MESTEK, INC.

Fellow Shareholders,

"When all is said and done, the real citadel of strength of any community is in the hearts and minds and desires of those who dwell there." Everett Dirksen. This timeless quote clearly applies to Mestek; our people, past and present, are the company. This year we choose to celebrate the talented and diverse group of people who have chosen Mestek for their careers.

Your management believes that business consists of three major disciplines: people, strategy, and operations, and that people are the most important of the three. Years ago your company planned to move a product line. The planning was meticulous and the physical move proceeded smoothly. We were ready to begin production on schedule. But, a large consequential but, the people and the culture were wrong for the task; and the results were unhappy customers and financial losses, an important lesson learned. People are the deciding factor.

Armed with this insight, for many years Mestek has focused on its people and its culture. Now that the recession affecting our industries is finally abating, and we have ample financial resources to accomplish our goals, your management is further increasing its efforts to hire, develop, and retain the best people available to strengthen our capabilities and culture. When an opportunity arises to hire an exceptional person in our industries, we often do so whether we "need to" or not, regardless of whether we have a specific job opening at that time. Promotions for and development of current employees remain primary to our culture, provided only that they have reasonable prospects for success in a more challenging position. In this way Mestek is a throwback to an earlier era, a time when an employee expected to spend his or her entire career with one company. We all have the responsibility to learn, grow, and improve our skills each year throughout our careers; that said, we are proud to be a throwback company for employees who do so. Our people are the company, and will be fully rewarded for a job well done.

Mestek is a growth company. This is easy to say but sometimes challenging to achieve in the mature industries we serve. As new products and solutions are launched, revenue from mature products eventually declines. Nevertheless, we will never stop trying to be a growth company; that too is an important element of our culture. We strive to grow organically with new products, higher market share, and new untapped markets; and we are always eager to provide a good home for other businesses in our industries. Mestek has acquired a substantial number of companies during our sixty-eight year history, mostly private family owned enterprises. Our track record of preserving local employment, and respecting the people and culture of these businesses is apparent, a source of great satisfaction to us. Our plan is always to help the acquired business grow and prosper, financially and otherwise, with a long term perspective and outlook. Unlike private equity firms, we buy, build, and hold, forever. We become part of their culture and they become part of our culture. Traditions matter.

Mestek believes in a relaxed management style. We strive to win, but not at any cost. Having fun along the way, for all of us, is also a part of our culture. We try to succeed by making work a liberating and creative experience, an activity worth doing on its own merits, not simply for a paycheck. We ask people to do the job, and then allow them to do it their way within reasonable limits, no one size fits all attitude. Self-motivated people generally flourish here. I enjoy learning from customers, our manufacturers' representative partners, the business leaders within Mestek, and our employees. My primary role is capital allocation, compensation, asking the right questions, and helping the people who do the heavy lifting. Who could ask for a more interesting and enjoyable job?

The macro conditions in our industries are improving; we now have a mild but perceptible tailwind. Throughout the recession Mestek relied on public and institutional construction, replacement equipment and repair parts, and retrofit and renovation projects to weather the storm. We still do, although there are a few genuine green shoots in our markets. During 2013, prior and continuing R&D and new product development initiatives were helpful to both revenues and margins. For example, new high efficiency boilers and energy saving chilled beams made substantial contributions. 2013 R&D expenses increased by 8% compared to 2012, a continuing trend. I would prefer a larger percentage increase in future years; the limiting factor is the right people balanced well in all the necessary disciplines. Increasing R&D, creativity, and new product development are core to our culture for our companies and brands; simply milking mature businesses is unacceptable.

Naturally, the efficient deployment of people and financial resources to our best risk versus reward opportunities is always a high priority. The annals of American business are replete with managements who were good at operations yet deficient at capital allocation to the shareholders' considerable detriment. If no favorable risk versus reward opportunity is apparent, we don't try to force one. Patience and cash accumulation are not sinful. Regrettably, dividends subject shareholders to immediate double income taxes, corporate and personal; therefore we are reluctant to establish a regular dividend. Special dividends are occasionally considered, for example the dividend Mestek paid before a large tax increase effective January 2013. Almost always, we prefer to retain and try to compound free cash flow. This is our current mindset, both to build the business, and to avoid the destruction of capital by unnecessary premature payments of personal income taxes. A dividend, net of taxes, usually would need to be redeployed in another investment by most shareholders. At Mestek, no ego trips are allowed; and they are particularly disallowed for the CEO. Mestek's largest shareholder reminds me of this ironclad rule often, sometimes at odd hours. Shareholders' capital is a sacred trust.

2013 revenues increased by 10.9% to $332 million; and net income increased to $16.6 million, $2.22 per share. All product lines, except for two relatively small HVAC product lines and one recent acquisition, were profitable in 2013 compared to six red ink product lines during 2012. Losing money is worrisome; corrective action is underway. Mestek benefited from Storm Sandy, the major hurricane which flooded the Northeast, as substantial rebuilding occurred during 2013. We take no pleasure from profiting in this manner. A combination of Hurricane Sandy, better management at some mature businesses, several recent new product launches gaining market acceptance, and a recovering economy were the major drivers of profit improvement.

