August 26, 2016

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Financial and Consumer Services Commission
The Manitoba Securities Commission
Nova Scotia Securities Commission
Ontario Securities Commission
TSX Group

Dear Sirs:

Re: CCL Industries Inc. – Amended Business Acquisition Report
SEDAR Project No. 02510413

Enclosed please find an amended Business Acquisition Report of CCL Industries Inc. Please disregard the previously filed version as it contained the following clerical errors:

1. On the Year Ended December 31, 2015 Pro Forma Consolidated Income Statement, the Current and Deferred Tax rows should be hidden.

2. On the Three Months Ended March 31, 2016 Pro Forma Consolidated Interim Income Statement, the Current and Deferred Tax rows should be hidden.

I trust this is satisfactory, please do not hesitate to contact the undersigned if you have any questions with respect to same.

Yours truly,

"Sean Washchuk"

Sean Washchuk
Senior Vice President and
Chief Financial Officer

CCL INDUSTRIES INC.

BUSINESS ACQUISITION REPORT
FORM 51-102F4

Item 1 Identity of Company

1.1 Name and Address of Company

CCL Industries Inc. (the "**Company**")
105 Gordon Baker Road, Suite 500
Toronto, Ontario
M2H 3P8

1.2 Executive Officer

The following executive officer of the Company is knowledgeable about the significant acquisition and this report:

Sean Washchuk, Senior Vice President and Chief Financial Officer
Telephone Number: (416) 756-8526

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

The Company acquired all of the outstanding shares of Checkpoint Systems, Inc. ("Checkpoint" or "Acquired Business").

Checkpoint is a leading manufacturer of technology-driven, loss prevention, inventory management and labeling solutions, including Radio Frequency and Radio Frequency Identification-based, to the retail and apparel industry. The business has operations in 28 countries including 46 go-to-market units and 21 manufacturing facilities.

2.2 Date of Acquisition

May 13, 2016

2.3 Consideration

Total consideration for Checkpoint was US$411.0 million (C$531.9 million), including debt assumed and net of cash acquired.

Funding for this transaction was financed using existing credit facilities.

2.4 Effect on Financial Position

For information on the expected effect of the acquisition of the Acquired Business on the Company's financial position, see the unaudited *pro forma* consolidated financial statements of the Company attached as Appendix A.

Except as described therein and other than in respect of the changes that occurred as a result of the acquisition, the Company does not have plans or proposals for material changes in the business or affairs of the Company or of the Acquired Business that may have a significant effect on the results of operations and financial position of the Company.

2.5 Prior Valuations

None.

2.6 Parties to Transaction

The transaction was not with an "informed person" (as such term is defined in section 1.1 of National Instrument 51-102 – *Continuous Disclosure Obligations*), associate or affiliate of the Company.

2.7 Date of Report

July 26, 2016

Item 3 Financial Statements

The following financial statements required by Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations* are included herein:

(a) attached hereto as Appendix A is the unaudited *pro forma* consolidated Statement of Financial Position of the Company as at March 31, 2016, the unaudited *pro forma* consolidated Income Statement of the Company for the financial year ended December 31, 2015, and the unaudited *pro forma* consolidated Income Statement of the Company for the three-month period ended March 31, 2016, each giving effect to the acquisition of the Acquired Business, and the notes thereto;

(b) attached hereto as Appendix B are the audited financial statements of the Acquired Business for the year ended December 27, 2015 prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), and the notes thereto;

(c) attached hereto as Appendix C are the unaudited interim financial statements of the Acquired Business for the three month period ended March 27, 2016 prepared in accordance with US GAAP, but does not include all disclosure required by US GAAP.

Appendix A

Pro Forma Consolidated Financial Statements
(In millions of Canadian dollars)

CCL INDUSTRIES INC.

For the Year Ended December 31, 2015
As at and for the Three Month Period Ended March 31, 2016
Unaudited

CCL Industries Inc.

Pro forma consolidated interim statement of financial position
As at March 31, 2016
Unaudited

In millions of Canadian dollars

	CCL Industries Inc.	Acquired Business (note 3(i))	Pro Forma Adjustments (note 3)	Notes	Pro Forma Consolidated
Assets					
Current assets					
Cash and cash equivalents	$ 320.1	$ 141.4	$ 9.5	3(g)	$ 471.0
Trade and other receivables	551.4	124.4	-		675.8
Inventories	279.9	117.7	25.9	3(a)	423.5
Prepaid expenses	17.3	-	-		17.3
Income taxes recoverable	5.7	-	-		5.7
Other current assets	-	24.3	-		24.3
Total current assets	1,174.4	407.8	35.4		1,617.6
Property, plant and equipment	1,090.3	98.4	3.7	3(m)	1,192.4
Goodwill	831.5	215.3	21.9	3(c)	1,068.7
Intangible assets	345.4	59.1	160.9	3(d)	565.4
Deferred tax assets	7.6	30.9	38.1	3(b)	76.6
Equity accounted investments	61.2	-	-		61.2
Other assets	28.6	8.2	-		36.8
Total non-current assets	2,364.6	411.9	224.6		3,001.1
Total assets	$ 3,539.0	$ 819.7	$ 260.0		$ 4,618.7
Liabilities					
Current liabilities					
Bank indebtedness	$ 1.0	$ -	$ -		$ 1.0
Trade and other payables	601.4	126.5	85.1	3(p), 3(n)	813.0
Current portion of financing liability	-	27.7	(27.7)	3(l)	-
Current portion of long-term debt	17.7	0.4	-		18.1
Income taxes payable	33.2	5.5	-		38.7
Unearned revenue	-	8.1	(8.1)	3(p)	-
Accrued payroll and employee benefits	-	32.3	(32.3)	3(p)	-
Restructuring reserve	-	9.9	(9.9)	3(p)	-
Other accrued liabilities	-	17.0	(17.0)	3(p)	-
Derivative instruments	0.9	-	-		0.9
Total current liabilities	654.2	227.4	(9.9)		871.7
Long-term debt	1,011.9	91.3	591.0	3(k)	1,694.2
Long-term financing liability	-	15.1	(15.1)	3(l)	-
Accrued pensions	-	114.0	(114.0)	3(p)	-
Deferred tax liabilities	80.5	20.3	1.3	3(b)	102.1
Employee benefits	138.2	-	125.4	3(p), 3(e)	263.6
Provisions and other long-term liabilities	12.3	-	32.9	3(p)	45.2
Other long-term liabilities	-	32.9	(32.9)	3(p)	-
Total non-current liabilities	1,242.9	273.6	588.6		2,105.1
Total liabilities	1,897.1	501.0	578.7		2,976.8
Equity					
Share capital	283.5	6.1	(6.1)	3(f)	283.5
Contributed surplus	48.3	454.7	(454.7)	3(f)	48.3
Retained earnings (accumulated deficit)	1,255.1	(92.3)	92.3	3(f)	1,255.1
Accumulated other comprehensive income (loss)	52.7	(49.8)	49.8	3(f)	52.7
Total equity attributable to shareholders of the Company	1,639.6	318.7	(318.7)		1,639.6
Non-controlling interest	2.3	-	-		2.3
Total equity	1,641.9	318.7	(318.7)		1,641.9
Total liabilities and equity	$ 3,539.0	$ 819.7	$ 260.0		$ 4,618.7

See accompanying notes to the unaudited pro forma consolidated financial statements.

CCL Industries Inc.

Pro forma consolidated income statement
Year ended December 31, 2015
Unaudited

In millions of Canadian dollars, except per share data

	CCL Industries Inc.	Acquired Business (note 3(i))	Pro Forma Adjustments (note 3)	Notes	Pro Forma Consolidated
Sales	$ 3,039.1	$ 750.9	$ (26.3)	3(o)	$ 3,763.7
Cost of sales	2,179.7	438.3	(26.1)	3(m), 3(o)	2,591.9
Gross profit	859.4	312.6	(0.2)		1,171.8
Selling, general and administrative	415.1	262.9	4.3	3(d), 3(q)	682.3
Research and development	-	24.9	-		24.9
Restructuring and other items	6.0	44.4	-		50.4
Earnings in equity accounted investments	(3.5)	-	-		(3.5)
	441.8	(19.6)	(4.5)		417.7
Finance cost	28.2	5.1	16.2	3(j)	49.5
Finance income	(2.5)	(1.0)	-		(3.5)
Net finance cost	25.7	4.1	16.2		46.0
Earnings (loss) before income taxes	416.1	(23.7)	(20.7)		371.7
Income tax expense	121.0	9.7	(4.2)	3(h)	126.5
Net earnings/(loss)	$ 295.1	$ (33.4)	$ (16.5)		$ 245.2
Attributable to:					
Shareholders of the Company	$ 295.1	$ (33.4)	$ (16.5)		$ 245.2
Net earnings/(loss) for the period	$ 295.1	$ (33.4)	$ (16.5)		$ 245.2
Basic earnings per Class B share					$ 7.06
Diluted earnings per Class B share					$ 6.96

See accompanying notes to the unaudited pro forma consolidated financial statements.

CCL Industries Inc.

Pro forma consolidated interim income statement
For the three months ended March 31, 2016
Unaudited

In millions of Canadian dollars, except per share data

	CCL Industries Inc.	Acquired Business (note 3(i))	Pro Forma Adjustments (note 3)	Notes	Pro Forma Consolidated
Sales	$ 866.8	$ 163.8	$ (6.2)	3(o)	$ 1,024.4
Cost of sales	615.5	103.0	(6.1)	3(m), 3(o)	712.4
Gross profit	251.3	60.8	(0.1)		312.0
Selling, general and administrative	112.2	68.0	1.5	3(d), 3(q)	181.7
Research and development	-	6.9	-		6.9
Restructuring and other items	3.0	19.9	-		22.9
Earnings in equity accounted investments	(0.8)	-	-		(0.8)
	136.9	(34.0)	(1.6)		101.3
Finance cost	8.8	1.6	4.3	3(j)	14.7
Finance income	(0.9)	(0.3)	-		(1.2)
Net finance cost	7.9	1.3	4.3		13.5
Earnings (loss) before income taxes	129.0	(35.3)	(5.9)		87.8
Income tax expense	39.3	9.3	(1.1)	3(h)	47.5
Net earnings/(loss)	$ 89.7	$ (44.6)	$ (4.8)		$ 40.3
Attributable to:					
Shareholders of the Company	$ 89.9	$ (44.6)	$ (4.8)		$ 40.5
Non controlling interest	(0.2)	-	-		(0.2)
Net earnings/(loss) for the period	$ 89.7	$ (44.6)	$ (4.8)		$ 40.3
Basic earnings per Class B share					$ 1.15
Diluted earnings per Class B share					$ 1.14

See accompanying notes to the unaudited pro forma consolidated financial statements.

1. Basis of preparation

The Unaudited Pro Forma Consolidated Financial Statements have been prepared in connection with the May 13, 2016 acquisition of Checkpoint Systems, Inc. ("Checkpoint" or "Acquired Business") by CCL Industries Inc. (the "Company"). The Unaudited Pro Forma Statement of Financial Position as at March 31, 2016, gives effect to the acquisition as if it was completed on March 31, 2016. The Unaudited Pro Forma Consolidated Income Statements for the year ended December 31, 2015, and the three months ended March 31, 2016, give effect to the acquisition as if they were completed on January 1, 2015.

The unaudited pro forma financial statements have been presented for illustrative purposes only and are not necessarily indicative of results of operations and financial position that would have been achieved had the pro forma events taken place on the dates indicated, or the future consolidated results of operations or financial position of the consolidated company. Future results may vary significantly from the pro forma results presented.

The unaudited pro forma consolidated financial statements and accompanying notes have been prepared following the accounting policies of the Company, which are in accordance with International Financial Reporting Standards ("IFRS"). The Acquired Business financial statements have been prepared using generally accepted accounting principles in the United States ("U.S. GAAP") and subsequently adjusted to conform with IFRS, where necessary. Further review of the Acquired Business's accounting policies may impact the actual financial statements of the Company.

In preparing the unaudited pro forma financial statements, the following historical information was used:

- The audited consolidated financial statements of the Company for the year ended December 31, 2015
- The audited consolidated financial statements of the Acquired Business for the year ended December 27, 2015
- The unaudited consolidated condensed interim financial statements of the Company for the period ended March 31, 2016
- The unaudited consolidated financial statements of the Acquired Business for the period ended March 27, 2016

These pro forma consolidated financial statements have been prepared on the historical cost basis except for the following items in the statement of financial position:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- assets related to the defined benefit plans are measured at fair value and liabilities related to the defined benefit plans are calculated by qualified actuaries using the projected unit credit method

2. Nature of transaction

On May 13, 2016, the Company purchased the Acquired Business for US$411.0 million (C$531.9 million), including debt assumed and net of cash acquired. Checkpoint is a leading manufacturer of technology-driven, loss prevention, inventory management and labeling solutions, including Radio Frequency and Radio Frequency Identification-based, to the retail and apparel industry. The business has operations in 28 countries including 46 go-to-market units and 21 manufacturing facilities.

Funding for this transaction was provided from existing credit facilities.

3. Pro forma adjustments

The historical consolidated financial information has been adjusted in preparing the unaudited pro forma financial statements to give effect to events that are: (i) directly attributable to the acquisition; (ii) factually supportable; and (iii) with respect to the unaudited pro forma income statements, expected to have a continuing impact on the results of the Company. As such, the impact from acquisition related expenses is not included in the accompanying unaudited pro forma income statements. However, the impact of these expenses is reflected in the unaudited pro forma Statement of Financial Position.

The unaudited pro forma financial statements do not reflect any cost savings (or associated costs to achieve such savings) from operating efficiencies, synergies or other restructuring that could result from the acquisition.

Assumptions and estimates underlying the unaudited pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the unaudited pro forma financial statements. The pro forma adjustments and allocations of the purchase consideration of the Acquired Business are based on estimates of the fair value of assets acquired and liabilities assumed. The final allocations will be completed after asset and liability valuations are finalized. Any final adjustments may change the allocation of the purchase price which could affect the fair value assigned to assets and liabilities in these unaudited pro forma consolidated financial statements.

The following table summarizes the preliminary determination of fair value of the assets acquired and liabilities assumed as at March 31, 2016:
(in millions)

Trade and other receivables	$	124.4
Inventories		143.6
Other current assets		24.3
Property, plant and equipment		102.1
Other long-term assets		77.2
Goodwill and intangible assets		457.2
Trade and other payables		(217.1)
Other long-term liabilities		(158.2)
Deferred tax liabilities		(21.6)
Net assets purchased	$	531.9

Certain line items have been reclassified to present the Acquired Business financial statements on a consistent basis with that of the Company.

(a) Inventory

The pro forma adjustment fair values inventory where the fair value of work-in-progress and finished goods are calculated as the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling.

3. Pro forma adjustments (continued)

(b) Deferred income tax assets and liabilities

The pro forma adjustment for deferred taxes reflects temporary differences between the carrying amount of an asset or liability recognized in the pro forma statement of financial position and the amount attributed to that asset or liability for tax purposes.

(c) Goodwill

The pro forma adjustment reflects the elimination of the Acquired Business' goodwill and the establishment of goodwill resulting from the acquisition. Goodwill is calculated as the excess of the purchase price over the fair values assigned to the identifiable net assets acquired.

(d) Intangible assets

The pro forma adjustment establishes an estimated initial fair value for intangible assets, including customer relationships and brands, and its related amortization of $8.0 million and $2.0 million, for December 31, 2015, and March 31, 2016, respectively.

(e) Employee benefits

The pro forma adjustment reflects the net pension obligation to be assumed by the Company, as contemplated by the sale and purchase agreement.

(f) Equity

The pro forma adjustments reflects the elimination of existing equity accounts of the Acquired Business.

(g) Cash

The pro forma adjustment for cash reflects the net difference between the increased borrowings from the Company's credit facilities and the consideration transferred, as well as the settlement of the Acquired Business' stock-based compensation plans.

(h) Income taxes

The pro forma adjustment reflects the income tax effect of the pro forma adjustments using an estimated tax rate of 35.0% on incremental income and expense attributed to the Acquired Business, except for incremental interest expense where a tax rate of 25.3% has been applied. The actual rates may vary as the income earned in each jurisdiction will change, affecting the weighting.

(i) Foreign exchange

The statement of financial position of the Acquired Business as at March 27, 2016, presented in US dollars, was translated to Canadian dollars using a US dollar to Canadian dollar exchange rate of 1.2987.

The income statement of the Acquired Business for the year ended December 27, 2015, and interim period ended March 27, 2016, presented in US dollars, were translated to Canadian dollars using the average US dollar to Canadian dollar exchange of 1.2787 and 1.3732, respectively.

(j) Finance cost

The pro forma adjustment represents estimated financing costs associated with the incremental debt to facilitate the acquisition and the increase in interest rate margin on the Company's syndicated revolving credit facility.

(k) Long-term debt

The pro forma adjustment represents a drawdown on the Company's syndicated revolving credit facility of approximately US$455.1 million (C$591.0 million) to fund the acquisition.

(l) Financing Liability

The pro forma adjustment fair values the financial liability held by the Acquired Business.

(m) Property, plant and equipment

The pro forma adjustment represents the adjustment to record property, plant and equipment at fair value and related depreciation of $0.2 million and $0.1 million, for December 31, 2015, and March 31, 2016, respectively.

(n) Trade and other accruals

The pro forma adjustment is to accrue for transaction costs of the Acquired Business.

(o) Revenue and Cost of Sales

The pro forma Revenues and Cost of Sales have been adjusted to conform with IFRS in relation to revenue recognition.

(p) Presentation Adjustments

These pro forma adjustments are to present the Acquired Business financial statements on a consistent basis with that of the Company.

(q) Post-Employment Benefits

The pro forma adjustment is to account for differences between IFRS and U.S. GAAP related to post-employment benefits expense.

Appendix B

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Checkpoint Systems, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income (loss), equity and cash flows present fairly, in all material respects, the financial position of Checkpoint Systems, Inc. and its subsidiaries at December 27, 2015 and December 28, 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 27, 2015 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it classifies deferred income taxes in 2015.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
March 3, 2016

PricewaterhouseCoopers LLP, Two Commerce Square, Suite 1800, 2001 Market Street, Philadelphia, PA 19103-7045
T: (267) 330-3000, F: (267) 330-3300, www.pwc.com/us

CHECKPOINT SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS

(amounts in thousands)	December 27, 2015	December 28, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	**$ 124,289**	$ 135,537
Accounts receivable, net of allowance of $6,059 and $8,526	**113,698**	131,720
Inventories	**82,126**	91,860
Other current assets	**20,819**	25,928
Deferred income taxes	**—**	5,557
Total Current Assets	**340,932**	390,602
REVENUE EQUIPMENT ON OPERATING LEASE, net	**1,522**	1,057
PROPERTY, PLANT, AND EQUIPMENT, net	**75,864**	76,332
GOODWILL	**164,110**	173,569
OTHER INTANGIBLES, net	**47,777**	64,940
DEFERRED INCOME TAXES	**23,336**	25,284
OTHER ASSETS	**4,329**	6,882
TOTAL ASSETS	**$ 657,870**	$ 738,666
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings and current portion of long-term debt	**$ 279**	$ 236
Current portion of financing liability	**20,891**	—
Accounts payable	**50,647**	48,928
Accrued compensation and related taxes	**22,321**	27,511
Other accrued expenses	**46,458**	44,204
Income taxes	**1,824**	1,278
Unearned revenues	**6,262**	7,663
Restructuring reserve	**8,664**	6,255
Accrued pensions — current	**3,994**	4,472
Other current liabilities	**13,982**	17,504
Total Current Liabilities	**175,322**	158,051
LONG-TERM DEBT, LESS CURRENT MATURITIES	**70,362**	65,161
FINANCING LIABILITY	**10,844**	33,094
ACCRUED PENSIONS	**86,554**	108,920
OTHER LONG-TERM LIABILITIES	**24,641**	30,140
DEFERRED INCOME TAXES	**15,355**	15,369
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, no par value, 500,000 shares authorized, none issued	**—**	—
Common stock, par value $.10 per share, 100,000,000 shares authorized, issued 46,303,849 and 45,840,171 shares, outstanding 41,379,002 and 41,804,259 shares	**4,630**	4,584
Additional capital	**427,089**	441,882
Accumulated deficit	**(38,546)**	(12,331)
Common stock in treasury, at cost, 4,924,847 and 4,035,912 shares	**(78,154)**	(71,520)
Accumulated other comprehensive income, net of tax	**(40,227)**	(34,684)
TOTAL STOCKHOLDERS' EQUITY	**274,792**	327,931
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 657,870**	**$ 738,666**

See Notes to the Consolidated Financial Statements.

CHECKPOINT SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(amounts in thousands, except per share data)

Year ended	December 27, 2015	December 28, 2014	December 29, 2013
Net revenues	**$ 587,157**	$ 662,040	$ 689,738
Cost of revenues	**342,743**	376,956	420,647
Gross profit	**244,414**	285,084	269,091
Selling, general, and administrative expenses	**205,628**	221,566	218,807
Research and development	**19,487**	15,303	17,524
Restructuring expense	**10,012**	6,654	10,866
Asset impairment	**5,793**	864	4,820
Litigation matters	**19,246**	1,600	(6,584)
Acquisition costs	**142**	364	960
Other operating income	**(493)**	—	(578)
Operating (loss) income	**(15,401)**	38,733	23,276
Interest income	**806**	1,180	1,515
Interest expense	**3,957**	4,637	18,955
Other gain (loss), net	**(23)**	(1,102)	(3,936)
(Loss) earnings from continuing operations before income taxes	**(18,575)**	34,174	1,900
Income tax expense	**7,640**	23,221	3,671
Net (loss) earnings from continuing operations	**(26,215)**	10,953	(1,771)
Loss from discontinued operations, net of tax benefit of $0, $0, and ($68)	**—**	—	(17,156)
Net (loss) earnings	**(26,215)**	10,953	(18,927)
Less: gain attributable to non-controlling interests	**—**	—	1
Net (loss) earnings attributable to Checkpoint Systems, Inc.	**$ (26,215)**	$ 10,953	$ (18,928)
Basic (loss) earnings attributable to Checkpoint Systems, Inc. per share:			
(Loss) earnings from continuing operations	**$ (0.61)**	$ 0.26	$ (0.05)
Loss from discontinued operations, net of tax	**$ —**	$ —	$ (0.41)
Basic (loss) earnings attributable to Checkpoint Systems, Inc. per share	**$ (0.61)**	$ 0.26	$ (0.46)
Diluted (loss) earnings attributable to Checkpoint Systems, Inc. per share:			
(Loss) earnings from continuing operations	**$ (0.61)**	$ 0.26	$ (0.05)
Loss from discontinued operations, net of tax	**$ —**	$ —	$ (0.41)
Diluted (loss) earnings attributable to Checkpoint Systems, Inc. per share	**$ (0.61)**	$ 0.26	$ (0.46)
Dividend declared per share	**$ 0.50**	$ —	$ —

See Notes to the Consolidated Financial Statements.

CHECKPOINT SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(amounts in thousands)

Year ended	**December 27, 2015**	**December 28, 2014**	**December 29, 2013**
Net (loss) earnings	**$ (26,215)**	$ 10,953	$ (18,927)
Other comprehensive income (loss), net of tax:			
Pension liability adjustments, net of tax expense (benefit) of $123, ($290), and $996	**16,804**	(17,263)	1,658
Other postretirement benefit adjustments, net of tax expense of $0, $0, and $0	**(1,014)**	—	—
Change in realized and unrealized losses on derivative hedges, net of tax expense of $0, $0, and $139	**(125)**	—	(21)
Foreign currency translation adjustment	**(21,208)**	(19,666)	129
Total other comprehensive (loss) income, net of tax	**$ (5,543)**	$ (36,929)	$ 1,766
Comprehensive loss	**$ (31,758)**	$ (25,976)	$ (17,161)
Less: comprehensive loss attributable to non-controlling interests	**—**	—	(172)
Comprehensive loss attributable to Checkpoint Systems, Inc.	**$ (31,758)**	$ (25,976)	$ (16,989)

See Notes to the Consolidated Financial Statements.

CHECKPOINT SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF EQUITY

(amounts in thousands)	Checkpoint Systems, Inc. Stockholders								
	Common Stock				Treasury Stock				
	Shares	Amount	Additional Capital	Retained Earnings	Shares	Amount	Accumulated Other Comprehensive Income	Non-controlling Interests	Total Equity
Balance, December 30, 2012	44,763	$ 4,476	$ 424,715	$ (4,356)	4,036	$ (71,520)	$ 306	$ 688	$ 354,309
Net loss				(18,928)				1	(18,927)
Exercise of stock-based compensation and awards released	721	72	2,489						2,561
Tax benefit of stock-based compensation			82						82
Stock-based compensation expense			6,369						6,369
Deferred compensation plan			681						681
Sale of interest in subsidiary								(516)	(516)
Change in realized and unrealized losses on derivative hedges, net of tax							(21)		(21)
Pension liability adjustments							1,658		1,658
Foreign currency translation adjustment							302	(173)	129
Balance, December 29, 2013	45,484	$ 4,548	$ 434,336	$ (23,284)	4,036	$ (71,520)	$ 2,245	$ —	$ 346,325
Net earnings				10,953					10,953
Exercise of stock-based compensation and awards released	356	36	907						943
Tax benefit on stock-based compensation			(14)						(14)
Stock-based compensation expense			5,781						5,781
Deferred compensation plan			872						872
Pension liability adjustments							(17,263)		(17,263)
Foreign currency translation adjustment							(19,666)		(19,666)
Balance as of December 28, 2014	45,840	$ 4,584	$ 441,882	$ (12,331)	4,036	$ (71,520)	$ (34,684)	$ —	$ 327,931
Net loss				(26,215)					(26,215)
Exercise of stock-based compensation and awards released	463	46	387						433
Tax benefit on stock-based compensation			(295)						(295)
Stock-based compensation expense			5,480						5,480
Deferred compensation plan			1,019						1,019
Change in realized and unrealized losses on derivative hedges, net of tax							(125)		(125)
Dividend declared ($0.50 per share)			(21,384)						(21,384)
Repurchase of common stock					889	(6,634)			(6,634)
Pension liability adjustments							16,804		16,804
Other postretirement benefit adjustments							(1,014)		(1,014)
Foreign currency translation adjustment							(21,208)		(21,208)
Balance, December 27, 2015	**46,303**	**$ 4,630**	**$ 427,089**	**$ (38,546)**	**4,925**	**$ (78,154)**	**$ (40,227)**	**$ —**	**$ 274,792**

See Notes to the Consolidated Financial Statements.

