was no impact on our results of operations as a result of the adoption of ASU 2015-17.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: i) a lease liability, which is a lessee‘s obligation to make lease payments arising from a lease, measured on a discounted basis; and ii) a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. ASU 2016-12 is effective for fiscal years beginning after December 15, 2019 (i.e., January 1, 2020, for a calendar year entity). Early application is permitted for all business entities upon issuance. The Company is currently evaluating the impact of this standard on its consolidated financial position and results of operations

2. INVENTORIES

Inventories consisted of the following at December 31:

	2015	2014
	(Dollars in thousands)	
Finished Goods	$ 9,279	$ 10,435
Work-in-progress	17,973	19,714
Raw materials	29,036	29,450
	56,288	59,599
Less reserve for LIFO method of valuation	(11,814)	(12,832)
	$ 44,474	$ 46,767

The Company uses the last-in first-out (LIFO) method of valuing substantial portions of its inventory. Approximately $425,000 and $116,000 of income was recorded in the periods ended December 31, 2015 and 2014, respectively, as a result of a reduction in inventory using the LIFO method rather than FIFO.

MESTEK, INC.
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3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2015	2014	Depreciation and Amortization Est. Useful Lives
	(Dollars in thousands)		
Land	$ 3,614	$ 3,227	
Buildings	33,207	33,431	**19-39 Years**
Leasehold Improvements	7,971	8,041	**15-39 Years**
Equipment	103,275	108,331	**3-10 Years**
	148,067	153,030	
Accumulated Depreciation	(107,098)	(110,026)	
	$ 40,969	$ 43,004	

The above amounts include $452,000 and $3,823,000 at December 31, 2015 and 2014, respectively, in assets that had not yet been placed in service by the Company. No depreciation was recorded in the related periods for these assets. Assets classified as "Property Held for Sale" are excluded from the amounts listed above.

Depreciation and amortization expense was $4,995,000 and $4,847,000 for the years ended December 31, 2015 and 2014, respectively.

4. DEBT

Short-term Debt

Short-term debt consisted of the following at December 31:

	2015	2014
	(Dollars in thousands)	
Current Portion of Long-term Debt	$ 180	$ 175
Total Short Term Debt	$ 180	$ 175

Revolving Loan Agreement – On December 30, 2014, the Company entered into a five year, $60,000,000, committed, secured, multi-bank revolving loan and letter of credit facility (the "Facility"), led by Santander N.A. The Company's obligations under the loan agreement are secured by sustainably all operating assets of the Company. Borrowings under the Facility bear interest, at the Company's election, at a floating rate based on the lenders' prime or base rate or, for short term borrowings, at a rate based upon the daily LIBOR rate. There were no borrowings outstanding under the Facility as of December 31, 2015. The Facility contains affirmative and negative covenants typical of such financing transactions, and specific financial covenants which require the Company to maintain a minimum cash flow coverage ratio and a maximum cash flow leverage ratio. As of December 31, 2015, the Company was in compliance with all of the financial covenants required under the Facility. Revolving borrowings under the Facility are due and payable in full on the maturity date of the Facility, which is December 30, 2019. The credit agreement relating to the Facility also contains restrictions regarding the creation of indebtedness, the occurrence of mergers or consolidations, the sale of subsidiary stock and the payment of dividends. The Company terminated its previously existing credit facility with Bank of America on December 19, 2014.

MESTEK, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

4. DEBT…continued

Long-Term Debt

Long-term debt consisted of the following at December 31:

	2015	2014
	(Dollars in thousands)	
Industrial Development Bond – MO	$ 2,425	$ 2,600
Notes Payable-Other	7,738	7,738
	10,163	10,338
Less Current Maturities	(180)	(175)
Long Term Debt	$ 9,983	$ 10,163

Industrial Development Bond - MO – On June 17, 2005, the Company acquired an 80,000 square foot manufacturing facility in Bridgeton, Missouri, for $2,940,000, which was used to consolidate existing Formtek Metal Processing business units. On July 19, 2005, the Company refinanced this transaction as part of a 25-year-tax-exempt Industrial Development Bond totaling $4,430,000. The note bears interest at a variable rate that considers prevailing market conditions and is set weekly by the remarketing agent, Banc of America Securities LLC. At no time may the interest rate exceed the maximum annual rate of 12.00%. Interest is payable monthly with a minimum optional redemption of principal due on July 1 of each year until maturity at July 1, 2030. The effective rate of interest paid in 2015, including letter of credit costs, was approximately 1.31%. The minimum optional redemption amount in each of the second five years is $175,000. The note is secured by a letter of credit with Bank of America, N.A.

Notes Payable – Others – The Company is indebted under a series of non-interest bearing demand notes to an investor group. The balance outstanding under the notes as of both December 31, 2015 and December 31, 2014 was $7,738,000. The company does not expect these obligations to mature in 2016, and therefore has classified them as long-term debt.

Maturities of debt in each of the next five years and thereafter are as follows in thousands:

	Total Debt
2016	$ 180
2017	180
2018	180
2019	180
2020	180
Thereafter	9,263
Total Debt Maturities:	$ 10,163

The fair value of the Company's long-term debt is estimated based on the current interest rates offered to the Company for debt of the same remaining maturities. Management believes the carrying value of debt and the contractual values of the outstanding letters of credit (see Note 8) approximate their fair values as of December 31, 2015.