The balance sheet offers Mestek flexibility for future growth; and free cash flow improved markedly. Accounts receivable and inventories are reasonably well controlled. Although capital expenditures exceeded depreciation by $2.6 million, this overage is attributable to China where we are constructing a Mestek owned facility to replace smaller leased quarters in Beijing. We believe in the future of this initiative which increases our capacity, allowing us to produce more automated HVAC duct producing machinery as well as selected HVAC products for Asian markets. Most importantly, we have confidence in the management of this business, talented, honest, and loyal Chinese professionals. As an aside, repatriating money previously earned in China is seriously discouraged by the present U.S. tax regime. We prefer to avoid this destruction of shareholders' capital, even though we usually focus on North American locations for manufacturing expansion. We are not keen on manufacturing in Europe due to a surfeit of "social protection" laws; and we remain careful about other locales lacking well-developed legal protections for private businesses. Further, we want to stay focused, choosing not to scatter our energies too widely. North America is still a land of opportunity; our primary desire is to be a good home for well-regarded companies in our industries which face succession challenges, or which see the benefits of aligning with a synergistic partner.

This letter is an opportunity to express my heartfelt personal respect, appreciation and gratitude to our employees, loyal customers, independent manufacturers' representative partners, architects and professional consulting engineers who trust and believe in our products, our patient shareholder owners, and to our valued suppliers. Your confidence in Mestek inspires us to build a better company.

With kind regards,

Stewart B. Reed

Stewart B. Reed
Chairman & CEO

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)

	2013	2012	2011	2010	2009
Total Assets	$ 213,717	$ 197,153	$ 200,513	$ 195,980	$ 208,949
Working Capital	77,091	59,058	70,518	49,469	36,126
Total Debt	10,535	12,057	11,833	13,067	26,478
Mestek Inc. Shareholders' Equity	136,544	119,095	129,429	122,709	120,111
Shareholders' Equity Per Common Share (1)	$ 18.23	$ 15.90	$ 17.36	$16.24	$ 15.09

SUMMARY OF OPERATIONS for the years ended December 31,

(Dollars in thousands except per share data)

	2013	2012	2011	2010	2009
Revenues from Continuing Operations	$ 331,851	$ 299,347	$ 304,624	$ 280,863	$ 288,851
Net Income from Continuing Operations attributable to Mestek	$ 16,593	$ 12,478	$ 12,755	$ 8,642	$ 5,239
Net Loss from Discontinued Operations	$ ---	$ ---	$ (4,075)	$ (3,197)	$ (765)
Net Income	$ 16,593	$ 12,478	$ 8,680	$ 5,445	$ 4,474
Earnings per Common Share: Basic and Diluted Earnings per Common Share:					
Net Income from Continuing Operations	$ 2.22	$ 1.67	$ 1.69	$ 1.09	$ 0.66
Net Loss from Discontinued Operations	$ ---	$ ---	$ (0.54)	$ (0.40)	$ (0.10)
Net Income	$ 2.22	$ 1.67	$ 1.15	$ 0.69	$ 0.56

(1) Equity per common share amounts are computed using the common shares outstanding as of December 31, 2013, 2012, 2011, 2010, and 2009.

McGladrey

INDEPENDENT AUDITOR'S REPORT

To the 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. which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mestek, Inc. as of December 31, 2013 and 2012, 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.

McGladrey LLP

Boston, Massachusetts
April 15, 2014

MESTEK, INC.
CONSOLIDATED BALANCE SHEETS
As of December 31, 2013 and 2012

	2013	2012
	(Dollars in thousands)	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 36,108	$ 7,856
Accounts Receivable - less allowances of $4,689 and $4,330, respectively	45,681	49,511
Inventories – net	40,008	45,731
Deferred Tax Assets	3,264	3,705
Other Current Assets	8,089	7,268
Total Current Assets	133,150	114,071
Property and Equipment – net	41,709	38,562
Property Held for Sale	2,707	4,456
Deferred Tax Assets	6,971	10,866
Other Assets – net	3,947	4,791
Goodwill	25,233	24,407
Total Assets	$ 213,717	$ 197,153
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Short Term Notes Payable	$ ---	$ 1,259
Current Portion of Long-Term Debt	175	175
Accounts Payable	12,335	14,629
Accrued Payroll and Related Expenses	15,583	13,044
Customer Deposits	8,472	11,342
Current Portion of Environmental Reserves	420	420
Warranty Reserve	3,299	3,523
Other Accrued Liabilities	15,775	10,621
Current Liabilities	56,059	55,013
Environmental Reserves – long term	8,046	8,662
Long-Term Debt	10,360	10,623
Other Liabilities	1,042	2,732
Total Liabilities	75,507	77,030
Shareholders' Equity:		
Controlling Interest:		
Common Stock, no par, stated value $0.05 per share, 20,000,000 shares authorized at December 31, 2013 and December 30, 2012; 8,368,726 shares issued at December 31, 2013 and December 31, 2012	417	417
Paid in Capital	4,924	4,794
Retained Earnings	141,259	124,666
Treasury Shares, at cost (878,010 common shares at December 31, 2013 and December 31, 2012)	(11,293)	(11,293)
Accumulated Other Comprehensive Income	1,237	511
Total Mestek, Inc. Shareholders' Equity	136,544	119,095
Non-controlling Interest	1,666	1,028
Total Shareholders' Equity	138,210	120,123
Total Liabilities and Shareholders' Equity	$ 213,717	$ 197,153

See Accompanying Notes to the Consolidated Financial Statements.