CHECKPOINT SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)

Year ended	December 27, 2015	December 28, 2014	December 29, 2013
Cash flows from operating activities:			
Net (loss) earnings	**$ (26,215)**	$ 10,953	$ (18,927)
Adjustments to reconcile net (loss) earnings to net cash provided by operating			
Depreciation and amortization	**25,096**	25,150	26,373
Amortization of debt issuance costs	**433**	433	2,207
Interest on financing liability	**1,979**	2,222	2,082
Deferred taxes	**5,828**	17,373	(3,565)
Stock-based compensation	**5,480**	5,781	6,369
Provision for losses on accounts receivable	**(237)**	(144)	(435)
Excess tax benefit on stock compensation	**(104)**	(214)	(600)
(Gain) loss on disposal of fixed assets	**(22)**	220	564
Litigation matters	**10,265**	2,200	(6,584)
Asset impairment	**5,793**	864	4,820
Gain on sale of subsidiary	**—**	—	(248)
Loss on sale of discontinued operations	**—**	—	13,598
Restructuring-related asset impairment	**—**	172	1,211
Decrease (increase) in operating assets:			
Accounts receivable	**10,439**	26,626	12,903
Inventories	**519**	(14,198)	(948)
Other assets	**4,412**	2,879	4,947
Increase (decrease) in operating liabilities:			
Accounts payable	**5,397**	(16,177)	1,954
Income taxes	**799**	(2,314)	(198)
Unearned revenues - current	**(743)**	(667)	(6,244)
Restructuring reserve	**2,944**	(1,164)	(1,598)
Other liabilities	**(14,568)**	5,547	(16,611)
Net cash provided by operating activities	**37,495**	65,542	21,070
Cash flows from investing activities:			
Acquisition of property, plant, and equipment and intangibles	**(17,952)**	(17,971)	(8,946)
Net cash proceeds from the sale of discontinued operations	**283**	283	1,573
Net cash proceeds from the sale of subsidiary	**—**	—	227
Other investing activities	**289**	83	1,848
Net cash used in investing activities	**(17,380)**	(17,605)	(5,298)
Cash flows from financing activities:			
Proceeds from stock issuances	**1,623**	1,980	4,073
Excess tax benefit on stock compensation	**104**	214	600
Proceeds from short-term debt	**—**	—	2,759
Payment of short-term debt	**—**	—	(2,561)
Net change in factoring and overdrafts	**(83)**	(94)	(877)
Proceeds from long-term debt	**5,000**	1,000	99,098
Payment of long-term debt	**(92)**	(27,235)	(112,664)
Debt issuance costs	**—**	—	(1,765)
Purchase of treasury stock	**(6,634)**	—	—
Dividend paid	**(20,980)**	—	—
Net cash used in financing activities	**(21,062)**	(24,135)	(11,337)
Effect of foreign currency rate fluctuations on cash and cash equivalents	**(10,301)**	(9,838)	(1,691)
Net (decrease) increase in cash and cash equivalents	**(11,248)**	13,964	2,744
Cash and cash equivalents:			
Beginning of period	**135,537**	121,573	118,829
End of period	**$ 124,289**	$ 135,537	$ 121,573

See Notes to the Consolidated Financial Statements.

CHECKPOINT SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restatement of Previously Reported Consolidated Financial Statements

We determined that we incorrectly applied accounting guidance related to the calculation of our interim effective tax rate for the exclusion of earnings (losses) before income taxes for jurisdictions with deferred income tax valuation allowances and the related entity has either a full year projected loss or a year to date actual loss and no tax benefit can be realized. The most significant error related to the calculation for the United States.

We assessed the impact of this error on our prior interim financial statements and concluded that the combined impact of this error was material to the unaudited consolidated financial statements for each of the quarters ended March 29, 2015 and June 28, 2015 and year-to-date period ended June 28, 2015, which resulted in the restatement of our unaudited consolidated financial statements for the quarters ended March 29, 2015 and June 28, 2015 and the year-to-date period ended June 28, 2015. We concluded that the impacts of the error on interim and year-to-date periods within our 2014 fiscal year were not material. There is no impact of the error on our consolidated financial statements for the year ended December 28, 2014.

Nature of Operations

We are a leading global manufacturer and provider of technology-driven, loss prevention, inventory management and labeling solutions to the retail and apparel industry. We provide integrated inventory management solutions to brand, track, and secure goods for retailers and consumer product manufacturers worldwide. We are a leading provider of, and earn revenues primarily from the sale of Merchandise Availability Solutions (MAS), Apparel Labeling Solutions (ALS), and Retail Merchandising Solutions (RMS). Merchandise Availability Solutions consists of electronic article surveillance (EAS) systems, EAS consumables, Alpha® high-theft solutions, store security system installations and monitoring solutions (CheckView®) in Asia, and radio frequency identification (RFID) systems, software, and tags. Apparel Labeling Solutions includes the results of our RFID labels business, coupled with our data management network of service bureaus that manage the printing of variable information on apparel labels and tags. Retail Merchandising Solutions consists of hand-held labeling systems (HLS) and retail display systems (RDS). Applications of these products include primarily retail security, asset and merchandise visibility, automatic identification, and pricing and promotional labels and signage. Operating directly in 28 countries, we have a global network of subsidiaries and distributors, and provide customer service and technical support around the world.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of Checkpoint Systems, Inc. and its majority-owned subsidiaries (Company). All inter-company transactions are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fiscal Year

Our fiscal year is the 52 or 53 week period ending the last Sunday of December. References to 2015, 2014, and 2013 are for the 52 weeks ended December 27, 2015, December 28, 2014, and December 29, 2013, respectively.

Out of Period Adjustments

During the fourth quarter of 2015, we recorded an out of period adjustment related to income tax expense for stock-based compensation for the period from 2011 through 2014, offset by adjustments to a rebate accrual for the period from 2013 through 2014 and accounts payable from 2013. These adjustments had a net impact of an increase in revenues of $0.2 million, an increase in gross profit of $0.4 million, an increase in income tax expense of $0.4 million and no net impact on net loss. These adjustments were not material to any previously issued interim or annual financial statements, to the fourth quarter or full year 2015 consolidated financial statements.

During the first quarter of 2015, we recorded an out of period adjustment to the valuation allowance of a non U.S. entity with a deferred tax liability related to an indefinite lived intangible pertaining to the third quarter of 2014. The total impact of the adjustment on the first quarter of 2015 and year-to-date periods within 2015 is a reduction in income tax expense of $1.0 million and a reduction in net loss of $1.0 million. This adjustment was not material to any previously issued interim or annual financial statements or to the 2015 interim or annual consolidated financial statements.

During the third quarter of 2014, we recorded adjustments related to a maintenance agreement for the period from 2009 through 2014 and a revenue cut-off error in the second quarter of 2014, offset by certain adjustments to accrued expenses. These had a net impact of a reduction in revenues of $1.8 million, a decrease in gross profit of $0.6 million and a reduction in operating expenses of $1.1 million. These adjustments were not material to any previously issued interim or annual financial statements, to the third quarter or full year 2014 consolidated financial statements.

During the fourth quarter of 2014, we recorded out of period adjustments related to maintenance agreements for the second and third quarters of 2014 and credit memo adjustments relating to the first and second quarters of 2014. These were offset by adjustments to 2012 and 2013 inventory reserves, accounts payable adjustments related to costing errors in the first three quarters of 2014 and accrual adjustments recognized during 2012 and 2013. These adjustments had a net impact on our fourth quarter results of a reduction in revenues of $0.5 million, a reduction in cost of goods sold of $1.0 million and a reduction in operating expenses of $0.5 million. These adjustments, together with the third quarter of 2014 out of period adjustments, were not material to any previously issued interim or annual financial statements, to the fourth quarter or full year of our fiscal 2014 consolidated financial statements.

Discontinued Operations

We evaluate our businesses and product lines periodically for their strategic fit within our operations. In December 2011, we began actively marketing our Banking Security Systems Integration business unit and we completed its sale in October 2012. In December 2012, our U.S. and Canada based CheckView® business met held for sale reporting criteria. In connection with our decisions to sell these businesses, for all periods presented, the operating results associated with these businesses have been reclassified into earnings from discontinued operations, net of tax in the Consolidated Statements of Operations. The assets and liabilities associated with the U.S. and Canada based CheckView® business were adjusted to fair value, less costs to sell, and reclassified into assets of discontinued operations, net of tax and liabilities of discontinued operations, net of tax, as appropriate, in the Consolidated Balance Sheets. In April 2013, we completed the sale of our U.S and Canada based CheckView® business unit. Refer to Note 19 of the Consolidated Financial Statements.

Assets Held For Sale

As a result of our plans to consolidate manufacturing facilities, certain long-lived assets met held for sale criteria during the fourth quarter ended December 27, 2015 and $0.2 million of property, plant, and equipment, net was reclassified into other current assets on the Consolidated Balance Sheet.

Non-controlling Interests

On May 16, 2011, Checkpoint Holland Holding B.V., a wholly-owned subsidiary, acquired 51% of the outstanding voting shares of Shore to Shore PVT Ltd. (Sri Lanka) in exchange for $1.7 million in cash.

In January 2013, we entered into an agreement to sell our 51% interest in Sri Lanka to the unrelated party holding the non-controlling interest. On June 24, 2013, we completed the sale of our 51% interest for which we received cash proceeds of $0.2 million (net of a stamp duty). The gain on sale of $0.2 million is recorded within other operating income on the Consolidated Statement of Operations.

Cash and Cash Equivalents

Cash in excess of operating requirements is invested in short-term, income-producing instruments or used to pay down debt. Cash equivalents include commercial paper and other securities with original maturities of three months or less at the time of purchase. Book value approximates fair value because of the short maturity of those instruments.

Accounts Receivable

Accounts receivables are recorded at net realizable values. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. These allowances are based on specific facts and circumstances surrounding individual customers as well as our historical experience. Provisions for the losses on receivables are charged to income to maintain the allowance at a level considered adequate to cover losses. Receivables are charged off against the reserve when they are deemed uncollectible. From time to time, we sell customer related receivables to third party financial institutions and evaluate these transactions to determine if they meet the criteria for sale accounting treatment. If it is determined that the criteria for sale treatment is met, the receivables are removed from the Consolidated Balance Sheet and earnings are reported on the Consolidated Statement of Operations. If it is determined that the criteria for sale accounting treatment are not met, the receivables remain on the Consolidated Balance Sheet and the transaction is treated as a secured financing.

Cash proceeds from the sale of accounts receivable related to sales-type leases with customers to third party financial institutions totaled $26.1 million, $17.4 million, and $29.3 million for the years ended December 27, 2015, December 28, 2014 and December 29, 2013, respectively. Proceeds from the initial sale of the accounts receivables are used to fund operations. These transactions meet the criteria for sale accounting treatment. We have presented the earnings of $0.5 million and $0.4 million recognized on the sale of the receivables separately in other operating income on the Consolidated Statements of Operations for the year ended December 27, 2015 and December 29, 2013. There was no comparable earnings for the years ended December 28, 2014.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. A provision is made to reduce excess or obsolete inventory to its net realizable value.

Revenue Equipment on Operating Lease

The cost of the equipment leased to customers under operating leases is depreciated on a straight-line basis over the lesser of the length of the contract or estimated useful life of the asset, which is usually between three and five years.

Property, Plant, and Equipment

Property, plant, and equipment is carried at cost less accumulated depreciation. Maintenance, repairs, and minor renewals are expensed as incurred. Additions, improvements, and major renewals are capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Assets subject to capital leases are depreciated over the lesser of the estimated useful life of the asset or length of the contract. Buildings, equipment rented to customers, and leased equipment on capitalized leases use the following estimated useful lives of fifteen to thirty years, three to five years, and five years, respectively. Machinery and equipment estimated useful lives range from three to ten years. Leasehold improvement useful lives are the lesser of the minimum lease term or the useful life of the item. The cost and accumulated depreciation applicable to assets retired are removed from the accounts and the gain or loss on disposition is included in income.

We review our property, plant, and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If it is determined that an impairment, based on expected future undiscounted cash flows, exists, then the loss is recognized on the Consolidated Statements of Operations. The amount of the impairment is the excess of the carrying amount of the impaired asset over its fair value.

Internal-Use Software

Included in intangible assets is the capitalized cost of internal-use software. We capitalize costs incurred during the application development stage of internal-use software and amortize these costs over their estimated useful lives, which generally range from three to seven years. Costs incurred related to planning, maintenance, training, and ongoing support of internal-use software is expensed as incurred.

During 2009, we announced that we were in the initial stages of implementing a company-wide ERP system to handle the business and finance processes within our operations and corporate functions. As of December 27, 2015 and December 28, 2014, $6.6 million and $8.5 million, respectively, were recorded in intangibles related to portions of the ERP system that were placed in service. In the fourth quarter of 2013, through the budgeting process, working capital prioritization activities, and other strategic direction reviews, it was determined that our European ERP system implementation was no longer a strategic priority for 2014 through 2016. Therefore, during the fourth quarter of 2013, we recorded an impairment of the $4.7 million in internal-use software related to the European ERP system implementation. The impairment charge was recorded in asset impairment expense in the Consolidated Statement of Operations. We have completed installations in Vietnam and Korea but our remaining installations for Europe and Asia have been postponed for an unknown period of time.

Costs of Software to Be Sold

Internal costs incurred to create computer software are charged to expense when incurred until technological feasibility has been established for the product. After technological feasibility is established, costs of coding and testing and other costs of producing product masters that are material in nature are capitalized. Cost capitalization ceases when the product is available for general release to customers. Capitalized software costs are amortized on a product-by-product basis, starting when the product is available for general release to customers. Annual amortization is the greater of straight-line over the product's estimated useful life or the percent of the product's current-year revenues as compared to the product's anticipated future revenues.

Goodwill

Goodwill is carried at cost and is not amortized. We test goodwill for impairment on an annual basis as of fiscal month end October of each fiscal year, relying on a number of factors including operating results, business plans and anticipated future cash flows. Company management uses its judgment in assessing whether goodwill has become impaired between annual impairment tests. Reporting units are primarily determined as the geographic areas comprising our business segments, except in situations when aggregation of the reporting units is appropriate. Recoverability of goodwill is evaluated using a two-step process when we conclude a qualitative analysis is not sufficient. We decided not to perform a qualitative assessment of goodwill and proceed to Step 1 for all reporting units. The first step involves a comparison of the fair value of a reporting unit with its carrying value. If the carrying amount of the reporting unit exceeds its fair value, then the second step of the process involves a comparison of the implied fair value and carrying value of the goodwill of that reporting unit. If the carrying value of the goodwill of a reporting unit exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess. The nonrecurring fair value measurement of goodwill is developed using significant unobservable inputs (Level 3).

The fair value of our reporting units is dependent upon our estimate of future discounted cash flows and other factors. Our estimates of future cash flows include assumptions concerning future operating performance and economic conditions and may differ from actual future cash flows. Estimated future cash flows are adjusted by an appropriate discount rate derived from our market capitalization plus a suitable control premium at the date of evaluation. The financial and credit market volatility directly impacts our fair value measurement through our weighted average cost of capital that we use to determine our discount rate and through our stock price that we use to determine our market capitalization. Therefore, changes in the stock price may also affect the amount of impairment recorded. Market capitalization is determined by multiplying the shares outstanding on the assessment date by the average market price of our common stock over a 30-day period before each assessment date. We use this 30-day duration to consider inherent market fluctuations that may affect any individual closing price. We believe that our market capitalization alone does not fully capture the fair value of our business as a whole, or the substantial value that an acquirer would obtain from its ability to obtain control of our business. As such, in determining fair value, we add a control premium to our market capitalization. To estimate the control premium, we considered our unique competitive advantages that would likely provide synergies to a market participant. In addition, we considered external market factors which we believe contributed to the decline and volatility in our stock price that did not reflect our underlying fair value. Refer to Note 5 of the Consolidated Financial Statements.

Other Intangibles

Indefinite-lived intangible assets are carried at cost and are not amortized, but are subject to tests for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

Definite-lived intangibles are amortized on a straight-line basis over their useful lives (or legal lives if shorter). We review our other intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

If it is determined that an impairment, based on expected future cash flows, exists, then the loss is recognized on the Consolidated Statements of Operations. The amount of the impairment is the excess of the carrying amount of the impaired asset over the fair value of the asset. The fair value represents expected future cash flows from the use of the assets, discounted at the rate used to evaluate potential investments. Refer to Note 5 of the Consolidated Financial Statements.

Other Assets

Included in other assets are \$0.3 million and \$1.4 million of net long-term customer-based receivables at December 27, 2015 and December 28, 2014, respectively.

Deferred Financing Costs

Financing costs are capitalized and amortized to interest expense over the life of the debt. The net deferred financing costs at December 27, 2015 and December 28, 2014 were \$1.3 million and \$1.7 million, respectively. The financing cost amortization expense was \$0.4 million, \$0.4 million, and \$2.2 million, for 2015, 2014, and 2013, respectively.

Revenue Recognition

We recognize revenue when revenue is realized or realizable and earned. Revenue is realized or realizable and earned when all of the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the price to the buyer is fixed or determinable; and collectability is reasonably assured.

We enter into contracts to sell our products and services, and, while the majority of our sales agreements contain standard terms and conditions, there are agreements that contain multiple elements or non-standard terms and conditions. As a result, significant contract interpretation is sometimes required to determine the appropriate accounting, including whether the deliverables specified in a multiple element arrangement should be treated as separate units of accounting for revenue recognition purposes, and, if so, how the selling price should be allocated among the elements and when to recognize revenue for each element.

For arrangements with multiple elements, we allocate total arrangement consideration to all deliverables based on their relative selling price using a specific hierarchy and recognize revenue when each element's revenue recognition criteria are met. The hierarchy is as follows: vendor-specific objective evidence ("VSOE"), third-party evidence of selling price ("TPE") or best estimate of selling price ("BESP"). VSOE of fair value for each element is established based on the price charged when the same element is sold separately. We recognize revenue when installation is complete or other post-shipment obligations have been satisfied. Unearned revenue is recorded when payments are received in advance of performing our service obligations and is recognized over the service period.

Products leased to customers under sales-type leases are accounted for as the equivalent of a sale. The present value of such lease revenues is recorded as net revenues, and the related cost of the products is charged to cost of revenues. The deferred finance charges applicable to these leases are recognized over the terms of the leases. Rental revenue from products under operating leases is recognized over the term of the lease. Installation revenue from SMS EAS products is recognized when the systems are installed. Service revenue is recognized, for service contracts, on a straight-line basis over the contractual period, and, for non-contract work, as services are performed.

Revenues from software license agreements are recognized when persuasive evidence of an agreement exists, delivery of the product has occurred, no significant vendor obligations are remaining to be fulfilled, the fee is fixed or determinable, and collection is probable. Revenue from software contracts for both licenses and professional services that require significant production, modification, customization, or implementation are recognized together using the percentage of completion method based upon the ratio of labor incurred to total estimated labor to complete each contract. In instances where there is a term license combined with services, revenue is recognized ratably over the term.

We record estimated reductions to revenue for customer incentive offerings, including volume-based incentives and rebates. The accrual for these incentives and rebates, which are included in the other accrued expenses section of our Consolidated Balance Sheet, was \$10.5 million, and \$12.5 million as of December 27, 2015 and December 28, 2014, respectively. We record revenues net of an allowance for estimated return activities and pricing adjustments. Return activity was immaterial to revenue and results of operations for all periods presented.

Shipping and Handling Fees and Costs

Shipping and handling fees charged to our customers are accounted for in net revenues and shipping and handling costs in cost of revenues.

Cost of Revenues

The principal elements of cost of revenues are product cost, field service and installation cost, freight, and product royalties paid to third parties.

Warranty Reserves

We provide product warranties for our various products. These warranties vary in length depending on product and geographical region. We establish our warranty reserves based on historical data of warranty transactions.

The following table sets forth the movement in the warranty reserve which is located in the other accrued expenses section of our Consolidated Balance Sheet:

(amounts in thousands)	December 27, 2015	December 28, 2014
Balance at beginning of year	**$ 4,379**	$ 4,521
Accruals for warranties issued	**2,459**	4,044
Settlements made	**(3,205)**	(3,867)
Foreign currency translation adjustment	**(223)**	(319)
Balance at end of period	**$ 3,410**	$ 4,379

Royalty Expense

Royalty expenses related to security products approximated $0.3 million, $0.8 million, and $0.6 million, in 2015, 2014, and 2013, respectively. These expenses are included as part of cost of revenues.

Research and Development Costs

Research and development costs are expensed as incurred and consist of development work associated with our existing and potential products and processes. Our research and development expenses relate primarily to payroll costs for engineering personnel, costs associated with various projects, including testing, developing prototypes and related expenses.

Stock Options

We recognize stock-based compensation expense for the grant date fair value of all share-based payments net of an estimated forfeiture rate. Stock compensation expense is recognized for all share-based payments on a straight-line basis over the requisite service period of the award.

We use the Black-Scholes option pricing model to value all stock options. The table below presents the weighted average expected life in years. The expected life computation is based on historical exercise patterns and post-vesting termination behavior. The expected dividend yield is based on the estimate of annual dividends expected to be paid at the time of the grant. Volatility is determined using changes in historical stock prices. The interest rate for periods within the expected life of the award is based on the U.S. Treasury yield curve in effect at the time of grant.

The weighted-average fair values and assumptions were as follows:

Year Ended	December 27, 2015	December 28, 2014	December 29, 2013
Weighted-average fair value of grants	**$ 4.65**	$ 6.41	$ 5.46
Valuation assumptions:			
Expected life (in years)	**5.42**	5.12	5.08
Expected dividend yield	**0.00%**	0.00%	0.00%
Expected volatility	**45.39%**	48.09%	50.79%
Risk-free interest rate	**1.584%**	1.465%	0.835%

Refer to Note 8 of the Consolidated Financial Statements.

Income Taxes

Deferred tax liabilities and assets are determined based on the difference between the financial statement basis and the tax basis of assets and liabilities, using enacted statutory tax rates in effect at the balance sheet date. Changes in enacted tax rates are reflected in the tax provision as they occur. A valuation allowance is recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted.

We utilize a two-step approach to recognizing and measuring uncertain tax positions (tax contingencies). The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. We include interest and penalties related to our tax contingencies in income tax expense.

Sales and Value Added Taxes Collected from Customers

Sales and value added taxes collected from customers are excluded from revenues. The obligation is included in other current liabilities until the taxes are remitted to the appropriate taxing authorities.

Foreign Currency Translation and Transactions

Our balance sheet accounts of foreign subsidiaries are translated into U.S. dollars at the rate of exchange in effect at the balance sheet dates. Revenues, costs, and expenses of our foreign subsidiaries are translated into U.S. dollars at the year-to-date average rate of exchange. The resulting translation adjustments are recorded as a separate component of shareholders' equity. Gains or losses on certain long-term inter-company transactions are excluded from the net earnings (loss) and accumulated in the cumulative translation adjustment as a separate component of Consolidated Stockholders' Equity. All other foreign currency transaction gains and losses are included in net earnings (loss) on our Consolidated Statement of Operations.

Accounting for Hedging Activities

We enter into certain foreign exchange forward contracts in order to hedge anticipated rate fluctuations in Western Europe, Canada, Japan and Australia. Transaction gains or losses resulting from these contracts are recognized at the end of each reporting period. We use the fair value method of accounting, recording realized and unrealized gains and losses on these contracts. These gains and losses are included in other gain (loss), net on our Consolidated Statements of Operations.

We enter into various foreign currency contracts to reduce our exposure to forecasted Euro-denominated inter-company revenues. These cash flow hedging instruments are marked to market and the changes are recorded in other comprehensive income. Amounts recorded in other comprehensive income are recognized in cost of goods sold as the inventory is sold to external parties. Any hedge ineffectiveness is charged to other gain (loss), net on our Consolidated Statements of Operations.

We enter, on occasion, into interest rate swaps to reduce the risk of significant interest rate increases in connection with floating rate debt. This cash flow hedging instrument is marked to market and the changes are recorded in other comprehensive income. Any hedge ineffectiveness is charged to interest expense. Refer to Note 14 of the Consolidated Financial Statements.

Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss), net of tax, for the year ended December 27, 2015 were as follows:

(amounts in thousands)	Pension plan	Other postretirement benefit plan	Changes in realized and unrealized gains (losses) on derivative hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income
Balance, December 28, 2014	$ (35,036)	$ —	$ —	$ 352	$ (34,684)
Other comprehensive income (loss) before reclassifications	13,844	(1,014)	(125)	(21,208)	(8,503)
Amounts reclassified from other comprehensive income (loss)	2,960	—	—	—	2,960
Net other comprehensive income (loss)	16,804	(1,014)	(125)	(21,208)	(5,543)
Balance, December 27, 2015	$ (18,232)	$ (1,014)	$ (125)	$ (20,856)	$ (40,227)

The significant items reclassified from each component of other comprehensive income (loss) for the year ended December 27, 2015 were as follows:

(amounts in thousands)

Details about accumulated other comprehensive income (loss) components	Amount reclassified from accumulated other comprehensive income (loss)	Affected line item in the statement where net loss is presented
Amortization of pension plan items		
Actuarial loss [1]	$ (2,947)	
Prior service cost [1]	(26)	
	(2,973)	Total before tax
	13	Tax expense
	$ (2,960)	Net of tax
Total reclassifications for the period	$ (2,960)	

(1) These accumulated other comprehensive income components are included in the computation of net periodic pension costs. Refer to Note 13 of the Consolidated Financial Statements.

Dividend

On March 5, 2015, we declared a special dividend (the Dividend) of $0.50 per outstanding common share for all shareholders of record as of March 20, 2015. This Dividend reflects our commitment to building shareholder value through the execution of our strategic plan and a disciplined approach to capital allocation. After the Dividend, we believe we have the appropriate level of liquidity both to fund our internal initiatives and act quickly on any strategic opportunities.

The cash dividend of $21.0 million was paid to common shareholders on April 10, 2015. Dividend distributions to shareholders are recognized as a liability in the period in which the dividend is formally approved by our Board of Directors and communicated to shareholders. The Dividend was recorded as a reduction of additional capital in Stockholders' Equity.

The Dividend did not provide any cash payment or benefit to stock options, restricted stock units, or performance shares, and instead only applied to the outstanding common stock and as outlined in the executive and director deferred compensation plans. The non-cash portion of the Dividend of $0.4 million was credited to the executive and director deferred compensation plan deferred stock accounts on April 10, 2015 in accordance with the plans.

Share Repurchase Program

In July 2015, our Board of Directors approved a stock repurchase program that authorized the repurchase of up to $30 million of our common stock. The repurchase program is funded using our available cash. We are authorized to repurchase from time to time shares of our outstanding common stock on the open market or in privately negotiated transactions. The timing and amount of stock repurchases, and the prices at which such purchases may be made, depend on a variety of factors, including the market conditions as well as corporate and regulatory considerations. The share repurchase program may be suspended, modified or discontinued at any time and we have no obligation to repurchase any amount of our common stock under the program. During the year ended December 27, 2015, we repurchased 889 thousand shares of our common stock at an average cost of $7.44, spending a total of $6.6 million. Common stock acquired through the repurchase program has been added to our treasury stock holdings.