Cash paid for interest was $144,000 and $344,000, during the years ended December 31, 2015 and 2014, respectively. Interest expense totaled $200,000 and $284,000 for the years ended December 31, 2015 and 2014, respectively.

MESTEK, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. INCOME TAXES

The provision for income taxes consisted of the following:

	2015	2014
	(Dollars in thousands)	
Federal Income Tax:		
Current	$ 5,536	$ 1,811
Deferred	1,279	5,830
State Income Tax:		
Current	955	1,519
Deferred	(153)	20
Foreign Income Tax:		
Current	1,835	1,195
Deferred	11	10
Provision for Income Taxes	$ 9,463	$ 10,385

Income before income taxes included foreign income of $6,257,000 and $4,945,000 in 2015 and 2014, respectively.

Total income tax expense differed from statutory income tax expense computed by applying the U.S. federal income tax rate of 35% to earnings before income tax, as follows:

	2015	2014
	(Dollars in thousands)	
Computed "Expected" Income Tax Expense	$ 9,597	$ 9,802
Permanent Differences	(222)	228
State Income Tax, Net Of Federal Tax Expense	286	1,001
Foreign Source Income	(794)	(526)
Foreign Loss Not Benefitted	450	-
Effect of Anemostat Spin-off	(524)	-
Other	670	(120)
Income Tax Expense	$ 9,463	$ 10,385

Deferred income tax expense results from temporary differences in the recognition of income and expense for income tax and financial reporting purposes. The components of and changes in the net deferred tax assets (liabilities) which give rise to this deferred income tax expense for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
	(Dollars in thousands)	
Deferred Tax Assets:		
Remediation Reserve	$ 2,454	$ 2,626
Net Operating Loss Carry Forward	-	2,295
Capital Loss Carry Forward	2,176	-
Accounts Receivable Valuation	1,694	1,814
Product Liability Reserve	1,149	1,218
Deferred Benefits Plan	1,052	1,666
Compensated Absences	807	779
Impairment of Goodwill and Long-Lived Assets	-	427
Inventory Valuation	453	412
Workers Compensation Reserve	305	236
Other	462	681
Total Deferred Tax Assets	10,552	12,154
Deferred Tax Liabilities:		
Depreciation and Amortization	(5,102)	(6,083)
Prepaid Expenses	(1,258)	(1,298)
Total Deferred Tax Liabilities	(6,360)	(7,381)
Net Deferred Tax Assets	$ 4,192	$ 4,773

MESTEK, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. INCOME TAXES…continued

At December 31, 2015, the Company has capital loss carry forwards of approximately $6,218,000 which are available to reduce future income taxes payable, subject to applicable Federal rules and limitations. These losses are scheduled to expire in 2020.

Management believes it is more likely than not that the Company will have sufficient taxable income when these temporary differences are reversed and that the deferred tax asset will be realized and accordingly no valuation allowance is deemed necessary.

The Company paid a total of $8,253,000 and $5,647,000 in income taxes to federal, state, and foreign tax jurisdictions for the years ended 2015 and 2014, respectively.

The Company accounts for uncertainty in income taxes under the provisions of ASC 740-10, "Income Taxes". These provisions provide guidance on the recognition, de-recognition and measurement of potential tax benefits associated with tax positions. The Company recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. The determination as to whether the tax benefit will more likely than not be realized is based upon the technical merits of the tax position as well as consideration of the available facts and circumstances. The Company recognizes interest and penalties related to uncertain tax provisions, if any, as a component of the provision for income taxes in the accompanying consolidated statements of income. At December 31, 2015 and 2014, the potential interest and penalties attributable to any uncertainties were *de minimus*.

The Company and its subsidiaries file income tax returns in the United States and various state and local jurisdictions. The Company is subject to audit by U.S. federal authorities for 2014 and 2015, and for years after 2011 in its other major jurisdictions.

The Company has not recorded deferred income taxes on the undistributed earnings of its international subsidiaries because it is the Company's intent to reinvest such earnings indefinitely. Determination of the amount of unrecognized deferred taxes related to this investment is not practicable.

6. LEASES AND RELATED PARTY TRANSACTIONS

Related Party Leases

The Company leases various manufacturing facilities and equipment from companies owned by certain officers and directors of the Company, either directly or indirectly, or through affiliates. The leases generally provide that the Company will bear the cost of property taxes and insurance.

Details of the principal operating leases with related parties as of December 31, 2015, including the effect of renewals and amendments executed subsequent to December 31, 2015, are as follows:

	Date of Lease	Term	Basic Annual Rent	Minimum Future Rentals
			(Dollars in thousands)	
Sterling Realty Trust:				
Land and Building-Main	07/01/14	5 years	$ 603	$ 2,278
Land and Building Beacon Morris	07/01/14	5 years	$ 195	$ 737
Land and Building-South Complex	07/01/14	5 years	$ 655	$ 2,477
Land and Building Torrington	07/01/14	5 years	$ 338	$ 1,270
Rudbeek Realty Corp.:				
Farmville Location	04/01/14	5 years	$ 839	$ 2,940
Beaver Lake Realty, LLC.:				
Land and Building-47 Westfield Industrial Park Road	11/01/10	Month to Month	$ 111	$ -

MESTEK, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6. LEASES AND RELATED PARTY TRANSACTIONS…continued

All Leases

Rent expense for operating leases, including those with related parties, was $3,400,000 and $3,386,000, for the years ended December 31, 2015, and 2014, respectively. Rents to related parties, including the aforementioned leases, were approximately $2,741,000 and $2,270,000 for the years ended December 31, 2015 and 2014, respectively.