MESTEK, INC.
CONSOLIDATED STATEMENTS OF INCOME
For the years ended December 31, 2013 and 2012

	2013	2012
	(Dollars and Shares in thousands, except earnings per common share)	
Net Sales	$ 331,851	$ 299,347
Cost of Goods Sold	224,740	208,715
Gross Profit	107,111	90,632
Selling Expense	38,791	34,784
General and Administrative Expense	27,526	23,586
Engineering Expense	11,143	11,884
Loss on Impairment or Sale of Property and Equipment	1,534	250
Plant Shutdown Expense and Other Restructuring Charges	321	491
Operating Profit	27,796	19,637
Interest Income (Expense) – net	(43)	107
Other Income – net	269	306
Income from Operations Before Income Taxes	28,022	20,050
Provision for Income Taxes	11,393	7,536
Net Income from Operations	16,629	12,514
Less: Net Income – Non-controlling Interest	36	36
Net Income from Operations attributable to Mestek, Inc.	$ 16,593	$ 12,478
Basic and Diluted Earnings per Common Share	$ 2.22	$ 1.67
Basic and Diluted Weighted Average Shares Outstanding	7,491	7,466

See Accompanying Notes to the Consolidated Financial Statements.

MESTEK, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2013 and 2012

	2013	2012
	(Dollars and Shares in thousands, except earnings per common share)	
Net Income	$ 16,593	$ 12,478
Other Comprehensive Income, net of tax		
Foreign Currency Translation Adjustments	(289)	275
Defined Benefit Pension Plans:		
Net Periodic Pension Cost	(204)	(233)
Net Gain (Loss) Arising During Period	881	(100)
Employer Contributions During Period	80	48
Amortization of Net Loss	258	260
Defined Benefit Pension Plans Cost	1,015	(25)
Other Comprehensive Income	726	250
Comprehensive Income Attributable to Mestek, Inc.	$ 17,319	$ 12,728

See Accompanying Notes to the Consolidated Financial Statements.

MESTEK, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the years ended December 31, 2013 and 2012

(Dollars in thousands)	Common Stock	Paid In Capital	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive Income	Non-Controlling Interests	Total
Balance – December 31, 2011	$ 415	$ 5,391	$ 134,655	$ (11,293)	$ 261	$ 1,625	$ 131,054
Net Income			12,478			36	12,514
Cumulative Translation Adjustment					275		275
Changes in Minimum Liability – Defined Benefit Plan – Net of Tax					(25)		(25)
Special Dividends Paid			(22,467)				(22,467)
Purchase of Non-Controlling Interest in Equity Method Investment Subsidiary		(1,050)				(633)	(1,683)
Exercise of Stock Options	2	323					325
Stock Based Compensation		130					130
Balance – December 31, 2012	417	4,794	124,666	(11,293)	511	1,028	120,123
Net Income			16,593			36	16,629
Cumulative Translation Adjustment					(289)		(289)
Changes in Minimum Liability – Defined Benefit Plan – Net of Tax					1,015		1,015
Non-Controlling Interest in Joint Venture						602	602
Stock Based Compensation		130					130
Balance – December 31, 2013	$ 417	$ 4,924	$ 141,259	$ (11,293)	$ 1,237	$ 1,666	$ 138,210

See Accompanying Notes to the Consolidated Financial Statements.

MESTEK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2013 and 2012

	2013	2012
	(Dollars in thousands)	
Cash Flows from Operating Activities:		
Net Income	$ 16,629	$ 12,514
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	4,798	4,723
Provision for Deferred Taxes	4,336	4,139
Stock Compensation Expense	130	130
Provision for Losses on Accounts Receivable, net of write-offs and recoveries	359	930
Loss on Sale of Property and Equipment	1,534	250
Change in Assets and Liabilities:		
Accounts Receivable	3,520	(3,166)
Inventory	5,923	(3,408)
Accounts Payable	(2,294)	2,043
Environmental Reserves	(616)	(1,100)
Other Assets and Liabilities, net	2,596	2,995
Net Cash Provided by Operating Activities	36,915	20,050
Cash Flows from Investing Activities:		
Capital Expenditures	(7,402)	(3,548)
Acquisitions	(550)	(8,987)
Proceeds from Sale of Fixed Assets		2
Net Cash Used in Investing Activities	(7,952)	(12,533)
Cash Flows from Financing Activities:		
Net Borrowings (Repayments) Under Revolving Credit Agreements	(1,259)	1,259
Principal Payments Under Long-Term Debt Obligations	(263)	(1,035)
Proceeds from Exercise of Incentive Stock Options	---	325
Dividend Paid	---	(22,467)
Sale of non-controlling interest in subsidiary	602	---
Net Cash Used in Financing Activities	(920)	(21,918)
Net Increase (Decrease) in Cash and Cash Equivalents	28,043	(14,401)
Exchange Rate Effect on Cash and Cash Equivalents	209	241
Cash and Cash Equivalents - Beginning of Period	7,856	22,016
Cash and Cash Equivalents - End of Period	$ 36,108	$ 7,856
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Summary of entities acquired in purchase business combinations		
Fair value of net assets acquired and goodwill	$ 764	$ 9,035
Cash paid, net of cash acquired	550	8,987
Holdbacks and contingent consideration	214	48
Total consideration paid	764	9,035

See Accompanying Notes to the Consolidated Financial Statements.

MESTEK, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Consolidated Financial Statements include the accounts of Mestek, Inc. (Mestek) and its wholly owned subsidiaries and certain partially owned entities over which it has a controlling financial interest (collectively the "Company"). 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, 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.

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.

Additionally, the Company holds a brokerage account for speculative commodities purchases which is included in 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 other income - net 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.

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 74% and 73% of inventory cost were determined using the LIFO method for the years ended December 31, 2013 and 2012, 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.