Subsequent Events

We perform a review of subsequent events in connection with the preparation of our financial statements. The accounting for and disclosure of events that occur after the balance sheet date, but before our financial statements are issued, are reflected where appropriate or required in our financial statements.

Recently Adopted Accounting Standards

In April 2014, the FASB issued ASU 2014-08 “Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity” (ASU 2014-08). Under ASU 2014-08, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization’s operations and financial results. Additionally, ASU 2014-08 requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations, including disclosure of pretax profit or loss of an individually significant component of an entity that does not qualify for discontinued operations reporting. ASU 2014-08 was effective for fiscal and interim periods beginning on or after December 15, 2014, which for us was December 29, 2014, the first day of our 2015 fiscal year. The adoption of this standard has not had a material effect on our consolidated results of operations and financial condition.

In November 2015, the FASB issued ASU 2015-17 "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes" (ASU 2015-17). ASU 2015-17 simplifies the presentation of deferred income taxes by requiring that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. ASU 2015-17 is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted as of the beginning of an interim or annual reporting period. We have adopted ASU 2015-17 prospectively for the year ended December 27, 2015. See Note 12 of the Consolidated Financial Statements for additional information.

New Accounting Pronouncements and Other Standards

In May 2014, the FASB issued ASU 2014-09 “Revenue from Contracts with Customers (Topic 606)” (ASU 2014-09), which creates a new Topic, Accounting Standards Codification Topic 606. The standard is principle-based and provides a five-step model to determine when and how revenue is recognized. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In July 2015, the FASB approved the deferral of the effective date by one year. The accounting standard is now effective for annual and interim periods beginning after December 15, 2017, which for us is January 1, 2018, the first day of our 2018 fiscal year. The final ASU permits organizations to adopt the new revenue standard early, but not before annual and interim periods beginning after December 15, 2016. We are currently evaluating the impact of adopting this guidance.

In June 2014, the FASB issued “Compensation-Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period” (ASU 2014-12). The amendments in this update require that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. This update further clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. ASU 2014-12 is effective for annual periods and interim periods beginning after December 15, 2015, which for us is December 28, 2015, the first day of our 2016 fiscal year. Early adoption is permitted. We have not early adopted ASU 2014-12. Entities may apply the amendments in ASU 2014-12 either: (a) prospectively to all awards granted or modified after the effective date; or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. We plan to apply this guidance prospectively to all awards granted or modified after the effective date. The adoption of this standard is not expected to have a material effect on our consolidated results of operations and financial condition.

In August 2014, the FASB issued “Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern” (ASU 2014-15). Continuation of a reporting entity as a going concern is presumed as the basis for preparing financial statements unless and until the entity’s liquidation becomes imminent. Preparation of financial statements under this presumption is commonly referred to as the going concern basis of accounting. If and when an entity’s liquidation becomes imminent, financial statements should be prepared under the liquidation basis of accounting in accordance with Subtopic 205-30, “Presentation of Financial Statements-Liquidation Basis of Accounting.” Even when an entity’s liquidation is not imminent, there may be conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern. In those situations, financial statements should continue to be prepared under the going concern basis of accounting, but the new criteria in this update should be followed to determine whether to disclose information about the relevant conditions and events. ASU 2014-15 is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. We have not early adopted ASU 2014-15. The adoption of this standard is not expected to have a material effect on our consolidated results of operations and financial condition.

In January 2015, the FASB issued “Income Statement-Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items” (ASU 2015-01). The amendments in this update eliminate from GAAP the concept of extraordinary items. Although the amendments will eliminate the requirements in Subtopic 225-20 for reporting entities to consider whether an underlying event or transaction is extraordinary, the presentation and disclosure guidance for items that are unusual in nature or occur infrequently will be retained and will be expanded to include items that are both unusual in nature and infrequently occurring. ASU 2015-01 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, which for us is December 28, 2015, the first day of our 2016 fiscal year. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. We have not early adopted ASU 2015-01. The adoption of this standard is not expected to have a material effect on our consolidated results of operations and financial condition.

In February 2015, the FASB issued “Consolidation (Topic 810): Amendments to the Consolidation Analysis” (ASU 2015-02). The amendments in this update modify existing consolidation guidance related to (i) limited partnerships and similar legal entities, (ii) the evaluation of variable interests for fees paid to decision makers or service providers, (iii) the effect of fee arrangements and related parties on the primary beneficiary determination, and (iv) certain investment funds. These changes reduce the number of consolidation models from four to two and place more emphasis on the risk of loss when determining a controlling financial interest. ASU 2015-02 is effective for public companies for fiscal years beginning after December 15, 2015, which for us is December 28, 2015, the first day of our 2016 fiscal year. The adoption of this standard is not expected to have a material effect on our consolidated results of operations and financial condition.

In April 2015, the FASB issued “Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs” (ASU 2015-03). The amendments in this update change the presentation of debt issuance costs in financial statements requiring an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2016, which for us is December 26, 2016, the first day of our 2017 fiscal year. Early adoption is permitted. We have not early adopted ASU 2015-03. The new guidance will be applied retrospectively to each prior period presented. The adoption of this standard is not expected to have a material effect on our consolidated results of operations and financial condition.

In April 2015, the FASB issued “Compensation-Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer’s Defined Benefit Obligation and Plan Assets” (ASU 2015-04). The amendments in this update provide a practical expedient for employers with fiscal year-ends that do not fall on a month-end by permitting those employers to measure defined benefit plan assets and obligations as of the month-end that is closest to the entity's fiscal year-end. ASU 2015-04 is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2015, which for us is December 28, 2015, the first day of our 2016 fiscal year. Early adoption is permitted. We have not early adopted ASU 2015-04. The adoption of this standard is not expected to have a material effect on our consolidated results of operations and financial condition.

In April 2015, the FASB issued "Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement" (ASU 2015-05). The amendments in this update help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement by providing guidance as to whether an arrangement includes the sale or license of software. ASU 2015-05 is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2015, which for us is December 28, 2015, the first day of our 2016 fiscal year. Early adoption is permitted. We have not early adopted ASU 2015-05. The adoption of this standard is not expected to have a material effect on our consolidated results of operations and financial condition.

In June 2015, the FASB issued "Technical Corrections and Improvements" (ASU 2015-10). The amendments in this update provide technical corrections and improvements to a wide range of Topics in the Accounting Standards Codification (the Codification). The purpose of these amendments is to correct unintended differences between original guidance and the Codification, to provide clarification through updating wording or correcting references, to streamline or simplify the Codification through minor changes, and to make other minor improvements to the guidance which are not expected to have a significant effect on current accounting practice. ASU 2015-10 is effective for fiscal and interim periods beginning on or after December 15, 2015, which for us is December 28, 2015, the first day of our 2016 fiscal year. We are in the process of evaluating the adoption of this ASU, and do not expect this to have a material effect on our consolidated results of operations and financial condition.

In July 2015, the FASB issued "Inventory (Topic 330): Simplifying the Measurement of Inventory" (ASU 2015-11). The amendments in this update simplify the subsequent measurement of inventory by requiring inventory to be measured at the lower of cost and net realizable value. ASU 2015-11 is effective for fiscal and interim periods beginning on or after December 15, 2016, which for us is December 26, 2016, the first day of our 2017 fiscal year. Early application is permitted. We have not early adopted ASU 2015-11. The new guidance must be applied prospectively after the date of adoption. We are in the process of evaluating the adoption of this ASU, and do not expect this to have a material effect on our consolidated results of operations and financial condition.

In August 2015, the FASB issued "Interest-Imputation of Interest (Subtopic 835-30), Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting" (ASU 2015-15). The amendments to the SEC Paragraphs in this update state that given the absence of authoritative guidance within ASU 2015-03 for debt issuance costs related to line-of-credit arrangements, the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The guidance in ASU 2015-15 is effective upon the adoption of ASU 2015-03 and is not expected to have a material effect on our consolidated results of operations and financial condition.

In September 2015, the FASB issued "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments" (ASU 2015-16). The amendments in this update require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The acquirer must also record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The update also requires an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 is effective for fiscal years and interim periods beginning on or after December 15, 2015, which for us is December 28, 2015, the first day of our 2016 fiscal year. The new guidance should be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier application permitted for financial statements that have not yet been made available for issuance. We do not have any business combination for which the accounting is incomplete. We do not expect this to have a material effect on our consolidated results of operations and financial condition.

In January 2016, the FASB issued "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" (ASU 2016-01). This update amends the guidance in U.S. GAAP on the classification and measurement of financial instruments. Changes to the current guidance primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the ASU clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. ASU 2016-01 is effective for fiscal years and interim periods beginning after December 15, 2017, which for us is January 1, 2018, the first day of our 2018 fiscal year. Upon adoption, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is not permitted except for the provision to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in other comprehensive income. We are currently evaluating the impact of adopting this guidance.

In February 2016, the FASB issued "Leases (Topic 842)" (ASU 2016-02). This update amends leasing accounting requirements. The most significant change will result in the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under current guidance. The new guidance will also require significant additional disclosures about the amount, timing and uncertainty of cash flows from leases. ASU 2016-02 is effective for fiscal years and interim periods beginning after December 15, 2018, which for us is December 31, 2018, the first day of our 2019 fiscal year. Upon adoption, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Early adoption is permitted, and a number of optional practical expedients may be elected to simplify the impact of adoption. We have not early adopted ASU 2016-02. We are currently evaluating the impact of adopting this guidance. The overall impact is that assets and liabilities arising from leases are expected to increase based on the present value of remaining estimated lease payments at the time of adoption.

Note 2. ACQUISITIONS

The May 2011 acquisition of the Shore to Shore businesses included a purchase price payment to escrow of $17.5 million related to the 2010 performance of the acquired business. This amount was subject to adjustment pending final determination of the 2010 performance and could have resulted in an additional purchase price payment of up to $6.3 million. In the third quarter of 2015, we engaged in discussions with the sellers regarding the possibility of reaching a settlement of this matter. On August 25, 2015, we entered into a settlement with the sellers. Pursuant to the settlement, the sellers received the $17.5 million in escrow, plus the earnings in the escrow account, in exchange for full and final resolution of this matter between the parties. As a result of this settlement, there is no final adjustment to the purchase price recognized through earnings and we are released from any and all claim or liability in connection with the final determination of the 2010 performance. Acquisition related costs incurred in connection with the transaction, including legal and other arbitration-related costs, are recognized within acquisition costs in the Consolidated Statement of Operations and approximate $0.1 million and $0.4 million for the years ended December 27, 2015 and December 28, 2014, respectively.

As we owned 51% of the outstanding voting shares of Shore to Shore PVT Ltd. (Sri Lanka), we classified the non-controlling interests as equity on our Consolidated Balance Sheet, and presented net income attributable to non-controlling interests separately on our Consolidated Statement of Operations. On June 24, 2013, we completed the sale of our 51% interest in Shore to Shore PVT Ltd. for which we received cash proceeds of $0.2 million (net of a stamp duty). The gain on sale of $0.2 million was recorded within other operating income on the Consolidated Statement of Operations.

Note 3. INVENTORIES

Inventories consist of the following:

(amounts in thousands)	**December 27, 2015**	**December 28, 2014**
Raw materials	**$ 17,313**	$ 21,085
Work-in-process	**2,709**	3,264
Finished goods	**62,104**	67,511
Total	**$ 82,126**	$ 91,860

Note 4. REVENUE EQUIPMENT ON OPERATING LEASE AND PROPERTY, PLANT, AND EQUIPMENT

The major classes of revenue equipment on operating lease and property, plant, and equipment are:

(amounts in thousands)	December 27, 2015	December 28, 2014
Revenue equipment on operating lease		
Equipment rented to customers	**$ 2,970**	$ 3,818
Accumulated depreciation	**(1,448)**	(2,761)
Total revenue equipment on operating lease	**$ 1,522**	$ 1,057
Property, plant, and equipment		
Land	**$ 6,576**	$ 6,657
Buildings	**53,323**	51,645
Machinery and equipment	**140,936**	138,432
Leasehold improvements	**13,109**	13,836
Construction in progress	**1,190**	6,922
	215,134	217,492
Accumulated depreciation	**(139,270)**	(141,160)
Total property, plant, and equipment	**$ 75,864**	$ 76,332

Property, plant, and equipment under capital lease had gross values of $1.8 million and $1.4 million and accumulated depreciation of $1.2 million and $1.2 million, as of December 27, 2015 and December 28, 2014, respectively.

Included in property, plant, and equipment as of December 28, 2014, is the impact of asset impairment adjustments $0.2 million, respectively, related to our restructuring activities, with no comparable adjustment in 2015.

Depreciation expense on our revenue equipment on operating lease and property, plant, and equipment was $14.2 million, $14.1 million, and $14.6 million, for 2015, 2014, and 2013, respectively.

Note 5. GOODWILL AND OTHER INTANGIBLE ASSETS

We had intangible assets with a net book value of $47.8 million, and $64.9 million as of December 27, 2015 and December 28, 2014, respectively.

The following table reflects the components of intangible assets as of December 27, 2015 and December 28, 2014:

		December 27, 2015		December 28, 2014	
(amounts in thousands)	Amortizable Life (years)	Gross Amount	Gross Accumulated Amortization	Gross Amount	Gross Accumulated Amortization
Finite-lived intangible assets:					
Customer lists	6 to 20	**$ 75,649**	**$ 61,095**	$ 79,110	$ 58,873
Trade names	1 to 30	**24,598**	**16,937**	27,172	18,031
Patents, license agreements	3 to 14	**55,053**	**51,422**	58,060	52,448
Internal-use software	3 to 7	**24,489**	**17,348**	24,034	14,758
Other	2 to 6	**6,968**	**6,896**	7,029	6,867
Total amortized finite-lived intangible assets		**186,757**	**153,698**	195,405	150,977
Indefinite-lived intangible assets:					
Trade names		**14,718**	—	20,512	—
Total identifiable intangible assets		**$ 201,475**	**$ 153,698**	$ 215,917	$ 150,977

We recorded $10.9 million, $12.0 million, and $11.8 million of amortization expense for 2015, 2014, and 2013, respectively.

In December 2015, as a result of our annual impairment test of our indefinite-lived trade names, we recorded a $5.8 million impairment charge to the value of the Alpha trade name. The impairment charge was recorded in the Merchandise Availability Solutions segment and in asset impairment expense on the Consolidated Statement of Operations. The impairment is due to minimal anticipated growth in our Alpha business due to lower than expected growth in our customer base and increasing competitive pressures.

In December 2014, as a result of our annual impairment test of our indefinite-lived trade names, we recorded a $0.9 million impairment charge to the value of the OAT trade name. The impairment charge was recorded in asset impairment expense in the Merchandise Availability Solutions segment on the Consolidated Statement of Operations. The impairment is due to minimal anticipated growth in our legacy OAT Asset Tracking business, as our Merchandising Visibility focus shifts towards end-to-end retail inventory visibility solutions.

In the fourth quarter of 2013, through the budgeting process, working capital prioritization activities, and other strategic direction reviews, it was determined that our European ERP system implementation was no longer a strategic priority for 2014 through 2016. Therefore, during the fourth quarter of 2013, we recorded an impairment of $4.7 million recorded in internal-use software related to this portion of the ERP system implementation. The impairment charge was recorded in asset impairment expense on the Consolidated Statement of Operations.

In December 2013, as a result of our annual impairment test of our indefinite-lived trade names, we recorded a $0.1 million impairment charge to the remaining value of the SIDEP trade name. The impairment charges were recorded in asset impairment expense in the MAS segment on the Consolidated Statement of Operations.

Estimated amortization expense for each of the five succeeding years is anticipated to be:

(amounts in thousands)		
2016	$	10,507
2017	$	9,416
2018	$	3,517
2019	$	2,498
2020	$	1,730

The changes in the carrying amount of goodwill by segments are as follows:

(amounts in thousands)		**Merchandise Availability Solutions**		**Apparel Labeling Solutions**		**Retail Merchandising Solutions**		**Total**
Balance as of December 29, 2013	$	159,157	$	2,116	$	24,591	$	185,864
Translation adjustments		(9,511)		—		(2,784)		(12,295)
Balance as of December 28, 2014	$	149,646	$	2,116	$	21,807	$	173,569
Translation adjustments		**(7,233)**		**—**		**(2,226)**		**(9,459)**
Balance as of December 27, 2015	**$**	**142,413**	**$**	**2,116**	**$**	**19,581**	**$**	**164,110**

The following table reflects the components of goodwill as of December 27, 2015 and December 28, 2014:

	December 27, 2015						**December 28, 2014**					
(amounts in thousands)		**Gross Amount**		**Accumulated Impairment Losses**		**Goodwill, Net**		**Gross Amount**		**Accumulated Impairment Losses**		**Goodwill, net**
Merchandise Availability Solutions	**$**	**175,602**	**$**	**33,189**	**$**	**142,413**	$	192,303	$	42,657	$	149,646
Apparel Labeling Solutions		**82,747**		**80,631**		**2,116**		84,407		82,291		2,116
Retail Merchandising Solutions		**110,977**		**91,396**		**19,581**		124,127		102,320		21,807
Total goodwill	**$**	**369,326**	**$**	**205,216**	**$**	**164,110**	$	400,837	$	227,268	$	173,569

We perform an assessment of goodwill by comparing each individual reporting unit's carrying amount of net assets, including goodwill, to their fair value at least annually during the October month-end close and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The 2015, 2014, and 2013 annual assessments did not result in an impairment charge.

As of the date of our fiscal 2015 annual impairment test, the estimated fair values for each of the reporting units in our segments exceeded their carrying values. The fair values in each of our regional reporting units in our MAS segment, as well as our RMS Asia-Pacific reporting unit, substantially exceeded their respective carrying values. However, the fair values of our RMS Europe and International Americas reporting unit (RMS Europe) and ALS reporting unit exceeded their respective carrying values by a smaller margin. The goodwill associated with these reporting units are $19.5 million and $2.1 million, respectively. The discount rates used in determining the fair value of the RMS Europe and ALS reporting units were 14.1% and 13.6%, respectively. Although our analysis regarding the fair values of the reporting units indicates that they exceed their respective carrying values, materially different assumptions regarding the future performance of our businesses or significant declines in our stock price could result in goodwill impairment losses. Specifically, an unanticipated deterioration in revenues and gross margins generated by our MAS, ALS and RMS segments could trigger future impairment in those segments. The risk is greater for the RMS Europe reporting unit and ALS reporting unit in particular, because of the smaller amount of excess in comparing the discounted cash flow value to the overall carrying values of these reporting units.

Note 6. SHORT-TERM BORROWINGS AND CURRENT PORTION OF LONG-TERM DEBT

Short-term borrowings and current portion of long-term debt at December 27, 2015 and at December 28, 2014 consisted of the following:

(amounts in thousands)	December 27, 2015	December 28, 2014
Bank overdraft credit facility	**$ 40**	$ 65
Current portion of long-term debt	**239**	171
Total short-term borrowings and current portion of long-term debt	**$ 279**	$ 236

In March 2013, we entered into a new $2.3 million Sri Lanka term loan. Borrowings under this loan were used to pay down the Sri Lanka banking facility in the second quarter of 2013. In June 2013, in connection with the sale of our 51% interest in our Shore to Shore Sri Lanka entity, the outstanding balance of the term loan was transferred to the entity holding the non-controlling interest. The balance of the term loan at the date of transfer was $2.2 million.

Note 7. LONG-TERM DEBT AND FINANCING LIABILITIES

Long-term debt at December 27, 2015 and December 28, 2014 consisted of the following:

(amounts in thousands)	December 27, 2015	December 28, 2014
2013 Senior Secured Credit Facility:		
$200 million variable interest rate revolving credit facility maturing in 2018	**$ 70,000**	$ 65,000
Full-recourse factoring liabilities	**—**	83
Other capital leases with maturities through 2020	**601**	249
Total[1]	**70,601**	65,332
Less current portion	**239**	171
Total long-term portion	**$ 70,362**	$ 65,161

(1) The weighted average interest rates for 2015 and 2014 were 1.9% and 1.5%, respectively.

2013 Senior Secured Credit Facility

On December 11, 2013, we entered into a new $200.0 million five-year senior secured multi-currency revolving credit facility (2013 Senior Secured Credit Facility) agreement (2013 Credit Agreement) with a syndicate of lenders. The 2013 Senior Secured Credit Facility was used to repay $32.0 million outstanding under the 2010 Senior Secured Credit Facility as well as the $55.6 million outstanding under the Senior Secured Notes. We may borrow, prepay and re-borrow under the 2013 Senior

Secured Credit Facility as long as the sum of the outstanding principal amounts is less than the aggregate facility availability. The 2013 Senior Secured Credit Facility also includes an expansion option that will allow us to request an increase in the 2013 Senior Secured Credit Facility of up to an aggregate of $100.0 million, for a potential total commitment of $300.0 million.

All obligations under the 2013 Senior Secured Credit Facility are irrevocably and unconditionally guaranteed on a joint and several basis by certain domestic subsidiaries. Collateral under the 2013 Senior Secured Credit Facility includes a 100% stock pledge of domestic subsidiaries and a 65% stock pledge of all first-tier foreign subsidiaries, excluding our Japanese subsidiary. All domestic tangible and intangible personal property, excluding any real property with a value of less than $5 million, are also pledged as collateral.

Borrowings under the 2013 Senior Secured Credit Facility, other than swingline loans, bear interest at our option of either (i) a spread ranging from 0.25% to 1.25% over the Base Rate (as described below), or (ii) a spread ranging from 1.25% to 2.25% over the LIBOR rate, and in each case fluctuating in accordance with changes in our leverage ratio, as defined in the 2013 Credit Agreement. The “Base Rate” is the highest of (a) the Federal Funds Rate, plus 0.50%, (b) the Administrative Agent’s prime rate, and (c) a daily rate equal to the one-month LIBOR rate, plus 1.00%. Swingline loans bear interest of (i) a spread ranging from 0.25% to 1.25% over the Base Rate. We pay an unused line fee ranging from 0.20% to 0.40% per annum on the unused portion of the 2013 Senior Secured Credit Facility.

Pursuant to the terms of the 2013 Senior Secured Credit Facility, we are subject to various requirements, including covenants requiring the maintenance of (i) a maximum total leverage ratio of 3.00 and (ii) a minimum interest coverage ratio of 3.00. We are in compliance with the maximum total leverage ratio and minimum interest coverage ratio as of December 27, 2015. The 2013 Senior Secured Credit Facility also contains customary representations and warranties, affirmative and negative covenants, notice provisions and events of default, including change of control, cross-defaults to other debt, and judgment defaults. Upon a default under the 2013 Senior Secured Credit Facility, including the non-payment of principal or interest, our obligations under the 2013 Credit Agreement may be accelerated and the assets securing such obligations may be sold.

We incurred $1.8 million in fees and expenses in connection with the 2013 Senior Secured Credit Facility, which are amortized over the term of the 2013 Senior Secured Credit Facility to interest expense on the Consolidated Statement of Operations. The remaining unamortized debt issuance costs recognized in connection with the 2010 Secured Credit Facility of $0.4 million are amortized over the term of the 2013 Senior Secured Credit Facility to interest expense on the Consolidated Statement of Operations.

As of December 27, 2015, $1.3 million issued in letters of credit were outstanding under the 2013 Senior Secured Credit Facility.

2010 Senior Secured Credit Facility

On July 22, 2010, we entered into an Amended and Restated Senior Secured Credit Facility (2010 Senior Secured Credit Facility) with a syndicate of lenders. The 2010 Senior Secured Credit Facility provided us with a $125.0 million four-year senior secured multi-currency revolving credit facility.

On December 11, 2013, we repaid the $32.0 million outstanding under the 2010 Senior Secured Credit Facility and terminated the 2010 Senior Secured Credit Facility. In connection with the paydown, we recognized $0.3 million of unamortized debt issuance costs related to lenders that are not included in the 2013 Senior Secured Credit Facility in interest expense on the Consolidated Statement of Operations in the fourth quarter of 2013. The remaining unamortized debt issuance costs recognized in connection with the 2010 Secured Credit Facility of $0.4 million are amortized over the term of the 2013 Senior Secured Credit Facility to interest expense on the Consolidated Statement of Operations.

Senior Secured Notes

Also on July 22, 2010, we entered into a Note Purchase and Private Shelf Agreement (the Senior Secured Notes Agreement) with a lender, and certain other purchasers party thereto (together with the lender, the Purchasers).

On December 11, 2013, we repaid the outstanding amounts of $55.6 million in principal as well as a make-whole premium of $7.3 million related to the Senior Secured Notes and terminated the Senior Secured Notes. In connection with the repayment on the Senior Secured Notes, we recognized $0.4 million of unamortized debt issuance costs. The unamortized debt issuance costs and make-whole premium fees were recognized in interest expense on the Consolidated Statement of Operations in the fourth quarter of 2013.

Other Long-Term Debt

In December 2013, we entered into a sale-lease-back transaction in Spain. As of December 29, 2013, the lease had a balance of $1.2 million (€0.9 million), of which $0.2 million (€0.2 million) was included in the current portion of long-term debt and $1.0 million (€0.7 million) was included in long-term borrowings in the accompanying Consolidated Balance Sheets. In January 2014, the balance of the sale-lease-back obligation was repaid and no liability exists as of December 27, 2015.

The aggregate maturities on all long-term debt (including current portion) are:

(amounts in thousands)	Debt	Capital Leases	Total Debt[(1)]
2016	$ —	$ 239	$ 239
2017	—	198	198
2018	70,000	145	70,145
2019	—	15	15
2020	—	4	4
Thereafter	—	—	—
Total	$ 70,000	$ 601	$ 70,601

(1) Excludes Bank overdraft credit facility, included in Short-term borrowings and current portion of long-term debt in the Consolidated Balance Sheets.

Financing Liability

In June 2011, we sold, to a financial institution in Spain, rights to future customer receivables resulting from the negotiated extension of previously executed sales-type lease arrangements, whose receivables were previously sold. The 2011 transaction qualified as a legal sale without recourse. However, until the receivables are recognized, the proceeds from the fiscal 2011 legal sale are accounted for as a financing arrangement and reflected as a financing liability in our consolidated balance sheet. The balance of the financing liability is $31.7 million and $33.1 million as of December 27, 2015 and December 28, 2014, respectively. Of this balance $20.9 million was included in current portion of financing liability as of December 27, 2015. We impute a non-cash interest charge on the financing liability using a rate of 6.365%, which we recognize as interest expense, until our right to recognize the legal sales permits us to de-recognize the liability and record operating income on the sale. We recognized interest expense related to the financing liability of $2.0 million and $2.2 million in the years ended December 27, 2015 and December 28, 2014, respectively.

During fiscal 2016 through 2018, when we are permitted to recognize the lease receivables upon the commencement of the lease extensions, we expect to de-recognize both the associated receivables and the related financing liability and record other operating income on the sale. At this point, our obligation under the financing liability will have been extinguished.