Future minimum lease payments under all non-cancelable leases as of December 31, 2015 are as follows:

Years Ending December 31,	Operating Leases (Dollars in thousands)
2016	$ 3,538
2017	3,386
2018	3,087
2019	1,263
Total Minimum Lease payments	$ 11,274

Other Related Party Transactions

On October 13, 2006, the Company loaned $611,000 to Stephen Shea, its Chief Financial Officer, in connection with his exercise in 2005, of incentive stock options. The loan bore interest at 4.5%, originally matured on October 13, 2009, and is secured by a pledge of 40,000 common shares of the Company's Stock.

On October 13, 2009, the company amended and restated the $611,000 loan to extend the maturity to October 13, 2010, and added additional security in the form of a pledge of the proceeds from a term life insurance policy in the name of Stephen Shea to the company by Mr. Shea and his named beneficiary. The loan automatically renews for a period of one year at each anniversary date. The company does not expect payment to be made in 2016 and therefore has classified this loan as a long-term asset.

7. EMPLOYEE BENEFIT PLANS

The Company maintains a qualified non-contributory profit-sharing plan ("Profit-Sharing Plan") covering all eligible employees. Contributions to the Profit-Sharing Plan were approximately $1,445,000 and $1,401,000 for the years ended December 31, 2015 and 2014, respectively. Contributions to the Profit Sharing Plan are defined as a minimum of $600,000 plus 5% of the excess operating profits of the Company exceeding $12,000,000, subject to the maximum allowed under the Employee Retirement Income Security Act of 1974, ("ERISA"). Contributions to the Profit-Sharing Plan are allocated to participants based upon the profit sharing formula contribution: three percent (3%) of gross wages up to the current Old Age, Survivors, and Disability ("OASDI") limit and six percent (6%) of the excess over the OASDI limit, as a percentage of the total contribution under the profit sharing formula The Profit-Sharing Plan's vesting terms for contributions are, twenty percent (20%) vesting after 2 years of service, forty percent (40%) after 3 years, sixty percent (60%) after 4 years, eighty percent (80%) after 5 years, and one hundred percent (100%) vesting after 6 years.

The Company maintains a retirement savings plan ("Retirement Savings Plan") qualified under Internal Revenue Code Section 401(k) for employees covered under certain collective bargaining agreements. Service eligibility requirements differ by division and collective bargaining agreements. Participants may elect to have up to fifty percent (50%) of their compensation withheld, up to the maximum allowed by the Internal Revenue Code. Participants may also elect to make after tax voluntary contributions up to an additional ten percent (10%) of their gross earnings each year within the legal limits. The Company contributes differing amounts depending upon each division's collective bargaining agreement. Contributions are funded on a current basis. Company contributions to the Retirement Savings Plan were $260,000 and $232,000, for the years ended December 31, 2015 and 2014, respectively.

MESTEK, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

7. EMPLOYEE BENEFIT PLANS…continued

The Company maintains a separate qualified 401(k) plan ("401(k) Plan") for salaried employees not covered by a collective bargaining agreement who choose to participate. Participants may elect to have up to fifty percent (50%) of their compensation withheld, up to the maximum allowed by the Internal Revenue Code. Participants may also elect to make after tax voluntary contributions up to an additional ten percent (10%) of their gross earnings each year within the legal limits. Effective January 1, 2010. The Company contributes $0.333 of each $1.00 deferred by participants, deposited in to the 401(k) Plan not to exceed two percent (2.0%) of an employee's compensation. The Company does not match any amounts for withholding from participants in excess of six percent (6%) of their compensation or for any after tax voluntary contributions. Contributions are funded on a current basis. Company contributions to the Plan were $763,000 and $713,000, for the years ended December 31, 2015 and 2014, respectively.

Defined Benefit Plans

The Company's second-tier subsidiary, Met-Coil, maintained, prior to its acquisition by the Company's subsidiary, Formtek, Inc. on June 3, 2000, several defined benefit pension plans (the "Met-Coil Plans") covering certain of its employees. The Met-Coil Plans were "frozen" and merged prior to the acquisition, effectively locking in retirement benefits earned to that date and precluding any further benefits for future service. Pension expense under the Met-Coil Plans was $681,000 and $54,000, for the years ended December 31, 2015 and 2014, respectively, with the $681,000 for the year ended December 31, 2015 comprised of $118,000 net periodic pension cost and $563,000 one-time settlement expense.

In connection with the acquisition of the assets of Airtherm Manufacturing Company and Airtherm Products, Inc. in 2000, the Company assumed certain obligations related to the defined benefit plan maintained by Airtherm (the Airtherm Retirement Income Plan) prior to the acquisition date. The Airtherm LLC Retirement Income Plan was "frozen" prior to acquisition in a manner similar to the Met-Coil Plans described above. Pension expense under the Airtherm LLC Retirement Income Plan was $273,000 and $98,000, for the years ended December 31, 2015 and 2014, respectively. The $273,000 expense is comprised of $138,000 net periodic pension cost and $135,000 one-time settlement expense.

The Company uses a December 31 measurement date for both the Airtherm LLC Retirement Income Plan and the Met-Coil Plans.