Goodwill and Other Intangible Assets

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"). Under ASC 350-20, the carrying value of goodwill is evaluated for impairment on at least an annual basis. In 2012, the Company early adopted Accounting Standards Update (ASU) 2011-08. Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment, which allowed the Company to assess certain qualitative factors in evaluating the recoverability of its goodwill, prior to performing a two-step impairment analysis.

The Company performed an annual impairment assessment as of December 31, 2013 for its' HVAC and Metal Forming reporting units. There was no impairment in either reporting unit as of December 31, 2013 or December 31, 2012.

Goodwill and Intangible Assets consisted of the following at:

	December 31, 2013	December 31, 2012
	(Dollars in thousands)	
Goodwill – net of prior amortization	$ 25,233	$ 24,407
Patents, Rights and Trademarks	$ 4,711	$ 4,513
Accumulated Amortization, Patents, Rights and Trademarks	(3,601)	(3,447)
Patents, Rights and Trademarks – net (included in other assets)	$ 1,110	$ 1,066

Amortization expense relating to the intangible assets for the years ending December 31, 2013 and 2012 was $154,000 and $107,000, 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 operations. 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, 2013 or December 31, 2012.

Advertising Expense

Advertising costs are charged to operations as incurred. Such charges aggregated $2,755,000 and $2,263,000, for the years ended December 31, 2013 and 2012, respectively, and are included in Selling Expense in the accompanying consolidated statements of income.

Research and Development Expense

Research and development expenses are charged to operations as incurred. Such charges aggregated $5,580,000 and $5,169,000, for the years ended December 31 2013 and 2012, 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 11, were considered in the computation of diluted earnings per share, except when such effect would be anti-dilutive.

Payment of Special Dividends.

The Company's Board of Directors declared a special dividend of $3.00 per share which was paid on December 26, 2012 to stockholders of record at the close of business on December 14, 2012.

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 Income as a separate component of Shareholders' Equity. Transaction gains and losses are included in other expense and were not material in either 2013 or 2012.

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, 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, and accounts receivable.

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 2013 or 2012. No individual customer accounted for more than 10% of the Company's accounts receivable at December 31, 2013 or 2012.

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.

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 observed interest rates appropriate for the terms of our awards. The dividend yield assumption is based on 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 and the Company has estimated a 0% forfeiture rate as of December 31, 2013.

No options were granted for the year ending December 31, 2013.

For the year ended December 31, 2013, 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, 2013, there was $335,000 of unrecognized compensation expense related to non-vested stock awards that is expected to be recognized through 2015.

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 8).

Reclassification/Recasting

Reclassifications have been made to previously-issued financial statements to conform to the current year presentation.

Recently Adopted Accounting Pronouncements

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*. Under the amendments of ASU 2011-05, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income and a total amount for comprehensive income. The statement of other comprehensive income should immediately follow the statement of net income.

The Company adopted this guidance effective January 1, 2013 and has elected to present comprehensive income as a separate but consecutive statement in the statement of income. In December 2011, the FASB issued ASU 2011-12, *Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation and Reclassification of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05.* ASU 2011-12 defers the presentation requirement for reclassification adjustments. The Company does not expect the adoption of this guidance to have a material impact to the consolidated financial statement, once adoption is required.

2. INVENTORIES

Inventories consisted of the following at December 31:

	2013	2012
	(Dollars in thousands)	
Finished Goods	$ 10,332	$ 9,824
Work-in-progress	16,814	20,020
Raw materials	25,810	29,863
	52,956	59,707
Less reserve for LIFO method of valuation	(12,948)	(13,976)
	$ 40,008	$ 45,731

The Company uses the last-in first-out LIFO method of valuing substantial portions of its inventory. Approximately $765,000 and $107,000 of additional income was recorded in the periods ended December 31, 2013 and 2012, respectively, under the LIFO method.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2013	2012	Depreciation and Amortization Est. Useful Lives
	(Dollars in thousands)		
Land	$ 3,460	$ 2,211	
Buildings	31,497	29,798	19-39 Years
Leasehold Improvements	7,991	6,543	15-39 Years
Equipment	105,419	104,118	3-10 Years
	148,367	142,670	
Accumulated Depreciation	(106,658)	(104,108)	
	$ 41,709	$ 38,562	

A manufacturing facility previously included in Property Held for Sale at December 31, 2011 and carried at $3,006,000 at December 31, 2013 and $3,165,000 at December 31, 2012 has been reclassified to Property and Equipment - net in 2012 and 2013.

The above amounts include $3,509,000 and $1,130,000 at December 31, 2013 and 2012, 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 $4,798,000 and $4,723,000 for the years ended December 31, 2013 and 2012, respectively.

4. INVESTMENTS, MERGER AND DIVESTITURES

Dadanco-Mestek Joint Venture LLC (the "JV")

On June 29, 2012, the Company acquired the remaining 50% of the Mestek/Dadanco Joint Venture, and the intellectual property formerly licensed to the Joint Venture from an independent third party, for a total consideration of approximately $1,600,000. Prior to June 29, 2012 the Company had been consolidating the operations of the Joint Venture due to the fact that, in addition to its 50% ownership, it was obligated to lend to the Joint Venture under a $3,000,000 Credit Agreement and was at risk for 100% of the Joint Venture's losses. Accordingly, as the Company was in a control position relative to the Joint Venture at June 29, 2012, the transaction has been accounted for in accordance with the guidance under ASC 805 relating to consolidation principles and resulted in a $1,683,000 charge to equity.