In March 2015, we again sold rights to future customer receivables to a financial institution in Spain resulting from the negotiated extension of previously executed sales-type lease arrangements. The 2015 transaction qualified as a legal sale without recourse. For the year ended December 27, 2015, we recognized $0.5 million of income on the sale in other operating income on our Consolidated Statement of Operations. A portion of the receivables were previously sold to another financial institution and we did not complete the reacquisition of these receivables until after the end of the first quarter of 2015. Therefore, a portion of the proceeds from the fiscal 2015 legal sale were accounted for as a financing arrangement and reflected as financing liability in our Consolidated Balance Sheets until the reacquisition of the receivables was completed in the second quarter of 2015.

Note 8. STOCK-BASED COMPENSATION

At December 27, 2015, we had stock-based employee compensation plans as described below. For the years ended December 27, 2015, December 28, 2014, and December 29, 2013, the total compensation expense (included in selling, general, and administrative expense) related to these plans was $5.5 million, $5.8 million, and $6.4 million ($5.3 million, $5.8 million, and $6.1 million, net of tax), respectively.

Stock Plans

The Checkpoint Systems, Inc. Amended and Restated 2004 Omnibus Incentive Compensation Plan (the 2004 Plan) was designed to provide incentives to employees, and non-employee directors through the award of stock options, stock appreciation rights, stock units, phantom shares, dividend equivalent rights and cash awards. The Compensation Committee of our Board of Directors administers the 2004 Plan and determines the terms and conditions of each award. Stock options issued under the 2004 Plan primarily vest over a three-year period and expire not more than 10 years from date of grant. Restricted stock units (RSUs) vest over three to five year periods from date of grant.

2015 Incentive Award Plan

In April 2015, the Board of Directors adopted the Checkpoint Systems, Inc. 2015 Incentive Award Plan (the 2015 Plan), with shareholder approval obtained at the annual meeting of shareholders held on June 3, 2015. Upon approval of the 2015 Plan, no additional awards are to be made under the 2004 Plan. All awards previously granted under the 2004 Plan will remain subject to the terms of the 2004 Plan. The 2015 Plan authorizes the issuance of a total of 3,877,777 shares of common stock, which will be reduced by any shares issued pursuant to awards granted under the 2004 Plan after December 28, 2014. This represents an increase of 1,252,766 shares over the current reserve in the 2004 Plan. In addition, subject to certain limitations, shares covered by an award granted under the 2015 Plan or shares covered by an award previously granted under the 2004 Plan which expire or are canceled without having been exercised in full or that are forfeited or repurchased shall be added to the shares of Common Stock authorized for issuance under the 2015 Plan. As of December 27, 2015, there were 3,730,234 shares available for grant under the 2015 Plan.

Key terms of the 2015 Plan include the following:

- The terms of outstanding awards may not be amended to (i) reduce the exercise price of outstanding stock options or stock appreciation rights (SARs), or (ii) cancel, exchange, substitute, buy out or surrender outstanding options or SARs in exchange for cash, other awards, stock options or SARs with an exercise price that is less than the exercise price of the original stock options or SARs (as applicable) without shareholder approval
- Shares of the Company’s common stock are limited from again being made available for issuance under the 2015 Plan when: (i) shares of common stock not issued or delivered as a result of the net settlement of an outstanding SAR or stock option, (ii) shares of common stock used to pay the exercise price or withholding taxes related to an outstanding award, or (iii) shares of common stock repurchased on the open market with the proceeds of the stock option exercise price
- There is a minimum exercise price with respect to stock options or SARs to be granted under the 2015 Plan such that no stock option or SAR may be granted under the Plan with a per share exercise price that is less than 100% of the fair market value of one share of the Company’s common stock on the date of grant
- There is a limitation against the payment of any cash dividend or dividend equivalent right (DER) with respect to awards that vest based upon the attainment of one or more performance measures such that no awards granted under the 2015 Plan based upon the attainment of one or more performance measures will be entitled to receive payment of any cash dividends or DERs with respect to such awards unless and until such awards vest.

We also have a Long-Term Incentive Plan (LTIP) under which restricted stock units (RSUs) are awarded to eligible executives and eligible key employees. The RSUs that vest under this plan reduce the shares available to grant under the 2004 Plan.

Stock Options

Option activity under the principal option plans as of December 27, 2015 and changes during the year then ended were as follows:

	Number of Shares		Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)		Aggregate Intrinsic Value (in thousands)
Outstanding at December 28, 2014	2,349,447	$	17.77	3.98	$	2,716
Granted	**373,440**		**11.38**			
Exercised	**(15,430)**		**8.98**			
Forfeited or expired	**(441,465)**		**18.72**			
Outstanding at December 27, 2015	**2,265,992**	**$**	**16.59**	**4.49**	**$**	**18,662**
Vested and expected to vest at December 27, 2015	**2,265,992**	**$**	**16.59**	**4.49**	**$**	**18,662**
Exercisable at December 27, 2015	**1,743,945**	**$**	**17.90**	**3.14**	**$**	**—**

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between our closing stock price on the last trading day of fiscal 2015 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 27, 2015. This amount changes based on the fair market value of our stock. The total intrinsic value of options exercised for the years ended December 27, 2015, December 28, 2014, and December 29, 2013, was $45 thousand, $0.3 million, and $0.8 million, respectively.

As of December 27, 2015, $1.4 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 2.0 years.

Tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options are classified as financing cash flows. Cash received from option exercises and purchases under the ESPP for the year ended December 27, 2015 was $1.6 million. The actual tax benefit realized for the tax deduction from option exercises of the share-based payment units totaled $0.1 million and $0.1 million for the fiscal years ended December 27, 2015 and December 28, 2014. We have applied the "Short-cut" method in calculating the historical windfall tax benefits. All tax short falls will be applied against this windfall before being charged to earnings.

Restricted Stock Units

We issue service-based restricted stock units with vesting periods up to five years. These awards are valued using their intrinsic value on the date of grant. The compensation expense is recognized straight-line over the vesting term.

Nonvested service-based restricted stock units as of December 27, 2015 and changes during the year ended December 27, 2015 were as follows:

	Number of Shares	Weighted-Average Vest Date (in years)		Weighted-Average Grant Date Fair Value
Nonvested at December 28, 2014	940,857	0.56	$	17.11
Granted	**339,310**		**$**	**12.47**
Vested	**(293,338)**		**$**	**12.89**
Forfeited	**(43,913)**		**$**	**14.47**
Nonvested at December 27, 2015	**942,916**	**0.74**	**$**	**16.88**
Vested and expected to vest at December 27, 2015	**942,916**	**0.74**		
Vested at December 27, 2015	**424,375**	**—**		

The total fair value of restricted stock awards vested during 2015 was $3.8 million as compared to $2.9 million during 2014. As of December 27, 2015, there was $2.9 million unrecognized stock-based compensation expense related to nonvested restricted stock units. That cost is expected to be recognized over a weighted-average period of 1.6 years.

Long-Term Incentive Plans (LTIPs)

The following awards of restricted stock units (RSUs) with a performance or market condition are excluded from the balance of nonvested RSUs at December 27, 2015 in the table above. There were no new LTIP awards in the year ended December 27, 2015.

RSUs were awarded to certain key employees as part of the LTIP 2010, LTIP 2011, and LTIP 2012 plans with company-specific performance goals set for each plan over three-year performance periods. The value of these units was charged to compensation expense on a straight-line basis over the vesting period with periodic adjustments to account for changes in anticipated award amounts and estimated forfeitures rates. No RSUs were earned under the LTIP 2010, LTIP 2011, and LTIP 2012 plans. In 2013 we reversed $0.5 million of previously recognized compensation cost for these RSUs when we determined the specific relative performance goals would not be achieved.

Additional RSUs were awarded to certain of our key employees as part of the LTIP Second Half 2012 plan. The performance measures for this plan set specific goals for employees who can influence key metrics set forth in the new business strategy during the July 2012 to December 2012 performance period. Final assessment of these goals was completed in the second quarter of 2013, resulting in a reversal of $0.1 million of compensation expense. At May 1, 2013, 74,321 units vested at a grant price of $7.59 per share.

On February 27, 2013, RSUs were awarded to certain of our key employees as part of the LTIP 2013 plan. These awards had a market condition. The number of shares for these units varies based on the relative ranking of our total shareholder return (TSR) against the TSRs of the constituents of the Russell 2000 Index during the January 2013 to December 2015 performance period. The value of these units was charged to compensation expense on a straight-line basis over the vesting period with periodic adjustments to account for changes in anticipated award amounts and estimated forfeitures rates. Additional RSUs related to the LTIP 2013 plan were awarded on May 28, 2013. Compensation expense of $56 thousand and $80 thousand was recognized in connection with these RSUs for the years ended December 27, 2015 and December 28, 2014, respectively. Due to not meeting the market condition set in the Plan requirements, no RSUs were earned under the plan.

On May 2, 2013, a cash-based performance award was awarded to our CEO under the terms of our 2013 LTIP plan. Our relative TSR performance determines the payout as a percentage of an established target cash amount of $0.4 million. Because the final payout of the award is made in cash, the award is classified as a liability and the fair value is marked-to-market each reporting period. The value of this award was charged to compensation expense on a straight-line basis over the vesting period which ends December 31, 2015. In the third quarter of 2015, due to the Company’s low ranking among peers and short remaining period, the fair value of the award has been reduced to zero. Compensation expense of $0.1 million was fully reversed in the first nine months of 2015. Compensation expense of $0.1 million was recognized in connection with this award for the year ended December 28, 2014.

On February 27, 2014, RSUs were awarded to certain key employees as part of the LTIP 2014 plan. The number of shares for these units varies based on the growth of our earnings before interest, taxes, depreciation, and amortization (EBITDA) during the January 2014 to December 2016 performance period. The value of these units was charged to compensation expense on a straight-line basis over the vesting period with periodic adjustments to account for changes in anticipated award amounts and estimated forfeitures rates. As of September 27, 2015, we assessed the performance of our LTIP 2014 plan. Due to current and projected shortfalls in our EBIDTA growth compared to the LTIP 2014 plan requirements, we concluded that it was probable that these performance conditions would not be met. We therefore reversed $0.5 million of previously recognized compensation cost during the third quarter of 2015.

2015 Employee Stock Purchase Plan

In April 2015, the Board of Directors adopted the 2015 Employee Stock Purchase Plan (the 2015 ESPP), with shareholder approval obtained at the annual meeting of shareholders held on June 3, 2015. The 2015 ESPP is designed to replace the Checkpoint Systems, Inc. 423 Employee Stock Purchase Plan (the Prior ESPP). We exhausted the number of shares available for issuance under the Prior ESPP at the end of March 2015. In connection with the adoption of the 2015 ESPP, we registered an additional 600,000 shares of common stock in a Registration Statement on Form S-8 under the Securities Act of 1933, as amended, on March 31, 2015.

Other Compensation Arrangements

During fiscal 2010, we initiated a plan in which time-vested cash unit awards were granted to eligible employees. The time-vested cash unit awards under this plan vest evenly over two or three years from the date of grant. The total amount accrued related to the plan equaled $0.9 million at December 27, 2015, of which $1.1 million, $1.1 million, and $1.2 million was expensed for the years ended December 27, 2015, December 28, 2014, and December 29, 2013, respectively. The associated liability is included in Accrued Compensation and Related Taxes in the accompanying Consolidated Balance Sheets.

Note 9. SUPPLEMENTAL CASH FLOW INFORMATION

Cash payments in 2015, 2014, and 2013 include payments for interest of $1.6 million, $1.8 million, and $16.3 million, respectively, and also includes payments for income taxes of $7.8 million, $10.7 million, and $10.8 million, respectively.

At December 27, 2015, December 28, 2014 and December 29, 2013, we accrued $1.6 million, $1.6 million and $1.1 million, respectively, of capital expenditures. These amounts were excluded from the Consolidated Statements of Cash Flows at December 27, 2015, December 28, 2014, and December 29, 2013 since they represent non-cash investing activities. Accrued capital expenditures at December 27, 2015, December 28, 2014, and December 29, 2013 are included in accounts payable and other accrued expenses on the Consolidated Balance Sheets.

Also excluded from the Consolidated Statements of Cash Flows for the years ended December 27, 2015, December 28, 2014, and December 29, 2013 are $0.4 million, $0.2 million, and $0.1 million, respectively, of new capital lease obligations and related capitalized assets.

A special dividend was declared on March 5, 2015. The cash portion of the Dividend of $21.0 million was paid to common shareholders on April 10, 2015. The non-cash portion of the Dividend of $0.4 million was also credited to the executive and director deferred compensation plan deferred stock accounts on April 10, 2015 in accordance with the plans.

Note 10. STOCKHOLDERS' EQUITY

The components of accumulated other comprehensive income at December 27, 2015 and at December 28, 2014 are as follows:

(amounts in thousands)	**December 27, 2015**	**December 28, 2014**
Actuarial losses on pension plans, net of tax	**$ (18,232)**	$ (35,036)
Actuarial losses on other postretirement benefits, net of tax	**(1,014)**	—
Derivative hedge contracts, net of tax	**(125)**	—
Foreign currency translation adjustment	**(20,856)**	352
Total	**$ (40,227)**	$ (34,684)

Note 11. EARNINGS PER SHARE

For fiscal years 2015, 2014, and 2013, basic earnings per share are based on net earnings divided by the weighted average number of shares outstanding during the period. The following data shows the amounts used in computing earnings per share and the affect on net earnings from continuing operations and the weighted average number of shares of dilutive potential common stock:

(amounts in thousands, except per share data)	December 27, 2015	December 28, 2014	December 29, 2013
Basic (loss) earnings from continuing operations attributable to Checkpoint Systems, Inc. available to common stockholders	**$ (26,215)**	$ 10,953	$ (1,772)
Basic loss from discontinued operations, net of tax (benefit) expense of $0, $0, and ($68)	**$ —**	$ —	$ (17,156)
Diluted (loss) earnings from continuing operations attributable to Checkpoint Systems, Inc. available to common stockholders	**$ (26,215)**	$ 10,953	$ (1,772)
Diluted loss from discontinued operations, net of tax (benefit) expense of $0, $0, and ($68)	**$ —**	$ —	$ (17,156)
Shares:			
Weighted average number of common shares outstanding	**41,881**	41,683	41,128
Shares issuable under deferred compensation agreements	**858**	368	393
Basic weighted average number of common shares outstanding	**42,739**	42,051	41,521
Common shares assumed upon exercise of stock options and awards	**—**	312	—
Unvested shares issuable under deferred compensation arrangements	**—**	11	—
Dilutive weighted average number of common shares outstanding	**42,739**	42,374	41,521
Basic (loss) earnings attributable to Checkpoint Systems, Inc. per share:			
(Loss) earnings from continuing operations	**$ (0.61)**	$ 0.26	$ (0.05)
Loss from discontinued operations, net of tax	**—**	—	(0.41)
Basic (loss) earnings attributable to Checkpoint Systems, Inc. per share	**$ (0.61)**	$ 0.26	$ (0.46)
Diluted (loss) earnings attributable to Checkpoint Systems, Inc. per share:			
(Loss) earnings from continuing operations	**$ (0.61)**	$ 0.26	$ (0.05)
Loss from discontinued operations, net of tax	**—**	—	(0.41)
Diluted (loss) earnings attributable to Checkpoint Systems, Inc. per share	**$ (0.61)**	$ 0.26	$ (0.46)

Anti-dilutive potential common shares are not included in our earnings per share calculation. The Long-term Incentive Plan restricted stock units were excluded from our calculation due to the performance of vesting criteria not being met.

The number of anti-dilutive potential common shares for the years ended December 27, 2015, December 28, 2014, and December 29, 2013 were as follows:

(amounts in thousands)	December 27, 2015	December 28, 2014	December 29, 2013
Weighted average potential common shares associated with anti-dilutive stock options and restricted stock units excluded from the computation of diluted EPS[1]	**2,416**	1,959	2,368

[1] Adjustments for stock options and awards of 146 shares and 361 shares and deferred compensation arrangements of 23 shares and 21 shares were anti-dilutive in fiscal 2015 and 2013, respectively. These shares were therefore excluded from the earnings per share calculation due to our net loss for the years.

Note 12. INCOME TAXES

The domestic and foreign components of earnings from continuing operations before income taxes are:

(amounts in thousands)	December 27, 2015	December 28, 2014	December 29, 2013
Domestic	**$ (39,924)**	$ 14,200	$ (11,014)
Foreign	**21,349**	19,974	12,914
Total	**$ (18,575)**	$ 34,174	$ 1,900

Provision for income taxes:

(amounts in thousands)	December 27, 2015	December 28, 2014	December 29, 2013
Currently payable			
Federal	**$ (633)**	$ (41)	$ (2,218)
State	**68**	63	73
Puerto Rico	**200**	77	(275)
Foreign	**2,178**	5,746	9,519
Total currently payable	**1,813**	5,845	7,099
Deferred			
Federal	**57**	2,145	3,701
State	**(312)**	14	35
Puerto Rico	**—**	—	314
Foreign	**6,082**	15,217	(7,478)
Total deferred	**5,827**	17,376	(3,428)
Total provision	**$ 7,640**	$ 23,221	$ 3,671

Deferred tax assets/liabilities at December 27, 2015 and December 28, 2014 consist of:

(amounts in thousands)	December 27, 2015	December 28, 2014
Inventory	**$ 3,663**	$ 3,821
Accounts receivable	**939**	1,093
Capitalized research and development costs	**25,252**	23,938
Financing liability	**7,036**	7,276
Net operating loss and foreign tax credit carryforwards	**91,100**	88,442
Interest carryforward	**5,338**	4,661
Deferred revenue	**1,745**	1,455
Pension	**13,349**	17,967
Uncertain tax positions	**7,030**	11,628
Deferred compensation	**2,677**	3,278
Stock based compensation	**7,963**	8,861
Depreciation	**1,038**	1,623
Other	**10,472**	4,557
Valuation allowance	**(150,154)**	(148,838)
Deferred tax assets	**27,448**	29,762
Intangibles	**11,232**	10,831
Unremitted earnings	**8,235**	6,177
Deferred tax liabilities	**19,467**	17,008
Net deferred tax assets	**$ 7,981**	$ 12,754

At December 27, 2015, we had $21.2 million of net operating loss carryforwards (tax effected) in certain non-U.S. jurisdictions. Of these, $15.8 million have no expiration, and the remaining $5.4 million will expire in future years through 2034. In the U.S., there were approximately $4.7 million of federal net operating loss carryforwards certain of which are subject to IRC § 382 limitations and $5.5 million of state net operating loss carryforwards, which will expire in future years through 2035.

In the U.S., a $1.5 million, $1.1 million and $3.5 million windfall benefit on stock compensation occurred in 2013, 2011 and 2010, respectively. We have not recorded these amounts to additional capital or increased its related net operating loss carryforward due to the fact that the windfall benefits have not reduced income taxes payable. There was no windfall benefit on stock compensation in 2015, 2014 or 2012. We have adopted a “with and without” approach with regards to the utilization of windfall benefits.

At December 27, 2015, we had U.S. foreign tax credit carryforwards of $58.9 million with expiration dates ranging from 2016 to 2025.

We operate under tax holidays in other countries, which are effective through dates ranging from 2015 through 2017, and may be extended if certain additional requirements are satisfied. The tax holidays are conditional upon our meeting certain employment and investment thresholds. The impact of the tax holidays is a benefit of $0.02 and $0.02 per share for the years ended December 27, 2015 and December 28, 2014.

We evaluate our deferred income taxes quarterly to determine if valuation allowances are required or should be adjusted. We assess whether valuation allowances should be established against our deferred tax assets based on all available evidence, both positive and negative, using a “more likely than not” standard. In the assessment for a valuation allowance, appropriate consideration is given to all positive and negative evidence related to the realization of the deferred tax assets. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, our experience with loss carryforwards not expiring and tax planning alternatives. We operate and derive income from multiple lines of business across multiple jurisdictions. As each of the respective lines of business experiences changes in operating results across their geographic footprint, we may encounter losses in jurisdictions that have been historically profitable, and as a result might require additional valuation allowances to be recorded against certain deferred tax asset balances. We are committed to implementing tax planning actions, when deemed appropriate, in jurisdictions that experience losses in order to realize deferred tax assets prior to their expiration. At December 27, 2015 and December 28, 2014, we had net deferred tax assets of $8.0 million and $12.8 million, respectively.

There was a change in accounting principle related to our early adoption of ASU 2015-17 on a prospective basis as of December 27, 2015. The adoption resulted in a decrease to current assets, a decrease to current liabilities, and an increase to both noncurrent deferred tax assets and liabilities. The adoption of the ASU to classify all of our deferred tax assets and liabilities as noncurrent will reduce time, complexity and costs to prepare our tax disclosures related to deferred income taxes.

At December 27, 2015, the U.S. had a valuation allowance of $115.8 million recorded against its net deferred tax assets of $104.5 million. The amount of valuation allowance recorded was greater than the net domestic deferred tax asset after consideration of deferred tax liabilities associated with non amortizable assets such as goodwill and indefinite lived intangibles. The valuation allowance is reviewed quarterly and will be maintained until there is sufficient positive evidence to support a release. At each reporting date, we consider new evidence, both positive and negative, that could impact the future realization of deferred tax assets. We will consider a release of the valuation allowance once there is sufficient positive evidence that it is more likely than not that the deferred tax assets will be realized. Any release of the valuation allowance will be recorded as a tax benefit increasing net income or other comprehensive income.

During 2013, negative evidence arose in the form of cumulative losses in various jurisdictions in which we established $0.9 million of valuation allowance during the year. Offsetting this amount is a $1.0 million release in valuation allowance related to Belgium, as positive evidence arose in the form of cumulative income.

During 2014, we determined that income related to certain warehousing operations which were historically operated out of Germany would be moved to the Netherlands beginning in fiscal 2015. The change resulted in a significant decrease in forecasted future pre-taxable income in Germany. As a result, we determined that it was no longer more likely than not that the deferred tax assets in Germany would be recoverable. Accordingly, we recorded a valuation allowance in Germany of $14.0 million as of the end of the third quarter of 2014 which also resulted in a corresponding increase to tax expense. As the change also results in an increase in future taxable income in the Netherlands, we evaluated the impact of the change on the valuation allowance in the Netherlands of $2.4 million and concluded that the impact of the increased taxable income provides sufficient evidence to reverse the full amount of the Netherlands valuation allowance. We also recorded a valuation allowance reversal of $0.3 million in Canada during the third quarter of 2014.

During 2015, negative evidence arose in the form of projected cumulative losses in one of the China entities, for which we established a $0.4 million valuation allowance during the year.

In the fourth quarter of 2011, we changed our assertion on unremitted earnings for certain foreign subsidiaries, primarily due to pressure on our leverage ratio for debt covenants. This resulted in the repatriation of foreign earnings in order to reduce worldwide debt to the levels stipulated by our covenants and the projected future cash impact of our refined business strategy. Our assertion on unremitted earnings remains unchanged in 2015.

As of December 27, 2015, we provided a deferred tax liability of approximately $8.2 million consisting of $3.2 million of withholding taxes associated with future repatriation of earnings for certain subsidiaries and $5.0 million of income taxes related to unremitted earnings. We have not provided deferred tax liabilities for temporary differences related to basis differences in investments in subsidiaries, as the investments are essentially permanent in nature, or we have concluded that no additional tax liability will arise as a result of the distribution of such earnings.

Undistributed earnings of certain foreign subsidiaries for which taxes have not been provided approximate $4.4 million as of December 27, 2015. Such undistributed earnings are considered to be indefinitely reinvested in foreign operations. A liability of approximately $0.5 million could arise if our intention to permanently reinvest such earnings were to change and amounts are distributed by such subsidiaries or if such subsidiaries are ultimately disposed.

A reconciliation of the tax provision at the statutory U.S. Federal income tax rate with the tax provision at the effective income tax rate follows:

(amounts in thousands)	December 27, 2015	December 28, 2014	December 29, 2013
Tax provision at the statutory federal income tax rate	**$ (6,501)**	$ 11,961	$ 665
Unremitted earnings	**2,786**	4,281	60
Non-deductible permanent items	**1,246**	1,220	1,677
State and local income taxes, net of federal benefit	**(268)**	55	82
Current year income or losses with no tax benefit or expense recognized due to valuation allowance	**9,886**	(8,551)	(165)
Effect of foreign operations	**35**	3,143	1,041
Potential tax contingencies	**(990)**	(634)	160
Change in valuation allowance	**448**	11,297	(125)
Stock based compensation	**612**	316	315
Other	**386**	133	(39)
Tax provision at the effective tax rate	**$ 7,640**	$ 23,221	$ 3,671

Included in the effect of foreign operations is the U.S. tax impact of certain foreign income inclusions. Due to the U.S. valuation allowance, there was no related impact on overall tax expense in 2015, 2014 and 2013.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(amounts in thousands)	December 27, 2015	December 28, 2014	December 29, 2013
Gross unrecognized tax benefits at beginning of year	**$ 25,899**	$ 26,592	$ 24,436
Increases in tax positions for prior years	**1,808**	585	910
Decreases in tax positions for prior years	**(5,476)**	—	(1,083)
Increases in tax positions for current year	**2,854**	1,164	4,003
Settlements	**(1,281)**	—	—
Lapse in statute of limitations	**(2,609)**	(2,442)	(1,674)
Gross unrecognized tax benefits at end of year	**$ 21,195**	$ 25,899	$ 26,592

As of December 27, 2015 and December 28, 2014, $10.5 million and $16.1 million, respectively, of our unrecognized tax benefits, penalties, and interest were recorded as a component of other long term liabilities on the consolidated balance sheet.

The total amount of gross unrecognized tax benefits that, if recognized, would affect the effective tax rate was $12.0 million and $16.4 million at December 27, 2015 and December 28, 2014, respectively. Penalties and tax-related interest expense are reported as a component of income tax expense. During fiscal years ended December 27, 2015, December 28, 2014 and December 29, 2013, we recognized interest and penalties of $(0.1) million, $(0.1) million, and $0.1 million, respectively, in the statement of operations. At December 27, 2015 and December 28, 2014, we have accrued interest and penalties related to unrecognized tax benefits of $3.1 million and $4.3 million, respectively.

We file income tax returns in the U.S. and in various states, local, and foreign jurisdictions. We are routinely examined by tax authorities in these jurisdictions. It is possible that these examinations may be resolved within the next twelve months. Due to the potential for resolution of federal, state and foreign examinations, and the expiration of various statutes of limitation, it is reasonably possible that the gross unrecognized tax benefits balance may change within the next twelve months by $3.6 million.

We are currently under audit in the following major jurisdictions: India - 2010 to 2013, France - 2012 to 2013 and Canada - 2011 to 2014. The following major jurisdictions have tax years that remain subject to examination: Germany - 2010 to 2015, United States - 2012 to 2015, China - 2012 to 2015 and Hong Kong - 2009 to 2015. Our tax returns for open years in all jurisdictions are subject to changes upon examination.