In accordance with FASB ASC 715, net unrecognized actuarial losses included in Accumulated Other Comprehensive Income are recognized as net periodic pension cost pursuant to the Company's accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods that are not recognized as net periodic pension cost in the same periods are recognized as a component of other comprehensive income.

Those amounts are recognized as a component of net periodic pension cost on the same basis as the amounts recognized in Accumulated Other Comprehensive Income.

Benefit Obligation and Funded Status	Met-Coil		Airtherm	
	2015	2014	2015	2014
	(Dollars in thousands)			
Accumulated Benefit Obligation at the End of the Year	$ 1,900	$ 4,668	$ 3,743	$ 4,530
Change in Projected Benefit Obligation on a Measurement Year Basis				
Projected Benefit Obligation at the Beginning of the Period	$ 4,668	$ 4,243	$ 4,530	$ 4,145
Service Cost	-	24	-	16
Interest Cost	113	184	139	176
Actuarial (Gain) Loss	(214)	584	(138)	470
Benefits Paid	(2,667)	(367)	(788)	(277)
Projected Benefit Obligation at the End of the Period	1,900	4,668	3,743	4,530
Change in Plan Assets on a Measurement Year Basis				
Fair Value of Plan Assets at the Beginning of the Period	3,836	3,718	3,541	3,692
Actual Return on Plan Assets	37	376	28	125
Benefits Paid	(2,667)	(367)	(788)	(276)
Employer Contributions	19	109	578	-
Fair Value of Assets at the End of the Period	1,225	3,836	3,359	3,541
Funded Status at the End of the Measurement Year	$ (675)	$ (832)	$ (384)	$ (989)
Weighted Average Assumptions at the End of the Year				
Discount Rate	2.65%	3.93%	3.07%	3.79%
Rate of Compensation Increase				

MESTEK, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

7. EMPLOYEE BENEFIT PLANS…continued

Defined Benefit Plans…continued

Net Periodic Pension Cost	Met-Coil		Airtherm	
	2015	2014	2015	2014
	(Dollars in thousands)			
Service Cost	$ -	$ 24	$ -	$ 16
Interest Cost	113	183	139	176
Expected Return on Plan Assets	(117)	(253)	(90)	(142)
Amortization of Net Loss	685	100	224	48
Net Periodic Pension Cost	681	54	273	98
Net (Gain)/Loss Incurred in Year	(134)	282	(76)	459
Amortization of Net Loss	(685)	(100)	(224)	(48)
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income	(819)	182	(300)	411
Total Recognized in Net Periodic Pension Cost and other Comprehensive Income	$ (138)	$ 236	(27)	$ 509
Expected Return on Plan Assets	6.75%	7.00%	3.75%	4.00%

Expected Amortizations	Met-Coil	Airtherm
	2016	2016
		(Dollars in thousands)
Expected Amortization of Net Loss	$ 504	$ 870

Plan Assets	Met-Coil Percentage of Plan Assets at December 31		Airtherm Percentage of Plan Assets at December 31	
	2015	2014	2015	2014
	(Dollars in thousands)			
Plan Assets				
Equity Securities*	95%	78%	0%	0%
Debt Securities	0%	19%	6%	15%
Cash & Equivalents	0%	0%	0%	0%
Insurance Contracts	5%	3%	94%	85%
Total	100%	100%	100%	100%

* Includes no Mestek common stock at either December 31, 2015 or 2014.

Long-Term Rate of Return Assumption – Met-Coil

The approach used to determine the expected long-term rate of return on plan assets assumption is based on weighting historical market index returns for various asset classes in proportion to the plan assets. Weighting 10-year compounded trailing returns on equity and fixed income indices in proportion to the above asset mix, and netting expected expenses yields an expected long-term return of 6.75%.

MESTEK, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

7. EMPLOYEE BENEFIT PLANS…continued

Long-Term Rate of Return Assumption – Airtherm

The approach used to determine the expected long-term rate of return on plan assets assumption is based on weighting historical market index returns for various asset classes in proportion to the plan assets. The assets of the Plan are invested in the general account of Prudential Retirement, which, net of expenses is expected to have a long-term return of 3.75%.

Cash Flows

	Met-Coil	Airtherm
	(Dollars in thousands)	
(1) Expected Contributions for Fiscal Year Ending 12/31/2016		
(a) Expected Employer Contributions	$ 675	$ 384
(b) Expected Employee Contributions	-	-
(2) Estimated Future Benefit Payments Reflecting Expected Future Service for the Fiscal Year(s) Ending		
(a) 12/31/2016	$ 1,900	$ 3,743
(b) 12/31/2017	-	-
(c) 12/31/2018	-	-
(d) 12/31/2019	-	-
(e) 12/31/2020	-	-
(f) 12/31/2021- 12/31/2025	-	-

Other Accounting Items

	Met-Coil		Airtherm	
	2015	2014	2015	2014
	(Dollars in thousands)			
Alternative Amortization Methods Used to Amortize Prior Service Cost	Straight Line	Straight Line		N/A
Unrecognized Net (Gain)/Loss	Straight Line	Straight Line		**
Average Future Service / Lifetime	1.0	4.75	1.0	6.66

** Excess (if any) over 10% of the greater of the projected benefit obligation or the market-related value of plan assets is divided by the average remaining service period of active employees expected to receive benefits under the plan.