Linel Signature Skylights LLC:

On March 5, 2012, the Company acquired substantially all of the operating assets and assumed certain operating liabilities of Linel Signature, LLC, (Linel), a leading designer and manufacturer of custom skylights for the commercial construction industry. The price paid for the net assets acquired, after post-closing adjustments, was approximately $6,134,000. The Company recorded goodwill of $1,649,000 in connection with the Linel acquisition. The operating results of Linel are included in the accompanying audited financial statements from the date of the acquisition, and the purchase price has been allocated to the net assets acquired at fair values at the date of acquisition, with the residual amount allocated to goodwill. The amount allocated to goodwill is expected to be deductible for tax purposes and related deal costs were expensed.

The purchase price allocated to the net assets acquired was as follows:

Current Assets	$3,919,000
Equipment	1,792,000
Goodwill	1,649,000
Current Liabilities	(1,226,000)
Net assets acquired	$6,134,000

In addition, on March 5, 2012, the Company acquired the premises occupied by Linel from another third party for total consideration of approximately $650,000. This property is included in the Company's Property and Equipment in the accompanying financial statements.

ISM Machinery:

On December 31, 2012, the Company acquired 100% of the capital stock of ISM Corporation Inc. (ISM) for a total consideration of approximately $1,400,000 including cash consideration of $1,200,000 and "earn out obligations" estimated at $200,000. The company recorded goodwill of $1,615,000 in connection with the transaction as detailed below. ISM is a manufacturer of HVAC duct making equipment which complements products sold by the Company's Formtek segment under the Lockformer and Engel brand names. The purchase price has been allocated to the net assets acquired at fair values at the date of acquisition, with the residual amount allocated to goodwill. For tax purposes, the Company has elected to treat the purchase of ISM's stock as an asset transaction, and as a result the amount allocated to goodwill is expected to be deductible. The purchase price allocated to the net assets acquired was as follows:

Current Assets	$ 738,000
Equipment	103,000
Goodwill	1,615,000
Current Liabilities	(946,000)
Long-Term Liabilities	(110,000)
Net Assets Acquired	$1,400,000

If information about facts and circumstances existing as of the acquisition date is incomplete by the end of the reporting period in which a business combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. The measurement period ends once the Company receives the information it was seeking; however, this period will not extend beyond one year from the acquisition date. Any material adjustments recognized during the measurement period are recognized retrospectively in the consolidated financial statements of the current period; certain immaterial adjustments were recorded in the current year.

Rotodie, Inc.

On July 30, 2013, the Company acquired certain assets of Gem Equity Corp (dba Rotodie, Inc.) for a total consideration of approximately \$764,000 including cash consideration of \$550,000 and "earn-out obligations" estimated at \$214,000. The purchase price has been allocated to the net assets acquired at fair values at the date of acquisition, with the residual amount allocated to goodwill. The Company recorded goodwill of \$547,000 in connection with the transaction as detailed below. Rotodie is a manufacturer of hydraulic sheet metal bending equipment complementary to the Company's roll-forming products sold under the Formtek name. The purchase price allocated to the net assets acquired was as follows:

Accounts Receivable	\$ 49,000
Inventory	200,000
Machinery & Equipment	25,000
Goodwill	547,000
Current Liabilities	(57,000)
Net Assets Acquired	\$ 764,000

Hebei Sterling Technology Co. Ltd.

On June 28, 2013, Mestek entered in a joint venture with Beijing Zhong Ke Peng Technology Co., Ltd (Beijing Zhong) and acquired 85% of the registered capital of the newly established joint venture entity, Hebei Sterling Technology Co. Ltd. (HST), for \$3,400,000. Beijing Zhong obtained the remaining 15% of the registered capital for \$600,000. The two parties will share in HST's profits, and bear the losses and risks arising from their investments in the joint venture, in proportion to their respective contributions. Mestek has fully consolidated the entity in accordance with ASC 810, *Consolidation*, as Mestek has the power to direct the activities in a way that most significantly impacts HST's economic performance, and has recorded Beijing Zhong's ownership investment in non-controlling interest in the consolidated statements of shareholders' equity. No significant activity has occurred in HST since the date of inception through December 31, 2013.

5. DEBT

Short-term Debt

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

	2013	2012
	(Dollars in thousands)	
Revolving Loan Agreement	\$ -	\$ 1,259
Current Portion of Long-term Debt	175	175
Total Short Term Debt	\$ 175	\$ 1,434

Revolving Loan Agreement – On December 20, 2010, the Company entered into a four year, \$60,000,000, committed, secured, multi-bank revolving loan and letter of credit facility (the "Facility"), led by Bank of America. 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 British Bankers Association ("BBA") LIBOR rate plus 125 basis points. There were no borrowings outstanding under the Facility as of December 31, 2013. The Facility contains affirmative and negative covenants typical of such financing transactions, and specific financial covenants which require the Company to maintain a minimum consolidated tangible net worth, a minimum cash flow coverage ratio and a maximum cash flow leverage ratio. As of December 31, 2013, 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 19, 2014. 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 in excess of 50% of net income.

On November 27, 2012, the revolving loan agreement was amended to enable a special dividend to be paid to the Company's shareholders the total amount of which is excluded from determining covenant compliance during each fiscal quarter beginning with the 4th quarter of 2012 and ending with the 3rd quarter of 2013.