Note 13. EMPLOYEE BENEFIT PLANS

Under our defined contribution savings plans, eligible employees may make basic (up to 6% of an employee's earnings) and supplemental contributions. We match in cash 50% of the participant's basic contributions. Company contributions vest to participants in increasing percentages over one to five years of service. Our contributions under the plans approximated $1.2 million, $1.1 million, and $1.1 million, in 2015, 2014, and 2013, respectively.

Generally, all employees in the U.S. may participate in our U.S. Savings Plan. All full-time employees of the Canada subsidiary who have completed three months of service may participate in our Registered Retirement Savings Plan.

In April 2015, the Board of Directors adopted the 2015 Employee Stock Purchase Plan (the 2015 ESPP), with shareholder approval obtained at the annual meeting of shareholders held on June 3, 2015. The 2015 ESPP is designed to replace the Checkpoint Systems, Inc. 423 Employee Stock Purchase Plan (the Prior ESPP). Under the provisions of the plan, eligible employees may contribute from 1% to 25% of their base compensation to purchase shares of our common stock at 85% of the fair market value on the offering date or the exercise date of the offering period, whichever is lower.

We exhausted the number of shares available for issuance under the Prior ESPP at the end of March 2015. In connection with the adoption of the 2015 ESPP, we registered an additional 600,000 shares to an aggregate of 1,650,000 shares. Our expense for this plan in fiscal 2015, 2014 and 2013 was $0.5 million, $0.6 million, and $0.4 million, respectively. As of December 27, 2015, there were 520,227 shares authorized and available to be issued. During fiscal year 2015, 187,760 shares were issued under this plan as compared to 123,210 shares in 2014 and 169,143 shares in 2013.

We maintain deferred compensation plans for executives and non-employee directors. The executive deferred compensation plan allows certain executives to defer portions of their salary and bonus (up to 50% and 100%, respectively) into a deferred stock account. All deferrals in this plan are matched 25% by the Company. The match vests in thirds at each calendar year end for three years following the match. For executives over the age of 55 years old, the matching contribution vests immediately. The settlement of this deferred stock account is required by the plan to be made only in Company common stock. The deferral shares held in the deferred compensation plan are considered outstanding for purposes of calculating basic and diluted earnings per share. The unvested match is considered in the calculation of diluted earnings per share. Our match into the deferred stock account under the executive plan for fiscal years 2015, 2014, and 2013 were approximately $0.1 million, $0.1 million, and $0.1 million, respectively. The match will be expensed ratably over a three year vesting period for executives under 55 years old and immediate for those older than 55 years.

The director deferred compensation plan allows non-employee directors to defer their compensation into a deferred stock account. All deferrals in this plan are matched 25% by the Company. The match vests immediately. The settlement of this deferred stock account is required by the plan to be made only in Company common stock. The deferral shares held in the deferred compensation plan are considered outstanding for purposes of calculating basic and diluted earnings per share. Our match into the deferred stock account under the director's plan approximated $38 thousand, $69 thousand, and $56 thousand for fiscal years 2015, 2014, and 2013, respectively.

We maintain several other postretirement benefit plans for former executives. For the year ended December 27, 2015, we recognized $1.0 million in actuarial loss in Accumulated other comprehensive income related to a joint and survivor annuity benefit provided under the other postretirement benefit plans. The majority of the actuarial loss is due to the remeasurement of life expectancies and changes in discount rates.

Pension Plans

We maintain several defined benefit pension plans, principally in Europe. The plans covered approximately 5% of the total workforce at December 27, 2015. The benefits accrue according to the length of service, age, and remuneration of the employee. We recognize the funded status of our defined benefit postretirement plans in our consolidated balance sheet.

The amounts recognized in accumulated other comprehensive income at December 27, 2015, and December 28, 2014 consist of:

(amounts in thousands)	December 27, 2015	December 28, 2014
Prior service costs	**$ 590**	$ 421
Actuarial losses	**24,810**	42,718
Total	**25,400**	43,139
Deferred tax	**(7,168)**	(8,103)
Net	**$ 18,232**	$ 35,036

The amounts included in accumulated other comprehensive income at December 27, 2015 and expected to be recognized in net periodic pension cost during the year ending December 25, 2016 is as follows:

(amounts in thousands)	December 25, 2016
Prior service costs	$ 39
Actuarial loss	1,749
Total	$ 1,788

We expect to make contributions of $4.3 million during the year ending December 25, 2016.

The pension plans included the following net cost components:

(amounts in thousands)	December 27, 2015	December 28, 2014	December 29, 2013
Service cost	**$ 1,194**	$ 1,097	$ 1,081
Interest cost	**2,106**	3,555	3,537
Expected return on plan assets	**(134)**	(1)	103
Amortization of actuarial loss	**2,947**	1,495	1,567
Amortization of prior service costs	**26**	12	2
Net periodic pension cost	**6,139**	6,158	6,290
Total pension expense	**$ 6,139**	$ 6,158	$ 6,290

The tables below set forth the funded status of our plans and amounts recognized in the accompanying Consolidated Balance Sheets.

(amounts in thousands)	December 27, 2015	December 28, 2014
Change in benefit obligation		
Net benefit obligation at beginning of year	**$ 116,949**	$ 107,029
Service cost	**1,194**	1,097
Interest cost	**2,106**	3,555
Actuarial (gain) loss	**(11,237)**	23,975
Gross benefits paid	**(4,366)**	(4,743)
Plan amendments	**240**	306
Foreign currency exchange rate changes	**(11,537)**	(14,270)
Net benefit obligation at end of year	**$ 93,349**	$ 116,949
Change in plan assets		
Fair value of plan assets at beginning of year	**$ 3,557**	$ 2,339
Actual return on assets	**(228)**	1,422
Employer contributions	**4,188**	4,942
Gross benefits paid	**(4,366)**	(4,743)
Foreign currency exchange rate changes	**(350)**	(403)
Fair value of plan assets at end of year	**$ 2,801**	$ 3,557
Reconciliation of funded status		
Funded status at end of year	**$ (90,548)**	$ (113,392)

(amounts in thousands)	December 27, 2015	December 28, 2014
Amounts recognized in accrued pension consist of:		
Accrued pensions — current	**$ 3,994**	$ 4,472
Accrued pensions	**86,554**	108,920
Net amount recognized at end of year	**$ 90,548**	$ 113,392
Other comprehensive income attributable to prior service cost arising during year	**$ 240**	$ 306
Accumulated benefit obligation at end of year	**$ 88,442**	$ 110,204

The following table sets forth additional fiscal year-ended information for pension plans for which the accumulated benefit is in excess of plan assets:

(amounts in thousands)	December 27, 2015	December 28, 2014
Projected benefit obligation	**$ 93,349**	$ 116,949
Accumulated benefit obligation	**$ 88,442**	$ 110,204
Fair value of plan assets	**$ 2,801**	$ 3,557

The weighted average rate assumptions used in determining pension costs and the projected benefit obligation are as follows:

	December 27, 2015	December 28, 2014	December 29, 2013
Weighted average assumptions for year-end benefit obligations:			
Discount rate[1]	**2.51%**	2.01%	
Expected rate of increase in future compensation levels	**2.52%**	2.52%	
Weighted average assumptions for net periodic benefit cost development:			
Discount rate[1]	**2.01%**	3.52%	3.53%
Expected rate of return on plan assets	**2.25%**	3.90%	4.50%
Expected rate of increase in future compensation levels	**2.52%**	2.53%	2.52%
Measurement Date:	**December 31, 2015**	December 31, 2014	December 31, 2013

(1) Represents the weighted average rate for all pension plans.

In developing the discount rate assumption for each country, we use a yield curve approach. The yield curve is based on the AA rated bonds underlying the Barclays Capital corporate bond index. The weighted average discount rate was 2.51% in 2015 and 2.01% in 2014. We calculate the weighted average duration of the plans in each country, then select the discount rate from the appropriate yield curve which best corresponds to the plans' liability profile.

The majority of our pension plans are unfunded plans. The expected rate of the return was developed using the historical rate of returns of the foreign government bonds currently held. This resulted in the selection of the 2.25% long-term rate of return on asset assumption. For funded plans, all assets are held in foreign government bonds.

The benefits expected to be paid over the next five years and the five aggregated years after:

(amounts in thousands)	
2016	$ 3,995
2017	$ 4,034
2018	$ 4,108
2019	$ 4,148
2020	$ 4,244
2021 through 2025	$ 22,183

The following table provides a summary of the fair value of our pension plan assets at December 27, 2015 utilizing the fair value hierarchy discussed in Note 14 of the Consolidated Financial Statements:

(amounts in thousands)	Total Fair Value Measurement December 27, 2015	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Global insurance assets	**$ 2,801**	**$ —**	**$ —**	**$ 2,801**

All investments consist of fixed-income global insurance. The investment objective of fixed-income funds is to maximize investment return while preserving investment principal.

Additional information pertaining to the changes in the fair value of the pension plan assets classified as Level 3 for the year ended December 27, 2015 is presented below:

(amounts in thousands)	Balance as of December 28, 2014	Actual Return on Plan Assets, Relating to Assets Still Held at the Reporting Date	Actual Return on Plan Assets, Relating to Assets Sold During the Period	Purchases, Sales and Settlements	Transfer into / (out of) Level 3	Change due to Exchange Rate Changes	Balance as of December 27, 2015
Asset Category							
Global insurance assets	$ 3,557	$ (228)	$ —	$ 250	$ (427)	$ (351)	$ 2,801
Total Level 3 Assets	$ 3,557	**$ (228)**	**$ —**	**$ 250**	**$ (427)**	**$ (351)**	**$ 2,801**

Note 14. FAIR VALUE MEASUREMENT, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value Measurement

We utilize the market approach to measure fair value for our financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

The fair value hierarchy is intended to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions. The fair value hierarchy consists of the following three levels:

Level 1 Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data.

Level 3 Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

Because our derivatives are not listed on an exchange, we values these instruments using a valuation model with pricing inputs that are observable in the market or that can be derived principally from or corroborated by observable market data. Our methodology also incorporates the impact of both the Company's and the counterparty's credit standing.

The following tables represent our assets and liabilities measured at fair value on a recurring basis as of December 27, 2015 and the basis for that measurement:

(amounts in thousands)	Total Fair Value Measurement December 27, 2015	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foreign currency forward exchange contracts	**$ 109**	$ —	**$ 109**	$ —
Total assets	**$ 109**	$ —	**$ 109**	$ —
Foreign currency revenue forecast contracts	**$ 135**	$ —	**$ 135**	$ —
Total liabilities	**$ 135**	$ —	**$ 135**	$ —

The following tables represent our assets and liabilities measured at fair value on a recurring basis as of December 28, 2014 and the basis for that measurement:

(amounts in thousands)	Total Fair Value Measurement December 28, 2014	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foreign currency forward exchange contracts	$ 55	$ —	$ 55	$ —
Total assets	$ 55	$ —	$ 55	$ —
Foreign currency forward exchange contracts	$ 23	$ —	$ 23	$ —
Total liabilities	$ 23	$ —	$ 23	$ —

The following table provides a summary of the activity associated with all of our designated cash flow hedges (foreign currency) reflected in accumulated other comprehensive income for the years ended December 27, 2015 and December 28, 2014:

(amounts in thousands)	December 27, 2015	December 28, 2014
Beginning balance, net of tax	**$ —**	$ —
Changes in fair value gain, net of tax	**(125)**	—
Ending balance, net of tax	**$ (125)**	$ —

We believe that the fair values of our current assets and current liabilities (cash, accounts receivable, accounts payable, and other current liabilities) approximate their reported carrying amounts. The carrying values and the estimated fair values of non-current financial assets and liabilities that qualify as financial instruments and are not measured at fair value on a recurring basis at December 27, 2015 and December 28, 2014 are summarized in the following table:

	December 27, 2015		December 28, 2014	
(amounts in thousands)	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Long-term debt (including current maturities and excluding capital leases and factoring)[1]				
2013 Senior secured credit facility	**$ 70,000**	**$ 70,000**	$ 65,000	$ 65,000

(1) The carrying amounts are reported on the balance sheet under the indicated captions.

Long-term debt is carried at the original offering price, less any payments of principal. The carrying amount of the Senior Secured Credit Facility approximates fair value due to the variable rate nature of its interest at current market rates. The related fair value measurement has generally been classified as Level 2.

Nonrecurring Fair Value Measurements

In 2015, as a result of our annual impairment test, we wrote the Alpha indefinite-lived trade name down to its impaired fair value of $13.6 million. This resulted in a $5.8 million impairment charge that was recorded in asset impairment in the Merchandise Availability Solutions segment on the Consolidated Statement of Operations. The nonrecurring fair value measurement was developed using significant unobservable inputs (Level 3). The fair value was computed using the relief from royalty income valuation approach. Refer to Note 5 of the Consolidated Financial Statements.

In 2014, as a result of our annual impairment test, we wrote the OAT indefinite-lived trade name down to its impaired fair value of $1.1 million. This resulted in a $0.9 million impairment charge that was recorded in asset impairment in the Merchandise Availability Solutions segment on the Consolidated Statement of Operations. The nonrecurring fair value measurement was developed using significant unobservable inputs (Level 3). The fair value was computed using the relief from royalty income valuation approach. Refer to Note 5 of the Consolidated Financial Statements.

In the fourth quarter of 2013, through the budgeting process, working capital prioritization activities, and other strategic direction reviews, a portion of our ERP system implementation costs with a carrying amount of $4.7 million was written down to its implied fair value of zero. This resulted in an impairment charge of $4.7 million that was recorded in asset impairment expense in the on the Consolidated Statement of Operations. The nonrecurring fair value measurement was developed using significant unobservable inputs (Level 3). The fair value was computed using a discounted cash flow valuation methodology. Refer to Note 5 of the Consolidated Financial Statements.

In connection with our restructuring plans, we have recorded impairment losses in restructuring expense during the year ended December 28, 2014 of $0.2 million due to the impairment of certain long-lived assets for which the carrying value of those assets may not be recoverable based upon our estimated cash flows. Assets with carrying amounts of $0.2 million were written down to their fair values of $21 thousand. Given that the impairment losses were determined using internal estimates of future cash flows or upon non-identical assets using significant unobservable inputs, we have classified the remaining fair value of long-lived assets as Level 3 in the fair value hierarchy. Refer to Note 15 of the Consolidated Financial Statements.

Financial Instruments and Risk Management

We manufacture products in the U.S., Europe, and the Asia Pacific region for both the local marketplace and for export to our foreign subsidiaries. The foreign subsidiaries, in turn, sell these products to customers in their respective geographic areas of operation, generally in local currencies. This method of sale and resale gives rise to the risk of gains or losses as a result of currency exchange rate fluctuations on inter-company receivables and payables. Additionally, the sourcing of product in one currency and the sales of product in a different currency can cause gross margin fluctuations due to changes in currency exchange rates.

Our major market risk exposures are movements in foreign currency and interest rates. We have historically not used financial instruments to minimize our exposure to currency fluctuations on our net investments in and cash flows derived from our foreign subsidiaries. We have used third-party borrowings in foreign currencies to hedge a portion of our net investments in and cash flows derived from our foreign subsidiaries. A reduction in our third party foreign currency borrowings will result in an increase of foreign currency fluctuations on our net investments in and cash flows derived from our foreign subsidiaries.

We enter into forward exchange contracts to reduce the risks of currency fluctuations on short-term inter-company receivables and payables. These contracts are entered into with major financial institutions, thereby minimizing the risk of credit loss. We will consider using interest rate derivatives to manage interest rate risks when there is a disproportionate ratio of floating and fixed-rate debt. We do not hold or issue derivative financial instruments for speculative or trading purposes. We are subject to other foreign exchange market risk exposure resulting from anticipated non-financial instrument foreign currency cash flows which are difficult to reasonably predict, and have therefore not been included in the table of fair values. All listed items described are non-trading.

The following table presents the fair values of derivative instruments included within the Consolidated Balance Sheets as of December 27, 2015 and December 28, 2014:

	December 27, 2015				December 28, 2014			
	Asset Derivatives		Liability Derivatives		Asset Derivatives		Liability Derivatives	
(amounts in thousands)	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Derivatives designated as hedging instruments								
Foreign currency revenue forecast contracts	**Other current assets**	**$ —**	**Other current liabilities**	**$ 135**	Other current assets	$ —	Other current liabilities	$ —
Total derivatives designated as hedging instruments		**—**		**135**		—		—
Derivatives not designated as hedging instruments								
Foreign currency forward exchange contracts	**Other current assets**	**109**	**Other current liabilities**	**—**	Other current assets	55	Other current liabilities	23
Total derivatives not designated as hedging instruments		**109**		**—**		55		23
Total derivatives		**$ 109**		**$ 135**		$ 55		$ 23

The following tables present the amounts affecting the Consolidated Statement of Operations for the years ended December 27, 2015, December 28, 2014, and December 29, 2013:

	December 27, 2015			
(amounts in thousands)	**Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives**	**Location of Gain (Loss) Reclassified From Accumulated Other Comprehensive Income into Income**	**Amount of Gain (Loss) Reclassified From Accumulated Other Comprehensive Income into Income**	**Amount of Forward Points Recognized in Other Gain (Loss), net**
Derivatives designated as cash flow hedges				
Foreign currency revenue forecast contracts	**$ (125)**	**Cost of sales**	**$ —**	**$ (10)**

	December 28, 2014			
(amounts in thousands)	**Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives**	**Location of Gain (Loss) Reclassified From Accumulated Other Comprehensive Income into Income**	**Amount of Gain (Loss) Reclassified From Accumulated Other Comprehensive Income into Income**	**Amount of Forward Points Recognized in Other Gain (Loss), net**
Derivatives designated as cash flow hedges				
Foreign currency revenue forecast contracts	$ —	Cost of sales	$ —	$ —

(amounts in thousands)	December 29, 2013 Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives	Location of Gain (Loss) Reclassified From Accumulated Other Comprehensive Income into Income	Amount of Gain (Loss) Reclassified From Accumulated Other Comprehensive Income into Income	Amount of Forward Points Recognized in Other Gain (Loss), net
Derivatives designated as cash flow hedges				
Foreign currency revenue forecast contracts	$ —	Cost of sales	$ (161)	$ 11

(amounts in thousands)	December 27, 2015 Amount of Gain (Loss) Recognized in Income on Derivatives	December 27, 2015 Location of Gain (Loss) Recognized in Income on Derivatives	December 28, 2014 Amount of Gain (Loss) Recognized in Income on Derivatives	December 28, 2014 Location of Gain(Loss) Recognized in Income on Derivatives	December 29, 2013 Amount of Gain (Loss) Recognized in Income on Derivatives	December 29, 2013 Location of Gain(Loss) Recognized in Income on Derivatives
Derivatives not designated as hedging instruments						
Foreign exchange forwards and options	**$ 613**	**Other gain (loss), net**	$ 425	Other gain (loss), net	$ (404)	Other gain (loss), net

We selectively purchase currency forward exchange contracts to reduce the risks of currency fluctuations on short-term inter-company receivables and payables. These contracts guarantee a predetermined exchange rate at the time the contract is purchased. This allows us to shift the effect of positive or negative currency fluctuations to a third party. Transaction gains or losses resulting from these contracts are recognized at the end of each reporting period. We use the fair value method of accounting, recording realized and unrealized gains and losses on these contracts. These gains and losses are included in other gain (loss), net on our Consolidated Statements of Operations. As of December 27, 2015, we had currency forward exchange contracts with notional amounts totaling approximately $6.5 million. The fair values of the forward exchange contracts were reflected as a $0.1 million asset included in other current assets in the accompanying Consolidated Balance Sheets. The contracts are in the various local currencies covering primarily our operations in the U.S. and Western Europe. Historically, we have not purchased currency forward exchange contracts where it is not economically efficient, specifically for our operations in South America and Asia, with the exception of Japan.

Beginning in the fourth quarter of 2015, we entered into various foreign currency contracts to reduce our exposure to forecasted Euro-denominated inter-company revenues. These contracts were designated as cash flow hedges. The foreign currency contracts mature at various dates from January 2016 to December 2016. The purpose of these cash flow hedges is to eliminate the currency risk associated with Euro-denominated forecasted inter-company revenues due to changes in exchange rates. These cash flow hedging instruments are marked to market and the changes are recorded in other comprehensive income. Amounts recorded in other comprehensive income are recognized in cost of goods sold as the inventory is sold to external parties. Any hedge ineffectiveness is charged to other gain (loss), net on our Consolidated Statements of Operations. As of December 27, 2015, the fair value of these cash flow hedges was reflected as a $0.1 million liability and is included in other current liabilities in the accompanying Consolidated Balance Sheets. The total notional amount of these hedges is $16.4 million (€15.0 million) and the unrealized loss recorded in other comprehensive income was $0.1 million (net of taxes of $0), of which $0.1 million is expected to be reclassified to earnings over the next twelve months. During the year ended December 27, 2015, no benefit related to these foreign currency hedges was recorded to cost of goods sold as no inventory was sold to external parties. We recognized no hedge ineffectiveness during the year ended December 27, 2015.

Aggregate foreign currency transaction losses in 2015, 2014, and 2013, were $23 thousand, $1.0 million, and $4.1 million, respectively, and are included in other gain (loss), net on the Consolidated Statements of Operations.

Additionally, there were no deferrals of gains or losses on currency forward exchange contracts at December 27, 2015.

Note 15. PROVISION FOR RESTRUCTURING

Profit Enhancement Plan

During September 2014, we initiated the Profit Enhancement Plan focused on increasing profitability through strategic headcount reductions and streamlining manufacturing processes. The first phase of this plan was implemented in the third quarter of 2014 and was expanded in the fourth quarter of 2015. The remaining phases of the plan, including headcount reductions, are expected to be substantially completed by the fourth quarter of 2016.

As of December 27, 2015, the net charge to earnings of $10.1 million represents the current year activity related to the Profit Enhancement Plan. Total costs related to the plan of $15.3 million have been incurred through December 27, 2015. Termination benefits are planned to be paid one month to 24 months after termination.

Global Restructuring Plan (including LEAN)

During September 2011, we initiated the Global Restructuring Plan focused on further reducing our overall operating expenses by including manufacturing and other cost reduction initiatives, such as consolidating certain manufacturing facilities and administrative functions to improve efficiencies. This plan was further expanded in the first quarter of 2012 and again during the second quarter of 2012 to include Project LEAN. The first phase of this plan was implemented in the third quarter of 2011 with the remaining phases of the plan, including final headcount terminations, substantially completed by the fourth quarter of 2014.

As of December 27, 2015, the net charge reversed to earnings of $51 thousand represents the current year activity related to the Global Restructuring Plan including Project LEAN. Total costs related to the plan of $60.3 million have been incurred through December 27, 2015. All terminations for the plan were substantially completed during the fourth quarter of 2014. Termination benefits are planned to be paid one month to 24 months after termination.

SG&A Restructuring Plan

During 2009, we initiated the SG&A Restructuring Plan focused on reducing our overall operating expenses by consolidating certain administrative functions to improve efficiencies. The first phase of this plan was implemented in the fourth quarter of 2009 with the remaining phases of the plan substantially completed by the end of the first quarter of 2012.

As of December 27, 2015, the net charge reversed to earnings of $1 thousand represents the current year activity related to the SG&A Restructuring Plan. Total costs related to the plan of $17.9 million have been incurred through December 27, 2015. All terminations for the plan were substantially completed during the fourth quarter of 2014. Termination benefits are planned to be paid one month to 24 months after termination.

Restructuring expense for the years ended December 27, 2015, December 28, 2014, and December 29, 2013 was as follows:

(amounts in thousands)	December 27, 2015	December 28, 2014	December 29, 2013
Profit Enhancement Plan			
Severance and other employee-related charges	**$ 9,387**	$ 5,181	$ —
Other exit costs	**677**	101	—
Global Restructuring Plan (including LEAN)			
Severance and other employee-related charges	**(122)**	976	7,421
Asset impairments	**—**	172	1,210
Other exit costs	**71**	231	2,389
SG&A Restructuring Plan			
Severance and other employee-related charges	**(1)**	(7)	(222)
Other exit costs	**—**	—	68
Total	**$ 10,012**	$ 6,654	$ 10,866

Restructuring accrual activity for the year ended December 27, 2015 was as follows:

(amounts in thousands)

Fiscal 2015	**Accrual at Beginning of Year**	**Charged to Earnings**	**Charge Reversed to Earnings**	**Cash Payments**	**Exchange Rate Changes**	**Accrual at December 27, 2015**
Profit Enhancement Plan						
Severance and other employee-related charges(2)	$ 4,082	**$ 10,542**	**$ (1,155)**	**$ (4,972)**	**$ (355)**	**$ 8,142**
Other exit costs(1)	—	**677**	**—**	**(665)**	**—**	**12**
Global Restructuring Plan (including LEAN)						
Severance and other employee-related charges(2)	2,050	**93**	**(215)**	**(1,302)**	**(169)**	**457**
Other exit costs(1)	15	**71**	**—**	**(86)**	**—**	**—**
SG&A Restructuring Plan						
Severance and other employee-related charges(2)	108	**—**	**(1)**	**(45)**	**(9)**	**53**
Total	$ 6,255	**$ 11,383**	**$ (1,371)**	**$ (7,070)**	**$ (533)**	**$ 8,664**

(1) During 2015, there was a net charge to earnings of $0.7 million primarily due to legal, outplacement and restructuring agent costs in connection with the restructuring plan.

(2) During 2015, there was a severance charge reversed to earnings of $1.4 million primarily due to eliminations of individuals from the plans, replacements of individuals in the plans with other individuals, resignations, and other final accrual adjustments.

Restructuring accrual activity for the year ended December 28, 2014 was as follows:

(amounts in thousands)

Fiscal 2014	**Accrual at Beginning of Year**	**Charged to Earnings**	**Charge Reversed to Earnings**	**Cash Payments**	**Exchange Rate Changes**	**Accrual at December 28, 2014**
Profit Enhancement Plan						
Severance and other employee-related charges(2)	$ —	$ 5,233	$ (52)	$ (770)	$ (329)	$ 4,082
Other exit costs(1)	—	101	—	(101)	—	—
Global Restructuring Plan (including LEAN)						
Severance and other employee-related charges(2)	7,901	2,917	(1,941)	(6,434)	(393)	2,050
Other exit costs(1)	66	231	—	(285)	3	15
SG&A Restructuring Plan						
Severance and other employee-related charges(2)	208	42	(49)	(67)	(26)	108
Total	$ 8,175	$ 8,524	$ (2,042)	$ (7,657)	$ (745)	$ 6,255

(1) During 2014, there was a net charge to earnings of $0.3 million primarily due to outplacement costs and legal costs in connection with the restructuring plan.

(2) During 2014, there was a severance charge reversed to earnings of $2.0 million primarily due to eliminations of individuals from the plans, replacements of individuals in the plans with other individuals, resignations, and other final accrual adjustments.