Fair Value Measurements

Accounting for *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plans have the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the assets or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

MESTEK, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

7. EMPLOYEE BENEFIT PLANS…continued

Fair Value Measurements…continued

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Insurance contract in a guaranteed deposit fund: Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer.

Pooled separate accounts: Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer.

Mutual funds: Mutual funds are valued at the quoted market prices. These securities are categorized in Level 1 as they are actively traded and no valuation adjustments have been applied.

The following table sets forth by level, within the fair value hierarchy, the Airtherm Retirement Income Pension Plan assets at fair value as of December 31, 2015:

	Level 1	Level 2	Level 3	Total
		(Dollars in thousands)		
Insurance contract	$ -	$ 3,178	$ -	$ 3,178
Pooled separate accounts	-	181	-	181
Total assets at fair value	$ -	$ 3,359	$ -	$ 3,359

The following table sets forth by level, within the fair value hierarchy, the Met-Coil Systems Corporation Pension Plan assets at fair value as of December 31, 2015:

	Level 1	Level 2	Level 3	Total
		(Dollars in thousands)		
Insurance contract	$ -	$ 59	$ -	$ 59
Pooled Separate Accounts	-	-	-	-
Mutual funds	1,166	-	-	1,166
Total assets at fair value	$ 1,166	$ 59	$ -	$ 1,225

The following table sets forth by level, within the fair value hierarchy, the Airtherm Retirement Income Pension Plan assets at fair value as of December 31, 2014:

	Level 1	Level 2	Level 3	Total
		(Dollars in thousands)		
Insurance contract	$ -	$ 3,024	$ -	$ 3,024
Pooled separate accounts	-	517	-	517
Total assets at fair value	$ -	$ 3,541	$ -	$ 3,541

MESTEK, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

7. EMPLOYEE BENEFIT PLANS…continued

Fair Value Measurements…continued

The following table sets forth by level, within the fair value hierarchy, the Met-Coil Systems Corporation Pension Plan assets at fair value as of December 31, 2014:

	Level 1	Level 2	Level 3	Total
		(Dollars in thousands)		
Insurance contract	$ -	$ 100	$ -	$ 100
Pooled Separate Accounts	-	713	-	713
Mutual funds	3,023	-	-	3,023
Total assets at fair value	$ 3,023	$ 813	$ -	$ 3,836

Multiemployer Pension Plans

One of the Company's subsidiaries contributes to a multi-employer union administered pension plan in connection with its collective bargaining agreement. The terms of collective participation in the multiemployer plan are different from single-employer plans in that assets contributed are pooled and may be used to provide benefits to employees of other participating employers. The Company's contributions are less than one tenth of 1% of total contributions to the Plan for the years ended December 31, 2015 and 2014.

8. COMMITMENTS AND CONTINGENCIES

Indemnifications

The Company is obligated under Indemnity Agreements ("Indemnity Agreements") executed on behalf of 18 of the Company's officers and directors. Under the terms of the Indemnity Agreements, the Company is contingently liable for costs which may be incurred by the officers and directors in connection with claims arising by reason of these individuals' roles as officers and directors of the Company.

Contingencies

Letters of Credit

The Company had outstanding at December 31, 2015, $6,965,000 in standby letters of credit issued in connection with the TCE PI Trust and $2,274,000 issued principally in connection with its commercial insurance programs. In addition, a letter of credit was issued on July 19, 2005 in the amount of $4,481,000 in connection with the $4,430,000 Industrial Development Authority Bond (see Note 4) for the City of Bridgeton, MO, the balance of which is reduced to reflect principal payments made on the note. The balance on the Bridgeton Industrial Development Authority letter of credit was $2,453,000 as of December 31, 2015.

Insurance

The Company retains significant obligations under its commercial general liability insurance policies for product liability and other losses. For losses occurring in the policy years ending October 1, 2004 through 2015, the Company maintains commercial general liability insurance, retaining liability for the first $2,000,000 per occurrence of commercial general liability claims (including products liability claims), subject to an agreed aggregate. For losses occurring in the policy year ended October 31, 2003, the Company retained liability for the first $500,000 per occurrence of commercial general liability claims (including product liability), subject to an agreed aggregate. In addition, the Company retains liability for the first $250,000 per occurrence of workers compensation coverage, subject to an agreed aggregate, and is self-insured for a significant portion of its health losses. The Company maintains stop loss coverage on an individual and aggregate annual claim basis. Management estimates IBNR losses based on an analysis of claim history, claim lag periods and any current known claims. Included in other accrued liabilities in the accompanying consolidated balance sheets are self-insurance reserves totaling approximately $1,306,000 and $1,389,000 for the years ended December 31, 2015 and 2014, respectively.

MESTEK, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

8. COMMITMENTS AND CONTINGENCIES…continued

Litigation

The Company is subject to several legal actions and proceedings in which various monetary claims are asserted. Management, after consultation with its corporate legal department and outside counsel, does not anticipate that any ultimate liability arising out of all such litigation and proceedings will have a material adverse effect on the financial condition of the Company except as set forth below.

Environmental Litigation and Remediation Reserves

The Company maintains an environmental reserve related to the settlement of litigation in 2004 connected with the Company's Lisle, IL manufacturing facility. The environmental reserve covers the Company's obligations to perform certain soil and ground water remediation procedures at the Lisle facility and the Company's related obligation to fund a trust (the "TCE PI Trust") established in connection with the settlement for the purpose of administering future personal injury claims relating to the Lisle facility.