Long-term Debt

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

	2013	2012
	(Dollars in thousands)	
Industrial Development Bond – MO	$ 2,797	$ 3,060
Notes Payable-Other	7,738	7,738
	10,535	10,798
Less Current Maturities	(175)	(175)
Long Term Debt	$ 10,360	$ 10,623

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 2013, including letter of credit costs, was 1.38%. 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 – Mestek's subsidiary, CareCentric, Inc., is indebted under a Line of Credit Agreement to an investor group comprised of certain related parties. The balance outstanding under the CareCentric Line of Credit as of both December 31, 2013 and December 31, 2012 was $6,946,000. These Notes, which mature in 2015, no longer accrue interest as of April 11, 2011.

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

	Total Debt
2014	$ 175
2015	7,913
2016	180
2017	180
2018	180
Thereafter	1,907
Total Debt Maturities:	$ 10,535

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 9) approximate their fair values as of December 31, 2013.

Banc of America Leasing and Capital – In connection with the 2011 acquisition of Maynard Aviation LLC, the Company assumed each member's portion of the loan payable by Maynard on its 1990 Beach Craft Super King Air 200 Turbo Prop aircraft. The note was paid in full on April 27, 2012.

Cash paid for interest was $344,000 and $309,000, during the years ended December 31, 2013 and 2012, respectively. Interest expense totaled $351,000 and $278,000 for the years ended December 31, 2013 and 2012, respectively.

6. INCOME TAXES

The provision for income taxes consisted of the following:

	2013	2012
	(Dollars in thousands)	
Federal Income Tax:		
Current	$ 3,452	$ 673
Deferred	5,351	4,115
State Income Tax:		
Current	2,152	1,067
Deferred	68	111
Foreign Income Tax:		
Current	370	1,602
Deferred	---	(32)
Provision for Income Taxes	$ 11,393	$ 7,536

Income before income taxes included foreign income of $5,416,000 and $5,584,000 in 2013 and 2012, 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:

	2013	2012
	(Dollars in thousands)	
Computed "Expected" Income Tax Expense	$ 9,807	$ 7,030
Permanent Difference, Other	1,072	126
State Income Tax, Net Of Federal Tax Expense	1,134	765
Foreign Source Income	(620)	(385)
Income Tax Expense	$ 11,393	$ 7,536

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, 2013 and 2012 are as follows:

	2013	2012
	(Dollars in thousands)	
Current Deferred Tax Assets:		
Product Liability Reserve	$ 1,177	$ 1,254
Compensated Absences	550	538
Inventory Valuation	321	749
Workers Compensation Reserve	198	348
Accounts Receivable Valuation	1,638	1,515
Other	433	404
Total Current Deferred Tax Assets	4,317	4,808

Noncurrent Deferred Tax Assets:		
Remediation Reserve	2,890	3,181
Net Operating Loss Carry Forward	7,882	10,337
Impairment of Goodwill and Long Lived Assets	427	432
Deferred Benefits Plan	1,314	1,801
Other	37	106
Total Noncurrent Deferred Tax Assets	12,550	15,857
Current Deferred Tax Liabilities:		
Prepaid Expenses	(1,049)	(1,104)
Total Current Deferred Tax Liabilities	(1,049)	(1,104)
Noncurrent Deferred Tax Liabilities:		
Depreciation and Amortization	(5,583)	(4,990)
Total Noncurrent Deferred Tax Liabilities	(5,583)	(4,990)
Net Deferred Tax Asset	$ 10,235	$ 14,571

At December 31, 2013, the Company has net operating loss carry forwards and alternative minimum tax credit carry forwards, which are available to reduce future income taxes payable, subject to applicable Federal rules and limitations. The Company has federal net operating loss carry-forwards of approximately $22,618,000, which expire from 2014 through 2028.

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 $3,753,000 and $2,331,000 in income taxes to federal, state, and foreign tax jurisdictions for the years ended 2013 and 2012, 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 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, 2013 and 2012, 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 jurisdictions. In the normal course of business, the Company is subject to audit by U.S. federal, state or local tax examinations by tax authorities in its major jurisdictions for years after 2008.

7. 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, 2013, including the effect of renewals and amendments executed subsequent to December 31, 2013, are as follows:

	Date of Lease	Term	Basic Annual Rent	Minimum Future Rentals
			(Dollars in thousands)	
Sterling Realty Trust:				
Land and Building-Main	01/01/11	5 years	$ 282	$ 564
Land and Building Beacon Morris	07/01/13	5 years	$ 91	$ 410
Land and Building-South Complex	01/01/11	14 years	$ 306	$ 2754
Land and Building Torrington	05/30/09	5 years	$ 315	$ 157
Rudbeek Realty Corp.:				
Farmville Location	01/01/11	13.5 years	$ 436	$ 4578

All Leases

Rent expense for operating leases, including those with related parties, was $2,996,000 and $3,324,000, for the years ended December 31, 2013, and 2012, respectively. Rents to related parties were approximately $1,430,000, for the years ended December 31, 2013 and 2012, respectively.

Future minimum lease payments under all non-cancelable leases as of December 31, 2013 are as follows:

Years Ending December 31,	Operating Leases (Dollars in thousands)
2014	$ 2,687
2015	2,388
2016	2,080
2017	1,924
2018	1,438
Thereafter	4,494
Total Minimum Lease payments	$ 15,011

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.

8. 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 $997,000 and $850,000 for the years ended December 31, 2013 and 2012, 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 prior 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 previous 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 $212,000 and $201,000, for the years ended December 31, 2013 and 2012, respectively.

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. 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 $676,000 and $621,000, for the years ended December 31, 2013 and 2012, respectively.

Defined Benefit Plans

On December 31, 2006, the Company began recognizing the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension plans in the consolidated balance sheets with a corresponding adjustment to Accumulated Other Comprehensive Income, net of tax.