Note 16. COMMITMENTS AND CONTINGENCIES

We lease certain production facilities, offices, distribution centers, and equipment. Rental expense for all operating leases approximated $9.4 million, $9.8 million, and $10.9 million, in 2015, 2014, and 2013, respectively.

Future minimum payments for operating leases and capital leases having non-cancelable terms in excess of one year at December 27, 2015 are:

(amounts in thousands)		Capital Leases		Operating Leases		Total
2016	$	264	$	8,110	$	8,374
2017		213		4,063		4,276
2018		149		2,207		2,356
2019		16		1,030		1,046
2020		4		536		540
Thereafter		—		200		200
Total minimum lease payments	$	646	$	16,146	$	16,792
Less: amounts representing interest		45				
Present value of minimum lease payments	$	601				

Contingencies

We are involved in certain legal and regulatory actions, all of which have arisen in the ordinary course of business, except for the matters described in the following paragraphs.

Additionally, management believes that the ultimate resolution of such matters is unlikely to have a material adverse effect on our consolidated results of operations and/or financial condition, except as described below.

Matters related to All-Tag Security S.A. and All-Tag Security Americas, Inc.

We originally filed suit on May 1, 2001, alleging that the disposable, deactivatable radio frequency security tag manufactured by All-Tag Security S.A. and All-Tag Security Americas, Inc.'s (jointly All-Tag) and sold by Sensormatic Electronics Corporation (Sensormatic) infringed on a U.S. Patent No. 4,876,555 (the 555 Patent) owned by us. On April 22, 2004, the United States District Court for the Eastern District of Pennsylvania (the Pennsylvania Court) granted summary judgment to defendants All-Tag and Sensormatic on the ground that the 555 Patent was invalid for incorrect inventorship. We appealed this decision. On June 20, 2005, we won an appeal when the United States Court of Appeals for the Federal Circuit (the Appellate Court) reversed the grant of summary judgment and remanded the case to the Pennsylvania Court for further proceedings. On January 29, 2007 the case went to trial, and on February 13, 2007, a jury found in favor of the defendants on infringement, the validity of the 555 Patent and the enforceability of the 555 Patent. On June 20, 2008, the Pennsylvania Court entered judgment in favor of defendants based on the jury's infringement and enforceability findings. On February 10, 2009, the Pennsylvania Court granted defendants' motions for attorneys' fees designating the case as an exceptional case and awarding an unspecified portion of defendants' attorneys' fees under 35 U.S.C. § 285. Defendants sought approximately $5.7 million plus interest. We recognized this amount during the fourth fiscal quarter ended December 28, 2008 in litigation settlements on the Consolidated Statement of Operations. On March 6, 2009, we filed objections to the defendants' bill of attorneys' fees. On November 2, 2011, the Pennsylvania Court finalized the decision to order us to pay the attorneys' fees and costs of the defendants in the amount of $6.6 million. The additional amount of $0.9 million was recorded in the fourth quarter ended December 25, 2011 in the Consolidated Statement of Operations. On November 15, 2011, we filed objections to and appealed the Pennsylvania Court's award of attorneys' fees to the defendants. Following the filing of briefs and the completion of oral arguments, the Appellate Court reversed the decision of the Pennsylvania Court on March 25, 2013. As a result of the final decision, we reversed the All-Tag reserve of $6.6 million in the first quarter ended March 31, 2013. The Appellate Court decision was appealed by All-Tag and Sensormatic to the U.S. Supreme Court.

While the appeal was still pending, the U.S. Supreme Court agreed to hear two cases (Octane Fitness, LLC v. ICON Health & Fitness, Inc. and Highmark, Inc. v. Allcare Health Management Systems) arguing that the governing standard for finding a case exceptional under 35 U.S.C. § 285 was too rigid. On December 30, 2013, based on the Supreme Court’s willingness to re-evaluate the exceptional case standard, defendants requested that the Supreme Court also hear our case. On April 29, 2014, the Supreme Court issued its rulings in Octane Fitness and Highmark and relaxed the standard for determining when a case is exceptional. As a result, on May 5, 2014, the Supreme Court vacated the judgment of the Appellate Court in our case (reinstating the Pennsylvania Court’s exceptional case finding) and sent the case back to the Appellate Court for further consideration in light of the new standards set forth in Octane Fitness and Highmark. On June 10, 2014, defendants filed a motion in the Appellate Court asking that the Appellate Court either affirm the Pennsylvania Court’s exceptional case finding outright or send the case back to the Pennsylvania Court so that it could consider the case again under the new exceptional case standard. On June 23, 2014, we filed our opposition to the motion to remand and moved the Appellate Court to once again reverse the Pennsylvania Court's exceptional case finding. On October 14, 2014, the Appellate Court remanded the case to the Pennsylvania Court for further proceedings.

On August 18, 2015, the Pennsylvania Court granted defendants' motions for attorney fees designating the case as an exceptional case under the new exceptional case standard. The Pennsylvania Court reinstated the original award in the amount of $6.6 million and awarded an unspecified portion of defendants' attorney fees, including appellate fees, and post-judgment interest under 35 U.S.C. § 285. On December 21, 2015, the Pennsylvania Court issued a judgment awarding the defendants $10.3 million. We have accrued the full amount of this award within other accrued expenses on the Consolidated Balance Sheet and in litigation matters on the Consolidated Statement of Operations. We filed an appeal of the Pennsylvania Court's decision to the Appellate Court on January 4, 2016.

On July 31, 2014, All-Tag Security Americas, Inc. (All-Tag Security Americas) filed a separate patent infringement suit against us in the United States District Court for the Southern District of Florida, under the caption All-Tag Security Americas, Inc. v. Checkpoint Systems, Inc., C.A. No. 9:14-cv-81004-DMM. All-Tag Security Americas alleged that one of our products, the Micro EP PST label, infringes U.S. Patent No. 7,495,566 (the 556 Patent), one of All-Tag Security Americas' patents. On October 10, 2014, All-Tag Security Americas filed a second patent infringement suit against us in the United States District Court for the Southern District of Florida. This second suit was filed for procedural reasons and involved the same subject matter as All-Tag Security Americas' July 31, 2014 suit. On December 22, 2014, the parties entered into a settlement agreement whereby we agreed to pay $1.2 million to settle these outstanding cases.

Matter related to Universal Surveillance Corporation EAS RF Anti-trust Litigation

Universal Surveillance Corporation (USS) filed a complaint against us in the United States Federal District Court of the Northern District of Ohio (the Ohio Court) on August 19, 2011. USS claims that, in connection with our competition in the electronic article surveillance market, we violated the federal antitrust laws (Sherman Act and Clayton Act) and state antitrust laws (Ohio Valentine Act). USS also claims that we violated the federal Lanham Act, the Ohio Deceptive Trade Practices Act, and the Ohio Trade Secrets Act, and engaged in conduct that allegedly disparaged USS and tortiously interfered with USS's business relationships and contracts. USS is seeking injunctive relief as well as approximately $65 million in claimed damages for alleged lost profits, plus treble damages and attorney's fees under the Sherman Act. We have neither recorded a reserve for this matter nor do we believe that there is a reasonable possibility that a loss has been incurred.

Our legal fees related to the USS matter were being paid pursuant to our coverage under insurance policies with American Home Assurance Company and National Union Fire Insurance Company of Pittsburgh, Pa. (AIG). On July 9, 2014, AIG filed a complaint against us in the Superior Court of New Jersey (the New Jersey Court) claiming that AIG has no duty to defend or indemnify us under the insurance policies as they relate to the USS matter. AIG also claims reimbursement of legal fees, costs, and expenses previously paid by AIG on our behalf that are not covered by insurance as well as our reimbursement of AIG's legal costs related to this matter. AIG continued to pay on our behalf most of our legal fees, costs, and expenses related to this matter. In May 2015, we engaged in formal discussions with AIG regarding the possibility of reaching a settlement of this matter in advance of the scheduled hearing in July 2015. In early June, we discussed the possibility of settling this matter with our Board of Directors and, on June 3, 2015, we obtained their approval to make a settlement offer. On June 26, 2015, we entered into a settlement with AIG. Pursuant to the settlement, we paid approximately $9.0 million to AIG in exchange for full and final resolution of this matter between the parties. Further pursuant to this settlement, each party will be responsible for a portion of the legal fees, costs, and expenses at issue in the litigation, and AIG is released from any further obligation with respect to future defense costs and indemnity in connection with the USS litigation.

Matter related to Zucker Derivative Suit

On June 24, 2014, a complaint was filed by Lawrence Zucker in a shareholder derivative suit on behalf of himself, others who are similarly situated and derivatively on behalf of us, of which we are also a nominal defendant, against our Board of Directors (the Board of Directors) in the Court of Common Pleas of Allegheny County, Pennsylvania, under the caption Zucker v. Checkpoint Systems, Inc., et al., No. GD-14-11035. The plaintiff generally asserts claims for breach of fiduciary duty, waste of corporate assets, and unjust enrichment against our Board of Directors for allegedly exceeding its authority under our Amended and Restated 2004 Omnibus Incentive Compensation Plan (the Plan).

The plaintiff sought, in addition to other relief, (i) a declaration that certain of the awards granted under the Plan in 2013 were ultra vires; (ii) rescission of awards allegedly granted in violation of the Plan; (iii) monetary damages; (iv) equitable or injunctive relief; (v) direction by the court that we reform our corporate governance and internal procedures and (vi) an award of attorneys' fees and other fees and costs. The parties agreed to a dismissal of the case with prejudice on October 21, 2015.

Matter related to Meier Class Action Lawsuit

On November 11, 2015, a purported shareholder class action lawsuit was filed against us and certain of our current and former officers captioned, Meier v. Checkpoint Systems, Inc., et al., No. 1:15-cv-08007 (RBK)(KMW) (D.N.J.). The complaint alleges violations of the federal securities laws related to the restatement of the Company's previously-issued financial statements announced on November 3, 2015. The complaint names as defendants our Chief Executive Officer and President George Babich, Jr., our Chief Financial Officer James M. Lucania, our former Chief Financial Officer Jeffrey O. Richard, and the Company. The complaint alleges that we had filed false and misleading reports with the Securities and Exchange Commission beginning on March 5, 2015 through November 3, 2015, in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. § 240.10b-5. On January 11, 2016, two shareholders filed applications with the Court to be appointed as lead plaintiff and to have their counsel appointed as lead counsel. Subsequently, one of the two shareholders withdrew her application. The remaining application is pending before the Court. We, together with the individual defendants expect to file a motion to dismiss the case at the appropriate time.

Note 17. CONCENTRATION OF CREDIT RISK

Our foreign subsidiaries, along with many foreign distributors, provide diversified international sales, thus minimizing the potential credit risk of one or a few distributors. Our sales are well diversified among numerous retailers in the apparel, drug, home entertainment, mass merchandise, music, shoe, supermarket, and video markets. We perform ongoing credit evaluations of our customers' financial condition and generally require no collateral from our customers.

Note 18. BUSINESS SEGMENTS AND GEOGRAPHIC INFORMATION

We report our financial results in three segments: Merchandise Availability Solutions (MAS), Apparel Labeling Solutions (ALS), and Retail Merchandising Solutions (RMS).

Our MAS segment, which is focused on loss prevention and Merchandise Visibility™ (RFID), includes EAS systems, EAS consumables, Alpha® high-theft solutions, RFID systems and software and non-U.S. and Canada-based CheckView®. ALS includes the results of our radio frequency identification (RFID) labels business, coupled with our data management platform and network of service bureaus that manage the printing of variable information on apparel labels and tags. Our RMS segment includes hand-held labeling applicators and tags, promotional displays, and customer queuing systems.

The business segment information set forth below is that viewed by the chief operating decision maker:

(A) Business Segments

(amounts in thousands)	December 27, 2015		December 28, 2014		December 29, 2013	
Business segment net revenue:						
Merchandise Availability Solutions	**$ 383,198**	(1)	$ 438,847	(2)	$ 456,101	(3)
Apparel Labeling Solutions	**164,708**		174,287		182,259	
Retail Merchandising Solutions	**39,251**		48,906		51,378	
Total	**$ 587,157**		$ 662,040		$ 689,738	
Business segment gross profit:						
Merchandise Availability Solutions	**$ 179,528**		$ 207,113		$ 195,568	
Apparel Labeling Solutions	**50,107**		60,179		54,672	
Retail Merchandising Solutions	**14,779**		17,792		18,851	
Total gross profit	**244,414**		285,084		269,091	
Operating expenses	**259,815**	(4)	246,351	(5)	245,815	(6)
Interest expense, net	**(3,151)**		(3,457)		(17,440)	
Other gain (loss), net	**(23)**		(1,102)		(3,936)	
(Loss) earnings from continuing operations before income taxes	**$ (18,575)**		$ 34,174		$ 1,900	
Business segment total assets:						
Merchandise Availability Solutions	**$ 444,775**		$ 500,795			
Apparel Labeling Solutions	**159,743**		175,411			
Retail Merchandising Solutions	**53,352**		62,460			
Total	**$ 657,870**		$ 738,666			

(1) Includes net revenue from EAS systems, Alpha® and EAS consumables of $152.5 million, $108.6 million and $94.8 million, respectively, representing more than 10% of total revenue.

(2) Includes net revenue from EAS systems, Alpha® and EAS consumables of $179.0 million, $125.3 million and $107.8 million, respectively, representing more than 10% of total revenue.

(3) Includes net revenue from EAS systems, Alpha® and EAS consumables of $192.9 million, $128.1 million and $102.3 million, respectively, representing more than 10% of total revenue.

(4) Includes a $19.2 million litigation matters expense, a $10.0 million restructuring charge, a $5.8 million asset impairment, a $0.8 million charge related to our CFO transition, and $0.1 million in acquisition costs.

(5) Includes a $6.7 million restructuring charge, a $1.6 million litigation matters expense, a $0.9 million asset impairment, and $0.4 million in acquisition costs.

(6) Includes a $10.9 million restructuring charge, a $4.8 million asset impairment, a $1.2 million charge related to our CFO transition, $1.0 million in acquisition costs, a benefit of $6.6 million due to a litigation ruling reversal, and a $0.2 million gain on sale of our interest in the non-strategic Sri Lanka subsidiary.

(B) Geographic Information

Operating results are prepared on a "country of domicile" basis, meaning that net revenues are included in the geographic area where the selling entity is located. Assets are included in the geographic area in which the producing entities are located. A direct sale from the U.S. to an unaffiliated customer in South America is reported as a sale in the U.S. Inter-area sales between our locations are made at transfer prices that approximate market price and have been eliminated from consolidated net revenues. International Americas is defined as all countries in North and South America, excluding the United States.

The following table shows net revenues, and other financial information by geographic area for the years 2015, 2014, and 2013:

(amounts in thousands)		United States		Europe			International Americas		Asia Pacific			Total
2015												
Net revenues from unaffiliated customers	**$**	**168,286**	**$**	**207,987**		**$**	**25,858**	**$**	**185,026**		**$**	**587,157**
Long-lived assets	**$**	**7,682**	**$**	**12,229**		**$**	**1,193**	**$**	**56,282**	**[1]**	**$**	**77,386**
2014												
Net revenues from unaffiliated customers	$	191,037	$	247,413	[2]	$	27,078	$	196,512		$	662,040
Long-lived assets	$	7,491	$	11,328		$	1,343	$	57,227	[3]	$	77,389
2013												
Net revenues from unaffiliated customers	$	203,171	$	255,610	[4]	$	32,523	$	198,434		$	689,738

[1] Includes long-lived assets from China and Japan of $37.0 million and $8.0 million, respectively.
[2] Includes net revenue from Germany of $77.1 million.
[3] Includes long-lived assets from China and Japan of $37.4 million and $8.3 million, respectively.
[4] Includes net revenue from Germany of $81.7 million.

Note 19. DISCONTINUED OPERATIONS

Banking Security Systems Integration

On October 1, 2012, we completed the sale of the Banking Security Systems Integration business unit for $3.5 million. We received cash proceeds of $1.2 million (net of selling costs) and a promissory note of $1.4 million from the purchaser. The note receivable, which bears interest at the 30 day LIBOR rate plus 5.5%, matures in consecutive monthly installments through October 1, 2017. The loss on sale of the Banking Security Systems Integration business unit of $15 thousand was recorded through discontinued operations on the Consolidated Statement of Operations for the year ended December 30, 2012. The selling price also had a contingent consideration payment up to a maximum amount of $0.9 million. In the fourth quarter of 2013, we received the contingent payment of $13 thousand, which is recorded through discontinued operations in the Consolidated Statement of Operations for the year ended December 29, 2013. We received $0.3 million and $0.3 million of principal on the note receivable for the years ended December 27, 2015 and December 28, 2014, respectively. The proceeds are included in cash proceeds from the sale of discontinued operations on the Consolidated Statement of Cash Flows.

Our discontinued operations reflect the operating results for the disposal group through the date of disposition and impairment charges recognized in 2012. The impairment charges include write-downs to goodwill and our customer relationships intangible asset reflecting estimates of fair value less costs to sell the Banking Security Systems Integration business unit. These nonrecurring fair value measurements, which fall within Level 3 of the fair value hierarchy, were determined utilizing an expected selling price less costs to sell approach.

The results for the year ended December 29, 2013 have been reclassified to show the results of operations for the Banking Security Systems Integration business unit as discontinued operations, net of tax, on the Consolidated Statement of Operations. Below is a summary of these results:

(amounts in thousands)		December 29, 2013
Net revenue	$	—
Gross profit		—
Selling, general, & administrative expense		—
Asset impairment		—
Goodwill impairment		—
Operating loss		—
Gain on disposal		13
Gain from discontinued operations before income taxes		13
Gain from discontinued operations, net of tax [(1)]	$	13

(1) As this business was located in the U.S. and a full valuation allowance was recorded in the U.S., there was no tax impact on the discontinued operations for the year ended December 29, 2013.

U.S and Canada CheckView®

In December of 2012, our U.S. and Canada based CheckView® business included in our Merchandise Availability Solutions segment met the criteria for classification as discontinued operations. The classification of this business as discontinued operations was determined to be a triggering event for testing goodwill impairment. As a result of this impairment test, we determined that there was a $3.3 million impairment charge of goodwill in our Merchandise Availability Solutions segment and a $0.3 million impairment of property, plant and equipment. These impairment charges were included in discontinued operations on the Consolidated Statement of Operations.

Our discontinued operations reflect the operating results for the disposal group. Impairments in 2012 reflect write-downs to estimates of fair value less costs to sell the U.S. and Canada based CheckView® business. These nonrecurring fair value measurements, which fall within Level 3 of the fair value hierarchy, were determined utilizing an expected selling price less costs to sell approach.

On March 19, 2013, we entered into an asset purchase agreement for the sale of our U.S. and Canada based CheckView® business for $5.4 million in cash, subject to a working capital adjustment to the extent that the net working capital of the business deviates from targeted working capital of $17.9 million.

On April 28, 2013, we completed the sale of our U.S. and Canada based CheckView® business unit for $5.4 million less a working capital adjustment of $4.1 million to arrive at cash proceeds of $1.3 million received on April 29, 2013. We initially recorded a receivable from the buyer of $0.2 million as a working capital adjustment based on the closing balance sheet. In the fourth quarter of 2013, the buyer disputed some amounts on the closing balance sheet. As a result, we recorded a payable to the buyer of $0.9 million as a working capital adjustment based on the buyer's preliminary review of the final closing balance sheet. We have incurred selling costs of $1.1 million in connection with the transaction. We also issued a guarantee to the lessor of the related facilities and executed a transition services agreement with the buyer to provide services including but not limited to standalone information technology environment setup access, systems modifications, human resources and payroll processing support. The transition services, which started in the first quarter of 2012, have various contract periods, ranging from 60 days to one year. The leases on the facilities for which we issued a guarantee terminate in 2018. Our maximum potential future payments under the guarantee are $2.4 million as of December 27, 2015. We have a lease guarantee liability of $0.1 million recorded in other current liabilities and other long term liabilities on the Consolidated Balance Sheets as of December 27, 2015. Direct costs incurred by us in connection with this agreement will be billed to the buyer on a monthly basis. Transition services expense, net of transition services income, was $13 thousand expense and $132 thousand income for the years ended December 28, 2014 and December 29, 2013. This amount is included within other gain (loss), net on the Consolidated Statement of Operations for the years ended December 28, 2014 and December 29, 2013. Costs incurred to carve-out the CheckView® business from our enterprise resource planning system for the buyer totaled $0.4 million and is recorded through discontinued operations on the Consolidated Statement of Operations for the year ended December 29, 2013. The loss on our sale of the U.S. and Canada based CheckView® business of $13.6 million is recorded through discontinued operations on the Consolidated Statement of Operations for the year ended December 29, 2013.

The results for the year ended December 29, 2013 have been reclassified to show the results of operations for the U.S. and Canada based CheckView® business as discontinued operations, net of tax, on the Consolidated Statement of Operations. Below is a summary of these results:

(amounts in thousands)	**December 29, 2013**
Net revenue	16,084
Gross profit	449
Selling, general, & administrative expense	3,970
Research and development	105
Operating loss	(3,626)
Loss on disposal	(13,611)
Loss from discontinued operations before income taxes	(17,237)
Loss from discontinued operations, net of tax	(17,169)

Net cash flows of our discontinued operations from each of the categories of operating, investing and financing activities were not significant.

Note 20. SUBSEQUENT EVENT

On March 1, 2016, Checkpoint Systems, Inc., CCL Industries Inc., a corporation organized under the laws of Canada (CCL), and CCL Industries USA Corp., a Pennsylvania corporation and a wholly owned indirect subsidiary of CCL (Merger Sub) entered into an Agreement and Plan of Merger (the Merger Agreement).

The Merger Agreement provides, subject to the terms and conditions set forth therein, that Merger Sub will be merged with and into us (the Merger) and we will survive the Merger as a wholly owned subsidiary of CCL. At the effective time of the Merger (the Effective Time), each share of our common stock outstanding immediately prior to the Effective Time (other than shares owned by us and our subsidiaries, CCL or Merger Sub) will be automatically converted into the right to receive $10.15 in cash, without interest (the Merger Consideration).

Our Board of Directors (the Board) has unanimously approved the Merger Agreement and the transactions contemplated thereby, including the Merger. The closing of the Merger is subject to the approval of the Merger Agreement by the affirmative vote of at least a majority of the outstanding shares of our common stock entitled to vote thereon (the Shareholder Approval). The closing of the Merger is also subject to various customary conditions, including the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the receipt of all other required antitrust approvals, the absence of any governmental order prohibiting the consummation of the transactions contemplated by the Merger Agreement, the accuracy of the representations and warranties contained in the Merger Agreement (subject to certain materiality qualifications) and compliance with the covenants and agreements in the Merger Agreement in all material respects.

We have made customary representations, warranties and covenants in the Merger Agreement, including covenants (1) to conduct our business in the ordinary course during the period between the execution of the Merger Agreement and the closing of the Merger, (2) not to engage in specified types of transactions during this period unless agreed to in writing by CCL and (3) to convene and hold a meeting of our shareholders for the purpose of obtaining the Shareholder Approval.

The Merger Agreement contains certain termination rights for both us and CCL, including our right to terminate the Merger Agreement to accept a superior proposal after complying with certain requirements. In addition, either party may terminate the Merger Agreement if the Merger is not consummated on or before December 1, 2016 (which may be extended to March 1, 2017 in certain circumstances specified in the Merger Agreement). The Merger Agreement further provides that upon termination of the Merger Agreement under specified circumstances, we or CCL may be required to pay the other party a termination fee.

Note 21. QUARTERLY INFORMATION (UNAUDITED)

(amounts in thousands, except per share data)	QUARTERS (unaudited) First	Second	Third	Fourth	Year
2015	**(As Restated)**	**(As Restated)**			
Net revenues	**$ 128,542**	**$ 147,550**	**$ 145,930**	**$ 165,135**	**$ 587,157**
Gross profit	**56,537**	**61,497**	**58,726**	**67,654**	**244,414**
Net loss	**(2,559)** [(1)]	**(9,492)** [(2)]	**(3,991)** [(3)]	**(10,173)** [(4)]	**(26,215)**
Net loss per common share:					
Basic	**$ (0.06)**	**$ (0.22)**	**$ (0.09)**	**$ (0.24)**	**$ (0.61)**
Diluted	**$ (0.06)**	**$ (0.22)**	**$ (0.09)**	**$ (0.24)**	**$ (0.61)**

	First	Second	Third	Fourth	Year
2014					
Net revenues	$ 147,406	$ 170,925	$ 160,595	$ 183,114	$ 662,040
Gross profit	62,286	72,507	70,965	79,326	285,084
Net (loss) earnings from continuing operations	(129) [(5)]	9,854 [(6)]	(4,075) [(7)]	5,303 [(8)]	10,953
Net (loss) earnings attributable to Checkpoint Systems, Inc.	(129) [(5)]	9,854 [(6)]	(4,075) [(7)]	5,303 [(8)]	10,953
Net earnings (loss) from continuing operations per share:					
Basic	$ —	$ 0.23	$ (0.10)	$ 0.13	$ 0.26
Diluted	$ —	$ 0.23	$ (0.10)	$ 0.12	$ 0.26
Net earnings (loss) attributable to Checkpoint Systems, Inc. per share:					
Basic	$ —	$ 0.23	$ (0.10)	$ 0.13	$ 0.26
Diluted	$ —	$ 0.23	$ (0.10)	$ 0.12	$ 0.26

(1) Includes a $1.1 million restructuring charge (net of tax), a $1.0 million valuation allowance benefit (net of tax), a $0.8 million charge related to our CFO transition (net of tax), $0.4 million in financing liability interest expense (net of tax), and a $0.1 million in acquisition costs (net of tax).

(2) Includes a $9.0 million litigation matters expense (net of tax), $0.4 million in financing liability interest expense (net of tax), a $0.2 million restructuring charge (net of tax), and $41 thousand in acquisition costs (net of tax).

(3) Includes a $6.6 million litigation matter expense (net of tax), $0.4 million in financing liability interest expense (net of tax), a $37 thousand restructuring charge (net of tax), and $15 thousand in acquisition costs (net of tax).

(4) Includes a $7.7 million restructuring charge (net of tax), a $3.7 million litigation matter expense (net of tax), a $3.6 million asset impairment (net of tax), $0.4 million in financing liability interest expense (net of tax), a $0.4 million valuation allowance expense, and $7 thousand in acquisition costs (net of tax).

(5) Includes $1.4 million restructuring charge (net of tax), and $0.4 million in financing liability interest expense (net of tax).

(6) Includes a $0.4 million in financing liability interest expense (net of tax), and a $0.2 million restructuring charge (net of tax).

(7) Includes a $11.6 million valuation allowance expense, a $1.0 million restructuring charge (net of tax), $0.4 million in financing liability interest expense (net of tax), and $0.3 million in acquisition costs (net of tax).