Activity related to the environmental reserve in 2015 and 2014 was as follows:

	2015	2014
	(Dollars in thousands)	
Balance Beginning of the Year	$ 7,796	$ 8,466
Less Remediation Related Expenditures	(420)	(414)
Less TCE PI Trust Fund Payments	(224)	(256)
Less Changes to Reserves	(1,699)	---
Balance End of the Year	$ 5,453	$ 7,796

These reserves have been established in accordance with ASC 450 "Contingencies". They represent management's best estimate of these liabilities, and are based upon known or anticipated claims estimated by various legal, scientific and economic experts. There is no assurance that these reserves will be adequate to meet all potentials personal and property claims arising from the environmental contamination at the Lisle, IL site, however, claim activity has been lower to date than originally forecasted.

The Company has substantially completed the remediation of the Lisle, IL facility, pursuant to a work plan for the site and has received approval from the IEPA of the ground water remedial standards to be achieved by the work plan, as well as the methodology for ground water remediation. Accordingly, the Company believes that future remediation costs at the site will be diminimis and has reduced its environmental reserves as noted above.

Based on claim experience through December 31, 2015, the Company has classified $231,000 of the above reserve as current as of December 31, 2015. Annually the Company reviews the existing third party claim and remediation cost estimates, and determines based on actual claim data whether an updated analysis is necessary. Given the level of expenses to date the Company believes that the existing analysis remains appropriate as of December 31, 2015 and will revise its reserves in future periods as a result of actual activity.

Other Claims Alleging Releases of Hazardous Materials or Asbestos Related Liability

As of December 31, 2015, the Company is a party to approximately 75 asbestos-related lawsuits, many in Texas where numerous asbestos-related actions have been filed against numerous defendants. The lawsuits previously pending against the Company in Illinois have all been resolved by plaintiffs' dismissals without payment.

MESTEK, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

8. COMMITMENTS AND CONTINGENCIES…continued

Other Claims Alleging Releases of Hazardous Materials or Asbestos Related Liability…continued

Almost all of these suits seek to establish liability against the Company as successor to companies that may have manufactured, sold or distributed asbestos-related products, and who are currently in existence and defending thousands of asbestos related cases, or because the Company currently sells and distributes boilers, an industry that has been historically associated with asbestos-related products. The Company believes it has valid defenses to all of the pending claims and vigorously contests that it is a successor to companies that may have manufactured, sold or distributed any product containing asbestos materials. However, the results of asbestos litigation have been unpredictable, and accordingly, an adverse decision or adverse decisions in these cases, individually or in the aggregate, could materially adversely affect the financial position and results of operation of the Company and could expose the Company to substantial additional asbestos related litigation and the defense costs thereof, which defense costs, because of the sheer number of asbestos claimants and the historical course of the litigation process in this area has the potential to become substantial, though these costs are not capable of estimation at this time. The total requested damages of these cases are over $3 billion. To date the Company has had approximately 465 asbestos-related cases dismissed without any payment and it settled approximately 26 asbestos-related cases for a *de minimus* value. However, there can be no assurance the Company will be able to successfully defend or settle any pending litigation.

In addition to the Lisle, IL site, the Company has been named or contacted by state authorities and/or the EPA regarding the Company's asserted liability or has otherwise determined it may be required to expend funds for the remediation of certain other sites in North Carolina, Connecticut and Pennsylvania.

The Company continues to investigate all of these matters. Given the information presently known, no estimation can be made of any liability which the Company may have with respect to these matters. There can be no assurance, but based on the information presently available the Company does not believe that any of these matters will be material to the Company's financial position or results of operations.

The Company considers whether any additional exposure exists as it relates to ASC 410 "Asset Retirement and Environmental Obligations" which requires that an entity recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. At December 31, 2015 and 2014, the Company is unable to estimate the ranges or probabilities of any potential asset retirement obligations that have not previously been identified.

9. SHAREHOLDERS' EQUITY

Mestek has authorized common stock of 20,000,000 shares with no par value, and a stated value of $0.05 per share. As of December 31, 2015, the Estate of John E. Reed, and Stewart B. Reed, Chairman and CEO of Mestek, together beneficially own a majority of the outstanding shares of Mestek's common stock.

The Company did not repurchase any of its common shares in the open market in 2015 or 2014.

MESTEK, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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10. STOCK OPTION PLANS

In 2011, the Company adopted a stock option plan (the Plan) that provides for the granting of qualified (also known as incentive stock options) and nonqualified stock options to Company directors, officers, employees, and consultants. A total of 300,000 shares of the Company's common stock were issuable under the Plan. The qualified options vest after a five-year period.

Employee and Director stock option activity for the year ended December 31, 2015 and 2014 was as follows:

	Number of Options	Exercise Price Range	Weighted-Average Exercise Price
Outstanding at December 31, 2013	138,000	$ 9.30	$ 9.30
Granted – 2014	-	-	-
Exercised (Directors non-qualified options)	-	-	-
Forfeited/cancelled	-	-	-
Outstanding at December 31, 2014	138,000	$ 9.30	$ 9.30
Granted – 2015	-	-	-
Exercised	-	-	-
Forfeited/cancelled	-	-	-
Outstanding at December 31, 2015	138,000	$ 9.30	$ 9.30
Exercisable at December 31, 2015	-	$ -	$ -

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

	Options Vested and Expected to Vest			Options Vested		
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
$9.30	138,000	5.75	$9.30	-	-	-

At December 31, 2015, 127,000 shares remain available for future grant.