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. Due to favorable asset performance and interest rate movement, there is a decrease in the unfunded accumulated benefit obligation, which is the amount by which the present value of future pension obligations to plan participants exceeds the fair market value of the Met-Coil Plan's asset. The Company has recorded credit (changes) in 2013 and 2012, net of related tax effect, to Accumulated Other Comprehensive Income of $640,000 and ($63,000), respectively. Pension expense under the Met-Coil Plans was $312,000 and $327,000, for the years ended December 31, 2013 and 2012, respectively.

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. In accordance with GAAP, the Company recorded credits (charges) in 2013 and 2012, net of related tax effect, to Accumulated Other Comprehensive Income of $375,000 and $38,000, respectively, relating to the Airtherm LLC Retirement Income Plan. Pension expense under the Airtherm LLC Retirement Income Plan was $29,000 and $49,000, for the years ended December 31, 2013 and 2012, respectively.

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 2013	Met-Coil 2012	Airtherm 2013	Airtherm 2012
	(Dollars in thousands)			
(1) Accumulated Benefit Obligation at the End of the Year	$ 4,243	$ 4,778	$ 4,145	$ 4,987
(2) Change in Projected Benefit Obligation on a Measurement Year Basis				
Projected Benefit Obligation at the Beginning of the Period	$ 4,778	$ 4,467	$ 4,987	$ 5,100
Service Cost	24	24	16	-
Interest Cost	165	180	150	181
Actuarial (Gain) Loss	(456)	373	(753)	(16)
Benefits Paid	(268)	(266)	(255)	(278)
Projected Benefit Obligation at the End of the Period	4,243	4,778	4,145	4,987
(3) Change in Plan Assets on a Measurement Year Basis				
Fair Value of Plan Assets at the Beginning of the Period	3,187	2,977	3,909	3,961
Actual Return on Plan Assets	666	398	38	226
Benefits Paid	(268)	(266)	(255)	(278)
Employer Contributions	133	78	-	-
Fair Value of Assets at the End of the Period	3,718	3,187	3,692	3,909
(4) Funded Status at the End of the Measurement Year	$ (525)	$ (1,591)	$ (453)	$ (1,078)
(5) Weighted Average Assumptions at the End of the Year				
Discount Rate	4.59%	3.54%	4.39%	3.32%
Rate of Compensation Increase	N/A	N/A	N/A	N/A

Net Periodic Pension Cost

	Met-Coil 2013	Met-Coil 2012	Airtherm 2013	Airtherm 2012
	(Dollars in thousands)			
(1) Service Cost	$ 24	$ 24	$ 16	$ -
(2) Interest Cost	166	180	149	181
(3) Expected Return on Plan Assets	(219)	(201)	(226)	(228)
(4) Amortization of Net Loss	341	324	89	95
(5) Total Net Periodic Pension Cost	312	327	28	48
(6) Net (Gain)/Loss Incurred in Year	(904)	176	(564)	(14)
(7) Amortization of Net Loss	(341)	(324)	(89)	(95)
(8) Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income	(1,245)	(148)	(653)	(109)
(9) Total Recognized in Net Periodic Pension Cost and other Comprehensive Income	(933)	$ 179	$ (625)	$ (61)
(10) Expected Return on Plan Assets	7.00%	7.00%	6.00%	6.00%

Expected Amortizations

	Met-Coil 2013	Met-Coil 2012	Airtherm 2013	Airtherm 2012
	(Dollars in thousands)			
(1) Expected Amortization of Net Loss	$ 115	$ 309	$ 52	$ 127

Plan Assets

	Met-Coil Percentage of Plan Assets at December 31		Airtherm Percentage of Plan Assets at December 31	
	2013	2012	2013	2012
	(Dollars in thousands)			
(1) Plan Assets				
(a) Equity Securities*	72%	63%	0%	0%
(b) Debt Securities	26%	36%	14%	13%
(c) Cash & Equivalents	0%	0%	0%	0%
(d) Other	2%	1%	86%	87%
(e) Total	100%	100%	100%	100%

* Includes no Mestek common stock at either December 31, 2013 or 2012.

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. Typically, the Trust holds approximately 60% of assets in equity securities and 40% in fixed income securities. Weighting 10-year compounded trailing returns on equity and fixed income indices in proportion to the above asset mix yields an expected long-term return of 7%.

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 assets classes in proportion to the plan assets. The assets of the Plan are invested in the general account of Prudential Retirement. The general account is invested in corporate bonds and mortgages, which were expected to return between 6.0% and 6.4%, and Private Placements which were expected to return approximately 6.25%. This yielded an expected long -term assumption of 6.0%.

Cash Flows

	Met-Coil	Airtherm
	(Dollars in thousands)	
(1) Expected Contributions for Fiscal Year Ending 12/31/2013		
(a) Expected Employer Contributions	$ 123	$ -
(b) Expected Employee Contributions	-	-
(2) Estimated Future Benefit Payments Reflecting Expected Future Service for the Fiscal Year(s) Ending		
(a) 12/31/2014	$ 267	$ 269
(b) 12/31/2015	275	296
(c) 12/31/2016	275	318
(d) 12/31/2017	277	325
(e) 12/31/2018	281	325
(f) 12/31/2019 - 12/31/2023	1,405	1,522

Other Accounting Items

	Met-Coil		Airtherm	
	2013	2012	2013	2012
	(Dollars in thousands)			
Alternative Amortization Methods Used to Amortize				
Prior Service Cost	Straight Line	Straight Line	N/A	N/A
Unrecognized Net (Gain)/Loss	Straight Line	Straight Line	**	**
Average Future Service / Lifetime	5.18	6.08	6.64	7.30

** 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.

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.