(8) Includes a $3.3 million restructuring charge (net of tax), a $1.6 million litigation matters expense (net of tax), a $0.6 million asset impairment (net of tax), $0.5 million in financing liability interest expense (net of tax), a $0.3 million valuation allowance benefit, and $0.1 million in acquisition costs (net of tax).

Appendix C

CHECKPOINT SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(amounts in thousands)	March 27, 2016	December 27, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 108,900	$ 124,289
Accounts receivable, net of allowance of $6,273 and $6,059	95,778	113,698
Inventories	90,591	82,126
Other current assets	18,735	20,819
Total Current Assets	314,004	340,932
REVENUE EQUIPMENT ON OPERATING LEASE, net	1,448	1,522
PROPERTY, PLANT, AND EQUIPMENT, net	75,776	75,864
GOODWILL	165,823	164,110
OTHER INTANGIBLES, net	45,473	47,777
DEFERRED INCOME TAXES	23,844	23,336
OTHER ASSETS	4,798	4,329
TOTAL ASSETS	$ 631,166	$ 657,870
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings and current portion of long-term debt	$ 338	$ 279
Current portion of financing liability	21,285	20,891
Accounts payable	39,078	50,647
Accrued compensation and related taxes	20,845	22,321
Other accrued expenses	58,338	46,458
Income taxes	4,219	1,824
Unearned revenues	6,194	6,262
Restructuring reserve	7,614	8,664
Accrued pensions — current	4,069	3,994
Other current liabilities	13,148	13,982
Total Current Liabilities	175,128	175,322
LONG-TERM DEBT, LESS CURRENT MATURITIES	70,372	70,362
FINANCING LIABILITY	11,566	10,844
ACCRUED PENSIONS	87,804	86,554
OTHER LONG-TERM LIABILITIES	25,356	24,641
DEFERRED INCOME TAXES	15,580	15,355
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, no par value, 500,000 shares authorized, none issued	—	—
Common stock, par value $.10 per share, 100,000,000 shares authorized, issued 46,558,024 and 46,303,849 shares, outstanding 41,633,177 and 41,379,002 shares	4,656	4,630
Additional capital	428,264	427,089
Accumulated deficit	(71,067)	(38,546)
Common stock in treasury, at cost, 4,924,847 and 4,924,847 shares	(78,154)	(78,154)
Accumulated other comprehensive (loss) income, net of tax	(38,339)	(40,227)
TOTAL STOCKHOLDERS' EQUITY	245,360	274,792
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 631,166	$ 657,870

See Notes to Consolidated Financial Statements.

CHECKPOINT SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(amounts in thousands, except per share data)	Quarter (13 weeks) Ended March 27, 2016	Quarter (13 weeks) Ended March 29, 2015
Net revenues	$ 119,314	$ 128,542
Cost of revenues	74,986	72,005
Gross profit	44,328	56,537
Selling, general, and administrative expenses	49,519	51,306
Research and development	5,023	4,543
Restructuring expense	432	1,304
Merger transaction costs	6,017	—
Litigation matters	8,100	—
Acquisition costs	—	79
Other operating income	—	(361)
Operating loss	(24,763)	(334)
Interest income	165	227
Interest expense	1,151	938
Other gain (loss), net	56	371
Loss before income taxes	(25,693)	(674)
Income tax expense	6,828	1,885
Net loss	$ (32,521)	$ (2,559)
Net loss per common share:		
Basic loss per share	$ (0.77)	$ (0.06)
Diluted loss per share	$ (0.77)	$ (0.06)
Dividend declared per share	$ —	$ 0.50

See Notes to Consolidated Financial Statements.

CHECKPOINT SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(amounts in thousands)	Quarter (13 weeks) Ended March 27, 2016	Quarter (13 weeks) Ended March 29, 2015
Net loss	$ (32,521)	$ (2,559)
Other comprehensive income (loss), net of tax:		
Pension liability adjustments, net of tax benefit of $133 and $3	(21)	4,431
Other postretirement benefit adjustments, net of tax expense of $0 and $0	28	—
Change in realized and unrealized gains on derivative hedges, net of tax expense of $0 and $0	(311)	—
Foreign currency translation adjustment	2,192	(14,899)
Total other comprehensive income (loss), net of tax	$ 1,888	$ (10,468)
Comprehensive loss	$ (30,633)	$ (13,027)

See Notes to Consolidated Financial Statements.

CHECKPOINT SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

(amounts in thousands)	Common Stock				Treasury Stock			
	Shares	Amount	Additional Capital	Accumulated Deficit	Shares	Amount	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance, December 28, 2014	45,840	$ 4,584	$ 441,882	$ (12,331)	4,036	$ (71,520)	$ (34,684)	$ 327,931
Net loss				(26,215)				(26,215)
Exercise of stock-based compensation and awards released	463	46	387					433
Tax benefit on stock-based compensation			(295)					(295)
Stock-based compensation expense			5,480					5,480
Deferred compensation plan			1,019					1,019
Change in realized and unrealized losses on derivative hedges, net of tax							(125)	(125)
Dividend declared ($0.50 per share)			(21,384)					(21,384)
Repurchase of common stock					889	(6,634)		(6,634)
Pension liability adjustments							16,804	16,804
Other postretirement benefit adjustments							(1,014)	(1,014)
Foreign currency translation adjustment							(21,208)	(21,208)
Balance, December 27, 2015	46,303	$ 4,630	$ 427,089	$ (38,546)	4,925	$ (78,154)	$ (40,227)	$ 274,792
Net loss				(32,521)				(32,521)
Exercise of stock-based compensation and awards released	255	26	(27)					(1)
Tax benefit on stock-based compensation			(76)					(76)
Stock-based compensation expense			1,099					1,099
Deferred compensation plan			179					179
Pension liability adjustments							(21)	(21)
Other postretirement benefit adjustments							28	28
Change in realized and unrealized losses on derivative hedges, net of tax							(311)	(311)
Foreign currency translation adjustment							2,192	2,192
Balance, March 27, 2016	46,558	$ 4,656	$ 428,264	$ (71,067)	4,925	$ (78,154)	$ (38,339)	$ 245,360

See Notes to Consolidated Financial Statements.

CHECKPOINT SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(amounts in thousands)

Three months (13 weeks) ended	**March 27, 2016**	**March 29, 2015**
Cash flows from operating activities:		
Net loss	$ (32,521)	$ (2,559)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	6,032	6,690
Amortization of debt issuance costs	108	108
Interest on financing liability	510	492
Deferred taxes	(50)	(1,008)
Stock-based compensation	1,099	1,459
Provision for losses on accounts receivable	312	258
Excess tax benefit on stock-based compensation	—	(101)
Loss (gain) on disposal of fixed assets	124	(97)
Decrease (increase) in operating assets:		
Accounts receivable	18,219	24,578
Inventories	(8,123)	(8,312)
Other assets	1,311	6,637
(Decrease) increase in operating liabilities:		
Accounts payable	(12,169)	(10,803)
Merger transaction costs	4,364	—
Litigation matters	8,100	—
Income taxes	2,475	(1,084)
Unearned revenues - current	(173)	110
Restructuring reserve	(1,093)	(1,414)
Other liabilities	(2,228)	(15,381)
Net cash used in operating activities	(13,703)	(427)
Cash flows from investing activities:		
Acquisition of property, plant, and equipment and intangibles	(3,547)	(5,800)
Cash receipts on note receivable from sale of discontinued operations	519	71
Other investing activities	5	97
Net cash used in investing activities	(3,023)	(5,632)
Cash flows from financing activities:		
Proceeds from stock issuances	280	104
Excess tax benefit on stock-based compensation	—	101
Net change in factoring and bank overdrafts	49	5
Payment of long-term debt	(53)	(28)
Proceeds from financing liability	—	1,121
Net cash provided by financing activities	276	1,303
Effect of foreign currency rate fluctuations on cash and cash equivalents	1,061	(6,576)
Net decrease in cash and cash equivalents	(15,389)	(11,332)
Cash and cash equivalents:		
Beginning of period	124,289	135,537
End of period	$ 108,900	$ 124,205

See Notes to Consolidated Financial Statements.

CHECKPOINT SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The Consolidated Financial Statements include the accounts of Checkpoint Systems, Inc. and its majority-owned subsidiaries (collectively, the “Company”). All inter-company transactions are eliminated in consolidation. The Consolidated Financial Statements and related notes are unaudited and do not contain all disclosures required by generally accepted accounting principles in annual financial statements. The Consolidated Balance Sheet as of December 27, 2015 is derived from the Company's audited Consolidated Financial Statements at December 27, 2015. Refer to our Annual Report on Form 10-K for the fiscal year ended December 27, 2015 for the most recent disclosure of our accounting policies.

The Consolidated Financial Statements include all adjustments, consisting of normal recurring adjustments, necessary to state fairly our financial position at March 27, 2016 and December 27, 2015 and our results of operations for thirteen weeks ended March 27, 2016 and March 29, 2015 and changes in cash flows for the thirteen weeks ended March 27, 2016 and March 29, 2015. The results of operations for the interim period should not be considered indicative of results to be expected for the full year.

Out of Period Adjustments

In the period ended March 29, 2015, we recorded an out of period adjustment to the valuation allowance of a non "U.S." entity with a deferred tax liability related to an indefinite lived intangible pertaining to the third quarter ended September 28, 2014. The total impact of the adjustment on the first quarter of 2015 and year-to-date periods within 2015 is a reduction in income tax expense of $1.0 million and a reduction in net loss of $1.0 million. This adjustment was not material to any previously issued interim or annual financial statements or to the 2015 interim or annual consolidated financial statements.

In the period ended March 27, 2016, we recorded out of period adjustments to decrease a rebate accrual of $0.2 million and to increase an employee service accrual by $0.2 million. The total impact of the adjustments on the first quarter of 2016 and year-to-date periods within 2016 is an increase in revenues of $0.2 million, an increase in selling, general and administrative expenses of $0.2 million and a reduction in net loss of $0.1 million. The adjustment was not material to any previously issued interim or annual financial statements or to the 2016 interim or annual consolidated financial statements.

Customer Rebates

We record estimated reductions to revenue for customer incentive offerings, including volume-based incentives and rebates. The accrual for these incentives and rebates, which is included in the Other Accrued Expenses section of our Consolidated Balance Sheets, was $12.5 million and $10.5 million as of March 27, 2016 and December 27, 2015, respectively. We record revenues net of an allowance for estimated return activities. Return activity was immaterial to revenue and results of operations for all periods presented.

Warranty Reserves

We provide product warranties for our various products. These warranties vary in length depending on product and geographical region. We establish our warranty reserves based on historical data of warranty transactions.

The following table sets forth the movement in the warranty reserve which is located in the Other Accrued Expenses section of our Consolidated Balance Sheets:

(amounts in thousands)

Three months ended	**March 27, 2016**	**March 29, 2015**
Balance at beginning of year	$ 3,410	$ 4,379
Accruals for warranties issued, net	836	597
Settlements made	(744)	(887)
Foreign currency translation adjustment	43	(200)
Balance at end of period	$ 3,545	$ 3,889

Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss), net of tax, for the three months ended March 27, 2016 were as follows:

(amounts in thousands)	Pension plan	Other postretirement benefit plan	Changes in realized and unrealized gains (losses) on derivative hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income (loss)
Balance, December 27, 2015	$ (18,232)	$ (1,014)	$ (125)	$ (20,856)	$ (40,227)
Other comprehensive income (loss) before reclassification	(337)	—	(311)	2,192	1,544
Amounts reclassified from other comprehensive income	316	28	—	—	344
Net other comprehensive income (loss)	(21)	28	(311)	2,192	1,888
Balance, March 27, 2016	$ (18,253)	$ (986)	$ (436)	$ (18,664)	$ (38,339)

The significant items reclassified from each component of other comprehensive income (loss) for the three months ended March 27, 2016 and March 29, 2015 were as follows:

(amounts in thousands)	March 27, 2016		March 29, 2015	
Details about accumulated other comprehensive income (loss) components	Amount reclassified from accumulated other comprehensive income (loss)	Affected line item in the statement where net loss is presented	Amount reclassified from accumulated other comprehensive income (loss)	Affected line item in the statement where net loss is presented
Amortization of pension plan items				
Actuarial loss [1]	$ (439)		$ (750)	
Prior service cost [1]	(10)		(6)	
	(449)	Total before tax	(756)	Total before tax
	133	Tax benefit	3	Tax benefit
	$ (316)	Net of tax	$ (753)	Net of tax
Amortization of other postretirement benefit plan				
Actuarial loss	$ (28)		$ —	
	(28)	Total before tax	—	Total before tax
	—	Tax expense	—	Tax expense
	$ (28)	Net of tax	$ —	Net of tax
Total reclassifications for the period	$ (344)		$ (753)	

(1) These accumulated other comprehensive income components are included in the computation of net periodic pension costs. Refer to Note 10 of the Consolidated Financial Statements.

Dividend

On March 5, 2015, we declared a special dividend (the Dividend) of $0.50 per outstanding common share for all shareholders of record as of March 20, 2015. This Dividend reflects our commitment to building shareholder value through the execution of our strategic plan and a disciplined approach to capital allocation. After the Dividend, we believe we have the appropriate level of liquidity both to fund our internal initiatives and act on any strategic opportunities.

The cash dividend of $21.0 million was paid to common shareholders on April 10, 2015. Dividend distributions to shareholders are recognized as a liability in the period in which the dividend is formally approved by our Board of Directors and communicated to shareholders. The Dividend was recorded as a reduction of additional capital in Stockholders' Equity.

The Dividend did not provide any cash payment or benefit to stock options, restricted stock units, or performance shares, and instead only applied to the outstanding common stock and as outlined in the executive and director deferred compensation plans. The non-cash portion of the Dividend of $0.4 million was credited to the executive and director deferred compensation plan deferred stock accounts on April 10, 2015 in accordance with the plans.

Share Repurchase Program

In July 2015, our Board of Directors approved a stock repurchase program that authorized the repurchase of up to $30 million of our common stock to be funded using our available cash. We are authorized to repurchase from time to time shares of our outstanding common stock on the open market or in privately negotiated transactions. The timing and amount of stock repurchases, and the prices at which such purchases may be made, will depend on a variety of factors, including the market conditions as well as corporate and regulatory considerations. The share repurchase program may be suspended, modified or discontinued at any time and we have no obligation to repurchase any amount of our common stock under the program. The Merger Agreement restricts our ability to repurchase our common stock. Common stock obtained by us through the repurchase program has been added to our treasury stock holdings. There were no shares repurchased during the first fiscal quarter of 2016.

Subsequent Events

We perform a review of subsequent events in connection with the preparation of our financial statements. The accounting for and disclosure of events that occur after the balance sheet date, but before our financial statements are issued, are reflected where appropriate or required in our financial statements.

Recently Adopted Accounting Standards

In June 2014, the FASB issued “Compensation-Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period” (ASU 2014-12). The amendments in this update require that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. This update further clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. ASU 2014-12 is effective for annual periods and interim periods beginning after December 15, 2015, which for us was December 28, 2015, the first day of our 2016 fiscal year. We elected to apply this guidance prospectively to all awards granted or modified after the effective date. The adoption of this standard has not had a material effect on our consolidated results of operations and financial condition.

In January 2015, the FASB issued “Income Statement-Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items” (ASU 2015-01). The amendments in this update eliminate from GAAP the concept of extraordinary items. Although the amendments will eliminate the requirements in Subtopic 225-20 for reporting entities to consider whether an underlying event or transaction is extraordinary, the presentation and disclosure guidance for items that are unusual in nature or occur infrequently will be retained and will be expanded to include items that are both unusual in nature and infrequently occurring. ASU 2015-01 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, which for us was December 28, 2015, the first day of our 2016 fiscal year. The adoption of this standard has not had a material effect on our consolidated results of operations and financial condition.

In February 2015, the FASB issued “Consolidation (Topic 810): Amendments to the Consolidation Analysis” (ASU 2015-02). The amendments in this update modifies existing consolidation guidance related to (i) limited partnerships and similar legal entities, (ii) the evaluation of variable interests for fees paid to decision makers or service providers, (iii) the effect of fee arrangements and related parties on the primary beneficiary determination, and (iv) certain investment funds. These changes reduce the number of consolidation models from four to two and place more emphasis on the risk of loss when determining a controlling financial interest. ASU 2015-02 is effective for public companies for fiscal years beginning after December 15, 2015, which for us was December 28, 2015, the first day of our 2016 fiscal year. The adoption of this standard has not had a material effect on our consolidated results of operations and financial condition.

In April 2015, the FASB issued “Compensation-Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer’s Defined Benefit Obligation and Plan Assets” (ASU 2015-04). The amendments in this update provide a practical expedient for employers with fiscal year-ends that do not fall on a month-end by permitting those employers to measure defined benefit plan assets and obligations as of the month-end that is closest to the entity's fiscal year-end. ASU 2015-

04 is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2015, which for us was December 28, 2015, the first day of our 2016 fiscal year. The adoption of this standard has not had a material effect on our consolidated results of operations and financial condition.

In April 2015, the FASB issued “Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement” (ASU 2015-05). The amendments in this update help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement by providing guidance as to whether an arrangement includes the sale or license of software. ASU 2015-05 is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2015, which for us was December 28, 2015, the first day of our 2016 fiscal year. The adoption of this standard has not had a material effect on our consolidated results of operations and financial condition.

In June 2015, the FASB issued “Technical Corrections and Improvements” (ASU 2015-10). The amendments in this update provide technical corrections and improvements to a wide range of Topics in the Accounting Standards Codification (the Codification). The purpose of these amendments is to correct unintended differences between original guidance and the Codification, to provide clarification through updating wording or correcting references, to streamline or simplify the Codification through minor changes, and to make other minor improvements to the guidance which are not expected to have a significant effect on current accounting practice. ASU 2015-10 is effective for fiscal and interim periods beginning on or after December 15, 2015, which for us was December 28, 2015, the first day of our 2016 fiscal year. The adoption of this standard has not had a material effect on our consolidated results of operations and financial condition.

In September 2015, the FASB issued “Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments” (ASU 2015-16). The amendments in this update require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The acquirer must also record, in the same period’s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The update also requires an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 is effective for fiscal years and interim periods beginning on or after December 15, 2015, which for us was December 28, 2015, the first day of our 2016 fiscal year. The new guidance will be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier application permitted for financial statements that have not yet been made available for issuance. We do not have any business combination for which the accounting is incomplete. The adoption of this standard has not had a material effect on our consolidated results of operations and financial condition.

New Accounting Pronouncements and Other Standards

In May 2014, the FASB issued ASU 2014-09 “Revenue from Contracts with Customers (Topic 606)” (ASU 2014-09), which creates a new Topic, Accounting Standards Codification Topic 606. The standard is principle-based and provides a five-step model to determine when and how revenue is recognized. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In July 2015, the FASB approved the deferral of the effective date by one year. The accounting standard is now effective for annual and interim periods beginning after December 15, 2017, which for us is January 1, 2018, the first day of our 2018 fiscal year. The final ASU permits organizations to adopt the new revenue standard early, but not before annual and interim periods beginning after December 15, 2016. We are currently evaluating the impact of adopting this guidance.

In August 2014, the FASB issued “Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern” (ASU 2014-15). Continuation of a reporting entity as a going concern is presumed as the basis for preparing financial statements unless and until the entity’s liquidation becomes imminent. Preparation of financial statements under this presumption is commonly referred to as the going concern basis of accounting. If and when an entity’s liquidation becomes imminent, financial statements should be prepared under the liquidation basis of accounting in accordance with Subtopic 205-30, “Presentation of Financial Statements-Liquidation Basis of Accounting.” Even when an entity’s liquidation is not imminent, there may be conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern. In those situations, financial statements should continue to be prepared under the going concern basis of accounting, but the new criteria in this update should be followed to determine whether to disclose information about the relevant conditions and events. ASU 2014-15 is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. We have not early adopted ASU 2014-15. The adoption of this standard is not expected to have a material effect on our consolidated results of operations and financial condition.

In April 2015, the FASB issued “Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs” (ASU 2015-03). The amendments in this update change the presentation of debt issuance costs in financial statements requiring an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2016, which for us is December 26, 2016, the first day of our 2017 fiscal year. Early adoption is permitted. We have not early adopted ASU 2015-03. The new guidance will be applied retrospectively to each prior period presented. The adoption of this standard is not expected to have a material effect on our consolidated results of operations and financial condition.

In July 2015, the FASB issued “Inventory (Topic 330): Simplifying the Measurement of Inventory” (ASU 2015-11). The amendments in this update simplify the subsequent measurement of inventory by requiring inventory to be measured at the lower of cost and net realizable value. ASU 2015-11 is effective for fiscal and interim periods beginning on or after December 15, 2016, which for us is December 26, 2016, the first day of our 2017 fiscal year. Early application is permitted. We have not early adopted ASU 2015-11. The new guidance must be applied prospectively after the date of adoption. We are in the process of evaluating the adoption of this ASU, and do not expect this to have a material effect on our consolidated results of operations and financial condition.

In August 2015, the FASB issued “Interest-Imputation of Interest (Subtopic 835-30), Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting” (ASU 2015-15). The amendments to the SEC Paragraphs in this update state that given the absence of authoritative guidance within ASU 2015-03 for debt issuance costs related to line-of-credit arrangements, the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The guidance in ASU 2015-15 is effective upon the adoption of ASU 2015-03, which for us is December 26, 2016, the first day of our 2017 fiscal year, and is not expected to have a material effect on our consolidated results of operations and financial condition.

In January 2016, the FASB issued “Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities” (ASU 2016-01). This update amends the guidance in U.S. GAAP on the classification and measurement of financial instruments. Changes to the current guidance primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the ASU clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. ASU 2016-01 is effective for fiscal years and interim periods beginning after December 15, 2017, which for us is January 1, 2018, the first day of our 2018 fiscal year. Upon adoption, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is not permitted except for the provision to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in other comprehensive income. We are currently evaluating the impact of adopting this guidance.

In February 2016, the FASB issued “Leases (Topic 842)” (ASU 2016-02). This update amends leasing accounting requirements. The most significant change will result in the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under current guidance. The new guidance will also require significant additional disclosures about the amount, timing and uncertainty of cash flows from leases. ASU 2016-02 is effective for fiscal years and interim periods beginning after December 15, 2018, which for us is December 31, 2018, the first day of our 2019 fiscal year. Upon adoption, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Early adoption is permitted, and a number of optional practical expedients may be elected to simplify the impact of adoption. We have not early adopted ASU 2016-02. We are currently evaluating the impact of adopting this guidance. The overall impact is that assets and liabilities arising from leases are expected to increase based on the present value of remaining estimated lease payments at the time of adoption.

In February 2016, the FASB issued “Derivatives and Hedging (Topic 815)” (ASU 2016-05). The amendments in this guidance clarify that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument under Topic 815 does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. ASU 2016-05 is effective for annual and interim periods beginning after December 15, 2016, which for us is December 26, 2016, the first day of our 2017 fiscal year, and is not expected to have a material effect on our consolidated results of operations and financial condition.

In March 2016, the FASB issued “Revenue from Contracts with Customers - Principal versus Agent Considerations (Reporting revenue gross versus net)” (ASU 2016-08), which clarifies gross versus net revenue reporting when another party is involved in the transaction. In April 2016, the FASB issued “Identifying Performance Obligations and Licensing” (ASU 2016-10) which amends the revenue guidance on identifying performance obligations and accounting for licenses of intellectual property. There are two transition methods available under the new standard, either cumulative effect or retrospective. The guidance in ASU 2016-08 and 2016-10 is effective upon the adoption of ASU 2014-09, which for us is January 1, 2018, the first day of our 2018 fiscal year. We are currently evaluating the impact of adopting this guidance.

In March 2016, the FASB issued “Compensation-Stock Compensation (Topic 718)” (ASU 2016-09) , which aims to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, classification of certain items on the statement of cash flows and accounting for forfeitures. The ASU is effective for annual and interim periods beginning after December 15, 2016, which for us is December 26, 2016, the first day of our 2017 fiscal year. Early application is permitted. We have not early adopted ASU 2016-09. We are currently evaluating the impact of adopting this guidance.

Note 2. INVENTORIES

Inventories consist of the following:

(amounts in thousands)	March 27, 2016	December 27, 2015
Raw materials	$ 18,672	$ 17,313
Work-in-process	3,215	2,709
Finished goods	68,704	62,104
Total	$ 90,591	$ 82,126

Note 3. GOODWILL AND OTHER INTANGIBLE ASSETS

We had intangible assets with a net book value of $45.5 million and $47.8 million as of March 27, 2016 and December 27, 2015, respectively.

The following table reflects the components of intangible assets as of March 27, 2016 and December 27, 2015:

		March 27, 2016		December 27, 2015	
(amounts in thousands)	Amortizable Life (years)	Gross Amount	Gross Accumulated Amortization	Gross Amount	Gross Accumulated Amortization
Finite-lived intangible assets:					
Customer lists	6 to 20	$ 76,187	$ 62,855	$ 75,649	$ 61,095
Trade name	1 to 30	25,064	17,382	24,598	16,937
Patents, license agreements	3 to 14	55,574	52,437	55,053	51,422
Internal-use software	3 to 7	24,705	18,155	24,489	17,348
Other	2 to 6	6,943	6,889	6,968	6,896
Total amortized finite-lived intangible assets		188,473	157,718	186,757	153,698
Indefinite-lived intangible assets:					
Trade name		14,718	—	14,718	—
Total identifiable intangible assets		$ 203,191	$ 157,718	$ 201,475	$ 153,698

Amortization expense for the three months ended March 27, 2016 and March 29, 2015 was $2.7 million and $2.7 million, respectively.

Estimated amortization expense for each of the five succeeding years is anticipated to be:

(amounts in thousands)		
2016 [(1)]	$	10,479
2017	$	9,389
2018	$	3,492
2019	$	2,480
2020	$	1,721

(1) The estimated amortization expense for the remainder of 2016 is anticipated to be $7.8 million.

The changes in the carrying amount of goodwill are as follows:

(amounts in thousands)		Merchandise Availability Solutions		Apparel Labeling Solutions		Retail Merchandising Solutions		Total
Balance as of December 28, 2014	$	149,646	$	2,116	$	21,807	$	173,569
Translation adjustments		(7,233)		—		(2,226)		(9,459)
Balance as of December 27, 2015	$	142,413	$	2,116	$	19,581	$	164,110
Translation adjustments		1,326		—		387		1,713
Balance as of March 27, 2016	$	143,739	$	2,116	$	19,968	$	165,823

The following table reflects the components of goodwill as of March 27, 2016 and December 27, 2015:

	March 27, 2016						December 27, 2015					
(amounts in thousands)		Gross Amount		Accumulated Impairment Losses		Goodwill, Net		Gross Amount		Accumulated Impairment Losses		Goodwill, Net
Merchandise Availability Solutions	$	176,928	$	33,189	$	143,739	$	175,602	$	33,189	$	142,413
Apparel Labeling Solutions		82,747		80,631		2,116		82,747		80,631		2,116
Retail Merchandising Solutions		111,364		91,396		19,968		110,977		91,396		19,581
Total goodwill	$	371,039	$	205,216	$	165,823	$	369,326	$	205,216	$	164,110

We perform an assessment of goodwill by comparing each individual reporting unit's carrying amount of net assets, including goodwill, to their fair value at least annually during the October month-end close and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The 2015 and 2014 annual assessments did not result in an impairment charge.