11. PLANT SHUTDOWNS, IMPAIRMENT LOSSES, AND ASSET SALES

The Company continues to incur costs related to "exit and disposal" activities for manufacturing plants shut down prior to 2011 which are accounted for, in accordance with ASC 420 *Exit or Disposal Cost Obligations*. In the years ended December 31, 2015 and 2014, the Company incurred $975,000 (including $475,000 related to the Company's Anemostat subsidiary, as further explained in Note 12) and $157,000, respectively, of such "exit and disposal" costs which are classified separately in the accompanying financial statements in accordance with ASC 420.

MESTEK, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

12. ANEMOSTAT SPIN-OFF

On December 11, 2015, Mestek announced its intention to distribute on December 31, 2015, 100% of the common stock of its subsidiaries, Anemostat, Inc. and Anemostat Door Products, Inc., to the shareholders of record of Mestek on December 30, 2015, on a pro rata basis. On December 31, 2015, the distribution of common shares of Anemostat, Inc. and Anemostat Door Products, Inc. was completed.

In accordance with the accounting guidance, Mestek was determined to be the *Spinnor* and Anemostat (collectively) was determined to be the *Spinnee*. Accordingly, the spin-off was recorded at the carrying amount of net assets, after reduction for indicated impairment value, with the offset charged to retained earnings. All costs incurred to effect the spin-off were expensed during 2015.

Accordingly, the assets and liabilities of these subsidiaries are not included in the accompanying consolidated balance sheet at December 31, 2015, although consolidated results of operations for 2015 do include the results of operations for both subsidiaries through December 30, 2015, the date of distribution. Effective January 1, 2016, Anemostat Inc. and Anemostat Door Products, Inc. became stand-alone private companies operating independently of the Company.

13. SUBSEQUENT EVENTS

On February 3, 2016, the Company acquired substantially all of the assets of Turbonics, Inc. for a non material amount. Turbonics manufactures hydronic kickspace heaters and related products complimentary to the Company's hydronic product lines. The Turbonics brand will help support the Company's HVAC brands and will benefit from the Company's future product development efforts.

In 2016 the company plans to fully terminate and settle the Airtherm and MetCoil pension obligations through payments to participants in the form of lump sum settlements and purchase of annuities.

The Company has evaluated subsequent events through April 26, 2016, the date which the financial statements were issued and no additional disclosures or adjustments were required.

mestek.com
airbalance.com
airthermhvac.com
awv.com
appliedair.com
argobaseboard.com
arrowunited.com
axonelec.com
beacon-morris.com
bklevelers.com
cescoproducts.com
coilmate-dickerman.com
cwpcoil.com
dadanco.com
dalstromusa.com
designlineonline.com
embassyind.com
engelind.com
formtek.ch
formtekgroup.com
formtekinc.com
formtek.com.cn
formtekmaine.com
formtekmetalforming.com
heatingcoolinghomes.com
hillengr.com
hvacware.com
ismmachinery.com
iowaprecision.com
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linel.co
lionmachinery.com
ljwing.com
lockformer.com
lockformercustom.com
louvers-dampers.com
mestekmachinery.com
mestex.com
rbiwaterheaters.com
rollforming-equipment.com
rolltooling.com
rotarypunch.com
roto-die.com
runwithrowe.com
salesassistant.com
sierra-fas.com
spacepak.com
sterlingheat.com
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tempriteheating.com
thereedinstitute.com
tishken.com
vulcanrad.com
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xcelonhvac.com

Corporate Data

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Annual Report

Stockholders may obtain, free of charge, a copy of the Company's Annual Report by writing to the Secretary, Mestek, Inc., 260 North Elm Street, Westfield, MA 01085

Accountants

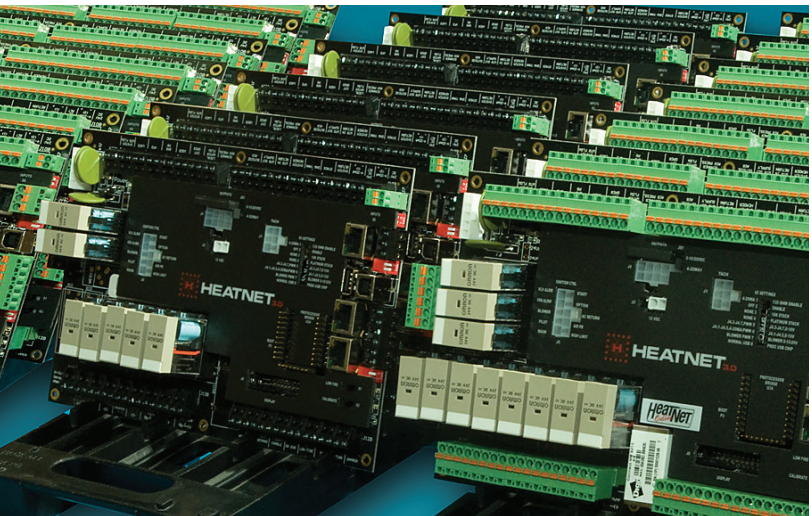
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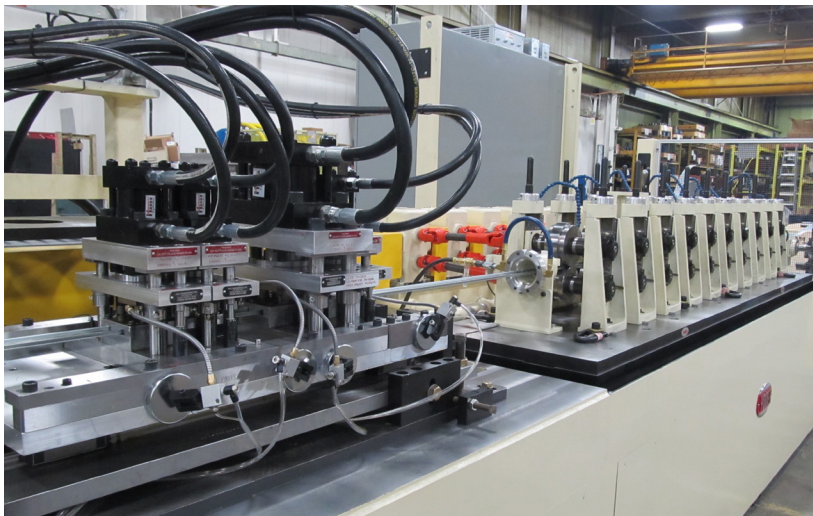