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, 2013:

	Level 1	Level 2	Level 3	Total
		(Dollars in thousands)		
Insurance contract	$ -	$ 3,175	$ -	$ 3,175
Pooled separate accounts	-	517	-	517
Total assets at fair value	$ -	$ 3,692	$ -	$ 3,692

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, 2013:

	Level 1	Level 2	Level 3	Total
		(Dollars in thousands)		
Insurance contract	$ -	$ 66	$ -	$ 66
Pooled Separate Accounts	-	959	-	959
Mutual funds	$ 2,693	-	-	2,693
Total assets at fair value	$ 2,693	$ 1,025	$ -	$ 3,718

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, 2012:

	Level 1	Level 2	Level 3	Total
		(Dollars in thousands)		
Insurance contract	$ -	$ 3,392	$ -	$ 3,392
Pooled separate accounts	-	517	-	517
Total assets at fair value	$ -	$ 3,909	$ -	$ 3,909

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, 2012:

	Level 1	Level 2	Level 3	Total
		(Dollars in thousands)		
Insurance contract	$ -	$ 42	$ -	$ 42
Pooled Separate Accounts	-	1,130	-	1,130
Mutual funds	$ 2,015	-	-	2,015
Total assets at fair value	$ 2,015	$ 1,172	$ -	$ 3,187

9. COMMITMENTS AND CONTINGENCIES

Indemnifications

The Company is obligated under Indemnity Agreements ("Indemnity Agreements") executed on behalf of 24 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-updated

The Company had outstanding at December 31, 2013, \$7,307,000 in standby letters of credit issued in connection with the TCE PI Trust and \$2,326,000 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 5) 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 \$2,807,000 as of December 31, 2013.

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 2013, 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.

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 2013 and 2012 was as follows:

	2013	2012
	(Dollars in thousands)	
Balance Beginning of the Year	\$ 9,082	\$ 10,182
Less Remediation Related Expenditures	(378)	(556)
Less TCE PI Trust Fund Payments	(238)	(544)
Balance End of the Year	\$ 8,466	\$ 9,082

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 is continuing with the remediation of the Lisle, IL facility, pursuant to a work plan for the site while awaiting 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. The Company has guaranteed to the IEPA up to \$3,000,000 of remediation costs incurred by either Met-Coil or, if Met-Coil fails to perform the remediation, the IEPA.

Based on claim experience through December 31, 2013, the Company has classified $420,000 of the above reserve as current as of December 31, 2013. 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 insignificance of claims to date the Company believes that the existing analysis remains appropriate as of December 31, 2013 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, 2013, the Company is a party to approximately 140 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.

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 400 asbestos-related cases dismissed without any payment and it settled approximately twenty-six 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, 2013 and 2012, the Company is unable to estimate the ranges or probabilities of any potential asset retirement obligations that not previously been identified.

10. 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, 2013, 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 2013 or 2012.

The Company's Board of Directors declared a special dividend of $3.00 per share which was paid on December 26, 2012 to stockholders of record at the close of business on December 14, 2012.

11. 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.

Employee and Director stock option activity for the year ended December 31, 2013 was as follows:

	Number of Options	Exercise Price Range	Weighted-Average Exercise Price
Outstanding at December 31, 2011	173,000	$ 9.30	$ 9.30
Granted – 2012	-	-	-
Exercised (Directors non-qualified options)	35,000	9.30	9.30
Forfeited/cancelled	-	-	-
Outstanding at December 31, 2012	138,000	$ 9.30	$ 9.30
Granted – 2013	---	---	---
Exercised	---	---	---
Forfeited/cancelled	---	---	---
Outstanding at December 31, 2013	138,000	9.30	9.30
Exercisable at December 31, 2013	---	$ ---	$ ---

The following table summarizes information about stock options outstanding at December 31, 2013:

	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	7.75	$9.30	-	-	-

At December 31, 2013, 127,000 shares remain available for future grant.

In October 2012, the Company and the holders of the Incentive Stock Options issued in 2011 agreed to a modification of the Incentive Stock Options whereby the option holders gave up certain accelerated vesting rights and received in return a right to a reduced exercise price at a future date contingent upon continued employment beyond the vesting period established in the Incentive Stock Options. The intent of the modification was to make the option holders approximately whole for the accelerated vesting rights given up and, accordingly, management does not believe the net impact on the Company, or the option holders, was material.

The effect on the option holders was to reduce the exercise price to $8.30 at the end of the year #6, $7.30 at the end of the year #7, and $6.30 at the end of the year #8, contingent upon continued employment through those dates compensating the options holders for the effect on the options of the $3.00 special dividend paid by the Company in December of 2012.

12. 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, 2013 and 2012, the Company incurred $0 and $491,000, respectively, of such "exit and disposal" costs which are classified separately in the accompanying financial statements in accordance with ASC 420.

Loss on Sale of Assets-2012

On various occasions during 2012, the Company sold certain surplus manufacturing assets of the Company's idled manufacturing facilities for $2,000, resulting in a net loss of $(250,000).

Loss on Impairment of Assets-2013

On January 31, 2014, the Company completed the sale of an idled manufacturing plant located in Wrens, GA for cash consideration of $750,000. The Company recorded a loss of $1,257,000 in 2013 in connection with this transaction.

13. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 15, 2014, the date which the financial statements were available to be issued and no additional disclosures or adjustments were required.