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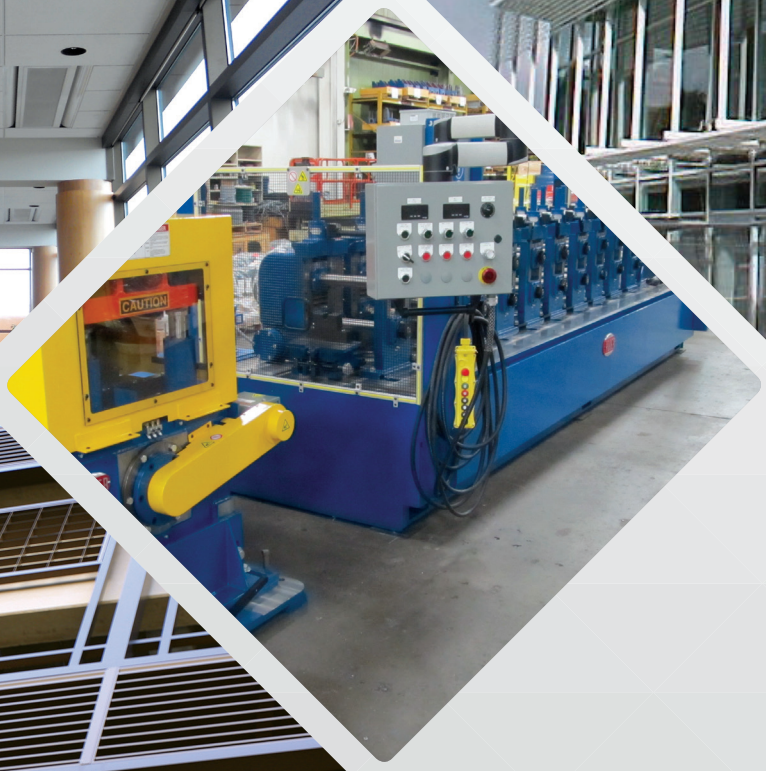


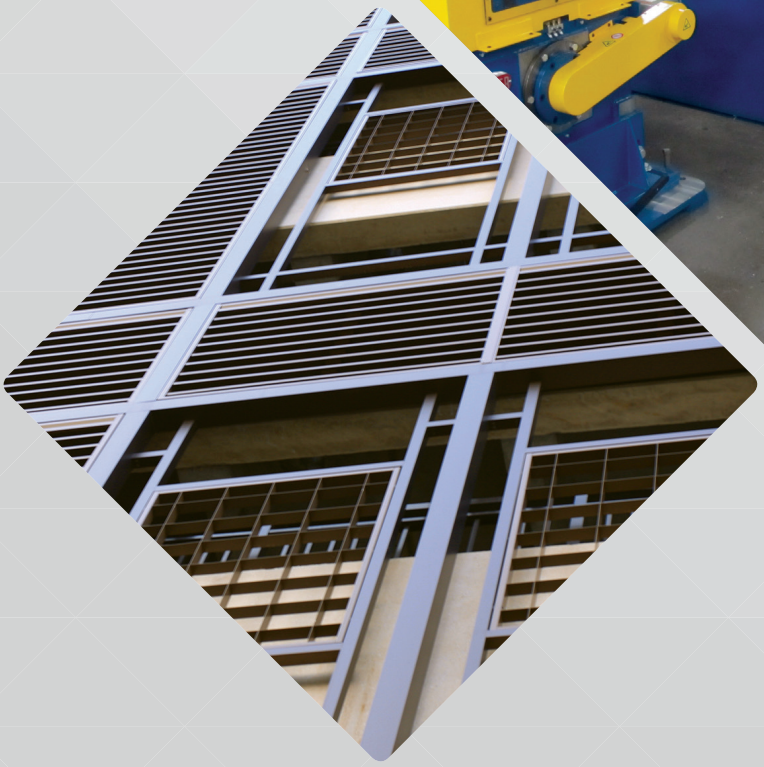

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