The May 2011 acquisition of the Shore to Shore businesses included a purchase price payment to escrow of $17.5 million related to the 2010 performance of the acquired business. This amount was subject to adjustment pending final determination of the 2010 performance and could have resulted in an additional purchase price payment of up to $6.3 million. In the third quarter of 2015, we engaged in discussions with the sellers regarding the possibility of reaching a settlement of this matter. On August 25, 2015, we entered into a settlement with the sellers. Pursuant to the settlement, the sellers received the $17.5 million in escrow, plus the earnings in the escrow account, in exchange for full and final resolution of this matter between the parties. As a result of this settlement, there is no final adjustment to the purchase price recognized through earnings and we are released from any and all claim or liability in connection with the final determination of the 2010 performance. Acquisition related costs incurred in connection with the transaction, including legal and other arbitration-related costs, are recognized within Acquisition Costs in the Consolidated Statement of Operations were $0.1 million for the three months ended March 29, 2015.

Note 4. MERGER TRANSACTION

On March 1, 2016, Checkpoint Systems, Inc., CCL Industries Inc., a corporation organized under the laws of Canada (CCL), and CCL Industries USA Corp., a Pennsylvania corporation and a wholly owned indirect subsidiary of CCL (Merger Sub) entered into an Agreement and Plan of Merger (the Merger Agreement).

The Merger Agreement provides, subject to the terms and conditions set forth therein, that Merger Sub will be merged with and into us (the Merger) and we will survive the Merger as a wholly owned subsidiary of CCL. At the effective time of the Merger (the Effective Time), each share of our common stock outstanding immediately prior to the Effective Time (other than shares owned by us and our subsidiaries, CCL or Merger Sub) will be automatically converted into the right to receive $10.15 in cash, without interest (the Merger Consideration).

Our Board of Directors (the Board) has unanimously approved the Merger Agreement and the transactions contemplated thereby, including the Merger. The closing of the Merger is subject to the approval of the Merger Agreement by the affirmative vote of at least a majority of the outstanding shares of our common stock entitled to vote thereon (the Shareholder Approval). The closing of the Merger is also subject to various customary conditions, including the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the receipt of all other required antitrust approvals, the absence of any governmental order prohibiting the consummation of the transactions contemplated by the Merger Agreement, the accuracy of the representations and warranties contained in the Merger Agreement (subject to certain materiality qualifications) and compliance with the covenants and agreements in the Merger Agreement in all material respects.

We have made customary representations, warranties and covenants in the Merger Agreement, including covenants (1) to conduct our business in the ordinary course during the period between the execution of the Merger Agreement and the closing of the Merger, (2) not to engage in specified types of transactions during this period unless agreed to in writing by CCL and (3) to convene and hold a meeting of our shareholders for the purpose of obtaining the Shareholder Approval.

The Merger Agreement contains certain termination rights for both us and CCL, including our right to terminate the Merger Agreement to accept a superior proposal after complying with certain requirements. In addition, either party may terminate the Merger Agreement if the Merger is not consummated on or before December 1, 2016 (which may be extended to March 1, 2017 in certain circumstances specified in the Merger Agreement). The Merger Agreement further provides that upon termination of the Merger Agreement under specified circumstances, we or CCL may be required to pay the other party a termination fee of $13 million.

Transaction costs incurred in connection with the merger are recognized within Merger Transaction Costs in the Consolidated Statement of Operations and were approximately $6.0 million for the three months ending March 27, 2016. In accordance with the Merger Agreement, all unvested stock-based compensation awards will immediately vest at the merger date. This will result in an increase to our stock-based compensation cost in the Consolidated Statement of Operations in the second quarter of 2016.

On April 4, 2016, the United States Federal Trade Commission granted early termination of the required waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, with respect to our proposed acquisition by CCL. The transaction remains subject to other customary closing, including approval by Checkpoint's shareholders. A special meeting of shareholders is scheduled for May 11, 2016 to consider and vote upon: 1) approval of the Merger Agreement, 2) compensation arrangements that may be payable to our named executive officers in connection with the consummation of the Merger, and 3) to approve the adjournment of the special meeting, if deemed necessary, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the Merger Agreement. Assuming approval or waiver of all closing conditions, the transaction is currently expected to close in the second quarter of 2016.

Note 5. DEBT

Debt as of March 27, 2016 and December 27, 2015 consisted of the following:

(amounts in thousands)	March 27, 2016	December 27, 2015
2013 Senior Secured Credit Facility:		
$200 million variable interest rate revolving credit facility maturing in 2018	$ 70,000	$ 70,000
Bank overdraft credit facility	91	40
Capital leases with maturities through 2021	619	601
Total	70,710	70,641
Less current portion	338	279
Total long-term portion	$ 70,372	$ 70,362

2013 Senior Secured Credit Facility

On December 11, 2013, we entered into a $200.0 million five-year senior secured multi-currency revolving credit facility (2013 Senior Secured Credit Facility) agreement (2013 Credit Agreement) with a syndicate of lenders. All obligations under the 2013 Senior Secured Credit Facility are irrevocably and unconditionally guaranteed on a joint and several basis by certain domestic subsidiaries. Collateral under the 2013 Senior Secured Credit Facility includes a 100% stock pledge of domestic subsidiaries and a 65% stock pledge of all first-tier foreign subsidiaries, excluding our Japanese subsidiary. All domestic tangible and intangible personal property, excluding any real property with a value of less than $5 million, are also pledged as collateral.

Borrowings under the 2013 Senior Secured Credit Facility, other than swingline loans, bear interest at our option of either (i) a spread ranging from 0.25% to 1.25% over the Base Rate (as described below), or (ii) a spread ranging from 1.25% to 2.25% over the LIBOR rate, and in each case fluctuating in accordance with changes in our leverage ratio, as defined in the 2013 Credit Agreement. The "Base Rate" is the highest of (i) the Federal Funds Rate, plus 0.50%, (ii) the Administrative Agent’s prime rate, and (iii) a daily rate equal to the one-month LIBOR rate, plus 1.00%. Swingline loans bear interest of a spread ranging from 0.25% to 1.25% over the Base Rate. We pay an unused line fee ranging from 0.20% to 0.40% per annum on the unused portion of the 2013 Senior Secured Credit Facility.

Pursuant to the terms of the 2013 Senior Secured Credit Facility, we are subject to various requirements, including covenants requiring the maintenance of (i) a maximum total leverage ratio of 3.00 and (ii) a minimum interest coverage ratio of 3.00. We are in compliance with the maximum total leverage ratio and minimum interest coverage ratio as of March 27, 2016. The 2013 Senior Secured Credit Facility also contains customary representations and warranties, affirmative and negative covenants, notice provisions and events of default, including change of control, cross-defaults to other debt, and judgment defaults. Upon a default under the 2013 Senior Secured Credit Facility, including the non-payment of principal or interest, our obligations under the 2013 Credit Agreement may be accelerated and the assets securing such obligations may be sold.

As of March 27, 2016, there were $1.3 million in issued letters of credit outstanding under the 2013 Senior Secured Credit Facility.

Financing Liability

In June 2011, we sold, to a financial institution in Spain, rights to future customer receivables resulting from the negotiated extension of previously executed sales-type lease arrangements, whose receivables were previously sold. The 2011 transaction qualified as a legal sale without recourse. However, until the receivables are recognized, the proceeds from the fiscal 2011 legal sale are accounted for as a financing arrangement and reflected as Financing Liability in our Consolidated Balance Sheets. The balance of the financing liability is $32.9 million and $31.7 million as of March 27, 2016 and December 27, 2015, respectively. Of this balance, $21.3 million was included in current portion of financing liability as of March 27, 2016. We impute a non-cash interest charge on the financing liability using a rate of 6.365%, which we recognize as interest expense, until our right to recognize the legal sales permits us to de-recognize the liability and record operating income on the sale. We recognized interest expense related to the financing liability for the three months ended March 27, 2016 and March 29, 2015 of $0.5 million and $0.5 million, respectively.

During fiscal 2016 through 2018, when we are permitted to recognize the lease receivables upon the commencement of the lease extensions, we expect to de-recognize both the associated receivables and the related financing liability and record other operating income on the sale. At this point, our obligation under the financing liability will have been extinguished.

In March 2015, we again sold rights to future customer receivables to a financial institution in Spain resulting from the negotiated extension of previously executed sales-type lease arrangements. The 2015 transaction qualified as a legal sale without recourse. For the three months ended March 29, 2015, we recognized $0.4 million of income on the sale in Other Operating Income on our Consolidated Statement of Operations. A portion of the receivables were previously sold to another financial institution and we did not complete the reacquisition of these receivables until after the end of the first quarter of 2015. Therefore, a portion of the proceeds from the fiscal 2015 legal sale were accounted for as a financing arrangement and reflected as Financing Liability in our Consolidated Balance Sheets until the reacquisition of the receivables was completed in the second quarter of 2015. The balance of the financing liability was $1.1 million as of March 29, 2015.

Note 6. STOCK-BASED COMPENSATION

Stock-based compensation cost recognized in operating results (included in selling, general, and administrative expenses) for the three months ended March 27, 2016 and March 29, 2015 was $1.1 million and $1.5 million ($1.1 million and $1.4 million, net of tax), respectively. The associated actual tax benefit realized for the tax deduction from option exercises of share-based payment units and awards released equaled $0.1 million and $0.2 million for the three months ended March 27, 2016 and March 29, 2015, respectively.

Stock Options

Option activity under the principal option plans as of March 27, 2016 and changes during the three months ended March 27, 2016 were as follows:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 27, 2015	2,265,992	$ 16.59	4.49	$ 19
Granted	16,200	6.04		
Exercised	(35,943)	7.80		
Forfeited or expired	(153,481)	20.67		
Outstanding at March 27, 2016	2,092,768	$ 16.36	4.11	$ 1,053
Vested and expected to vest at March 27, 2016	2,040,374	$ 16.50	3.99	$ 984
Exercisable at March 27, 2016	1,744,174	$ 17.38	3.17	$ 623

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between our closing stock price on the last trading day of the first quarter of fiscal 2016 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on March 27, 2016. This amount changes based on the fair market value of our stock. The total intrinsic value of options exercised for the three months ended March 27, 2016 and March 29, 2015 was $0.1 million and $40 thousand, respectively.

As of March 27, 2016, $1.2 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 1.8 years.

The fair value of share-based payment units was estimated using the Black-Scholes option pricing model. The table below presents the weighted-average expected life in years. The expected life computation is based on historical exercise patterns and post-vesting termination behavior. The expected dividend yield is based on the estimate of annual dividends expected to be paid at the time of the grant. Volatility is determined using changes in historical stock prices. The interest rate for periods within the expected life of the award is based on the U.S. Treasury yield curve in effect at the time of grant.

The weighted-average fair values and assumptions were as follows:

Three months ended	March 27, 2016	March 29, 2015
Weighted-average fair value of grants	$ 2.15	$ 5.54
Valuation assumptions:		
Expected life (in years)	3.97	5.53
Expected dividend yield	0.00%	0.00%
Expected volatility	44.19%	46.05%
Risk-free interest rate	1.435%	1.540%

Restricted Stock Units

Nonvested restricted stock units as of March 27, 2016 and changes during the three months ended March 27, 2016 were as follows:

	Number of Shares	Weighted-Average Vest Date (in years)	Weighted-Average Grant Date Fair Value
Nonvested at December 27, 2015	942,916	0.74	$ 16.88
Granted	505,680		$ 7.25
Vested	(309,350)		$ 6.64
Forfeited	(34,224)		$ 13.15
Nonvested at March 27, 2016	1,105,022	1.51	$ 15.46
Vested and expected to vest at March 27, 2016	990,689	1.43	
Vested and deferred at March 27, 2016	345,625	—	

The total fair value of restricted stock awards vested during the first three months of 2016 was $2.1 million as compared to $3.2 million in the first three months of 2015. As of March 27, 2016, there was $5.2 million of unrecognized stock-based compensation expense related to nonvested restricted stock units (RSUs). That cost is expected to be recognized over a weighted-average period of 2.1 years.

Long-Term Incentive Plans (LTIPs)

The following awards of restricted stock units (RSUs) with a performance or market condition are excluded from the balance of nonvested RSUs at March 27, 2016 in the table above.

On February 29, 2016, RSUs were awarded to certain key employees as part of the LTIP 2016 plan. These awards have a market condition and a service condition over the period January 2016 to December 2018. The number of shares for these units varies based on the relative ranking of our total shareholder return (TSR) against the TSRs of the constituents of a peer group established by our compensation committee. The value of these units is charged to compensation expense on a straight-line basis over the vesting period with periodic adjustments to account for changes in anticipated award amounts and estimated forfeitures rates. Compensation expense of $22 thousand was recognized in connection with these RSUs for the three months ended March 27, 2016. As of March 27, 2016, total unamortized compensation expense for these grants was $1.6 million. As of March 27, 2016, the maximum achievable RSUs outstanding under this plan are 305,400 units.

On February 27, 2014, RSUs were awarded to certain key employees as part of the LTIP 2014 plan. The number of shares for these units varies based on the growth of our earnings before interest, taxes, depreciation, and amortization (EBITDA) during the January 2014 to December 2016 performance period. The value of these units was charged to compensation expense on a straight-line basis over the vesting period with periodic adjustments to account for changes in anticipated award amounts and estimated forfeitures rates. Compensation expense of $50 thousand was recognized in connection with these RSUs for the three months ended March 29, 2015 without comparable expense for the three months ended March 27, 2016. As of September 27, 2015, we assessed the performance of our LTIP 2014 plan. Due to current and projected shortfalls in our EBIDTA growth compared to the LTIP 2014 plan requirements, we concluded that it was probable that these performance conditions would not be met. We therefore reversed $0.5 million of previously recognized compensation cost during the third quarter of 2015.

On February 27, 2013, RSUs were awarded to certain key employees as part of the LTIP 2013 plan. These awards have a market condition. The number of shares for these units varies based on the relative ranking of our total shareholder return (TSR) against the TSRs of the constituents of the Russell 2000 Index during the January 2013 to December 2015 performance period. The value of these units was charged to compensation expense on a straight-line basis over the vesting period with periodic adjustments to account for changes in anticipated award amounts and estimated forfeitures rates. Compensation expense of $2 thousand was reversed in connection with these RSUs in the first quarter of 2015. Due to not meeting the market condition set in the Plan requirements, no RSUs were earned under the plan.

On May 2, 2013 a cash-based performance award was awarded to our CEO under the terms of our LTIP 2013 plan. Our relative TSR performance determines the payout as a percentage of an established target cash amount of $0.4 million. Because the final payout of the award is made in cash, the award was classified as a liability and the fair value was marked-to-market each reporting period. The value of this award was charged to compensation expense on a straight-line basis over the vesting period which ended December 31, 2015. Compensation expense of $83 thousand was reversed in the first quarter of 2015. During the third quarter of 2015, due to our low ranking among peers and the short remaining period, the fair value of the award was reduced to zero. Compensation expense of $0.1 million was fully reversed in the first nine months of 2015.

Other Compensation Arrangements

On March 15, 2010, we initiated a plan in which time-vested cash unit awards were granted to eligible employees. The time-vested cash unit awards under this plan vest evenly over two or three years from the date of grant. The total amount accrued related to the plan equaled $0.2 million as of March 27, 2016, of which $0.3 million was expensed for the three months ended March 27, 2016. The total amount accrued related to the plan equaled $0.3 million as of March 29, 2015, of which $0.2 million was expensed for the three months ended March 29, 2015. The associated liability is included in Accrued Compensation and Related Taxes in the accompanying Consolidated Balance Sheets.

Note 7. SUPPLEMENTAL CASH FLOW INFORMATION

Cash payments for interest and income taxes for the three months ended March 27, 2016 and March 29, 2015 were as follows:

(amounts in thousands)

Three months ended	March 27, 2016	March 29, 2015
Interest	$ 502	$ 380
Income tax payments	$ 1,188	$ 1,358

As of March 27, 2016 and March 29, 2015, we accrued $1.0 million and $1.6 million, respectively, of capital expenditures. These amounts were excluded from the Consolidated Statements of Cash Flows at March 27, 2016 and March 29, 2015 since they represent non-cash investing activities. Accrued capital expenditures at March 27, 2016 and March 29, 2015 are included in accounts payable and other accrued expenses on the Consolidated Balance Sheets. A special dividend was declared on March 5, 2015. The cash portion of the Dividend of $21.0 million was paid to common shareholders on April 10, 2015. The non-cash portion of the Dividend of $0.4 million was also credited to the executive and director deferred compensation plan deferred stock accounts on April 10, 2015 in accordance with the plans.

Note 8. EARNINGS PER SHARE

The following data shows the amounts used in computing earnings per share and the effect on net earnings and the weighted-average number of shares of dilutive potential common stock:

	Quarter (13 weeks) Ended	
(amounts in thousands, except per share data)	**March 27, 2016**	**March 29, 2015**
Net loss available to common stockholders	$ (32,521)	$ (2,559)
Shares:		
Weighted-average number of common shares outstanding	41,485	41,852
Shares issuable under deferred compensation agreements	811	805
Basic weighted-average number of common shares outstanding	42,296	42,657
Common shares assumed upon exercise of stock options and awards	—	—
Unvested shares issuable under deferred compensation arrangements	—	—
Dilutive weighted-average number of common shares outstanding	42,296	42,657
Basic loss per share	$ (0.77)	$ (0.06)
Diluted loss per share	$ (0.77)	$ (0.06)

Anti-dilutive potential common shares are not included in our earnings per share calculation. The Long-term Incentive Plan restricted stock units were excluded from our calculation due to performance vesting criteria not being met.

The number of anti-dilutive common share equivalents for the three months ended March 27, 2016 and March 29, 2015 were as follows:

	Quarter (13 weeks) Ended	
(amounts in thousands)	**March 27, 2016**	**March 29, 2015**
Weighted-average common share equivalents associated with anti-dilutive stock options and restricted stock units excluded from the computation of diluted loss per share(1)	2,619	2,210

(1) Stock options and awards of 126 thousand shares and deferred compensation arrangements of 39 thousand shares were anti-dilutive in the first three months ended March 27, 2016 and were therefore excluded from the loss per share calculation due to our net loss for the period. Stock options and awards of 292 thousand shares and deferred compensation arrangements of 27 thousand shares were anti-dilutive in the first three months ended March 29, 2015, and were therefore excluded from the loss per share calculation due to our loss for the period.

Note 9. INCOME TAXES

The effective tax rate for the three months ended March 27, 2016 was negative 26.6% as compared to negative 279.7% for the three months ended March 29, 2015. The change in the effective tax rate for the three months ended March 27, 2016 was due to the mix of income between subsidiaries, increased losses, specifically in the United States and Germany, for entities with valuation allowances for which no tax benefit is received and a discrete expense related to the change in indefinite reinvestment assertion on one of our foreign subsidiaries.

We evaluate our deferred income taxes quarterly to determine if valuation allowances are required or should be adjusted. We are required to assess whether valuation allowances should be established against their deferred tax assets based on all available evidence, both positive and negative, using a “more likely than not” standard. In the assessment for a valuation allowance, appropriate consideration is given to all positive and negative evidence related to the realization of the deferred tax assets. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, our experience with loss carryforwards not expiring, and tax planning alternatives. We operate and derive income across multiple jurisdictions. As each of the respective lines of business experiences changes in operating results across their geographic footprint, we may encounter losses in jurisdictions that have been historically profitable, and as a result might require additional valuation allowances to be recorded against certain deferred tax asset balances. As of March 27, 2016 and December 27, 2015, we had net deferred tax assets of $8.3 million and $8.0 million, respectively.

There was a change in accounting principle related to our early adoption of ASU 2015-17 on a prospective basis as of December 27, 2015. The adoption resulted in a decrease to current assets, a decrease to current liabilities, and an increase to both noncurrent deferred tax assets and liabilities. The adoption of the ASU to classify all of our deferred tax assets and liabilities as noncurrent will reduce time, complexity and costs to prepare our tax disclosures related to deferred income taxes.

We are currently under audit in the following major jurisdictions: India - 2010 to 2013 and France - 2012 to 2013. The following major jurisdictions have tax years that remain subject to examination: Germany - 2010 to 2015, United States - 2012 to 2015, China - 2012 to 2015 and Hong Kong - 2009 to 2015. Our tax returns for open years in all jurisdictions are subject to changes upon examination.

We operate under tax holidays in certain countries, which are effective through dates ranging from 2016 to 2017, and may be extended if certain additional requirements are satisfied. The tax holidays are conditional upon our meeting certain employment and investment thresholds.

As of March 27, 2016, we changed our assertion with respect to the unremitted earnings for one of our foreign subsidiaries for which we have historically asserted that we were indefinitely reinvested. The change in the assertion results in $6.7 million of tax expense during the current quarter.

Note 10. PENSION BENEFITS

The components of net periodic benefit cost for the three months ended March 27, 2016 and March 29, 2015 were as follows:

	Quarter (13 weeks) Ended	
(amounts in thousands)	**March 27, 2016**	**March 29, 2015**
Service cost	$ 269	$ 304
Interest cost	577	535
Expected return on plan assets	(25)	(34)
Amortization of actuarial loss	439	750
Amortization of prior service costs	10	6
Net periodic pension cost	$ 1,270	$ 1,561

We expect the cash requirements for funding the pension benefits to be approximately $4.3 million during fiscal 2016, including $1.2 million which was funded during the three months ended March 27, 2016.

Note 11. FAIR VALUE MEASUREMENT, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value Measurement

We utilize the market approach to measure fair value for our financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

The fair value hierarchy is intended to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions. The fair value hierarchy consists of the following three levels:

- Level 1 Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data.
- Level 3 Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

Because our derivatives are not listed on an exchange, we values these instruments using a valuation model with pricing inputs that are observable in the market or that can be derived principally from or corroborated by observable market data. Our methodology also incorporates the impact of both the Company's and the counterparty's credit standing.

The following tables represent our assets and liabilities measured at fair value on a recurring basis as of March 27, 2016 and December 27, 2015 and the basis for that measurement:

(amounts in thousands)	March 27, 2016			
	Total Fair Value Measurement March 27, 2016	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foreign currency forward exchange contracts	$ 38	$ —	$ 38	$ —
Foreign currency revenue forecast contracts	5	—	5	—
Total assets	$ 43	$ —	$ 43	$ —
Foreign currency forward exchange contracts	$ 323	$ —	$ 323	$ —
Foreign currency revenue forecast contracts	306	—	306	—
Total liabilities	$ 629	$ —	$ 629	$ —

(amounts in thousands)	December 27, 2015			
	Total Fair Value Measurement December 27, 2015	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foreign currency forward exchange contracts	$ 109	$ —	$ 109	$ —
Total assets	$ 109	$ —	$ 109	$ —
Foreign currency revenue forecast contracts	$ 135	$ —	$ 135	$ —
Total liabilities	$ 135	$ —	$ 135	$ —

The following table provides a summary of the activity associated with all of our designated cash flow hedges (foreign currency) reflected in accumulated other comprehensive income for the three months ended March 27, 2016 and the year ended December 27, 2015.

(amounts in thousands)	March 27, 2016	December 27, 2015
Beginning balance, net of tax	$ (125)	$ —
Changes in fair value gain, net of tax	(310)	(125)
Ending balance, net of tax	$ (435)	$ (125)

We believe that the fair values of our current assets and current liabilities (cash, accounts receivable, accounts payable, and other current liabilities) approximate their reported carrying amounts. The carrying values and the estimated fair values of non-current financial assets and liabilities that qualify as financial instruments and are not measured at fair value on a recurring basis at March 27, 2016 and December 27, 2015 are summarized in the following table:

(amounts in thousands)	March 27, 2016		December 27, 2015	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Long-term debt (including current maturities and excluding capital leases and factoring)[1]				
2013 Senior secured credit facility	$ 70,000	$ 70,000	$ 70,000	$ 70,000

(1) The carrying amounts are reported on the Consolidated Balance Sheets under the indicated captions.

Long-term debt is carried at the original offering price, less any payments of principal. The carrying amount of the Senior Secured Credit Facility approximates fair value due to the variable rate nature of its interest at current market rates. The related fair value measurement has generally been classified as Level 2.

Financial Instruments and Risk Management

We manufacture products in the U.S., Europe, and the Asia Pacific region for both the local marketplace and for export to our foreign subsidiaries. The foreign subsidiaries, in turn, sell these products to customers in their respective geographic areas of operation, generally in local currencies. This method of sale and resale gives rise to the risk of gains or losses as a result of currency exchange rate fluctuations on inter-company receivables and payables. Additionally, the sourcing of product in one currency and the sales of product in a different currency can cause gross margin fluctuations due to changes in currency exchange rates.

Our major market risk exposures are movements in foreign currency and interest rates. We have historically not used financial instruments to minimize our exposure to currency fluctuations on our net investments in and cash flows derived from our foreign subsidiaries. We have used third-party borrowings in foreign currencies to hedge a portion of our net investments in and cash flows derived from our foreign subsidiaries. A reduction in our third party foreign currency borrowings will result in an increase of foreign currency fluctuations on our net investments in and cash flows derived from our foreign subsidiaries.

We enter into forward exchange contracts to reduce the risks of currency fluctuations on short-term inter-company receivables and payables. These contracts are entered into with major financial institutions, thereby minimizing the risk of credit loss. We will consider using interest rate derivatives to manage interest rate risks when there is a disproportionate ratio of floating and fixed-rate debt. We do not hold or issue derivative financial instruments for speculative or trading purposes. We are subject to other foreign exchange market risk exposure resulting from anticipated non-financial instrument foreign currency cash flows which are difficult to reasonably predict, and have therefore not been included in the table of fair values. All listed items described are non-trading.

The following table presents the fair values of derivative instruments included within the Consolidated Balance Sheets as of March 27, 2016 and December 27, 2015:

	March 27, 2016				December 27, 2015			
	Asset Derivatives		Liability Derivatives		Asset Derivatives		Liability Derivatives	
(amounts in thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments								
Foreign currency revenue forecast contracts	Other current assets	$ 5	Other current liabilities	$ 306	Other current assets	$ —	Other current liabilities	$ 135
Total derivatives designated as hedging instruments		5		306		—		135
Derivatives not designated as hedging instruments								
Foreign currency forward exchange contracts	Other current assets	38	Other current liabilities	323	Other current assets	109	Other current liabilities	—
Total derivatives not designated as hedging instruments		38		323		109		—
Total derivatives		$ 43		$ 629		$ 109		$ 135

The following table represents the amounts affecting the Consolidated Statements of Operations for the three months ended March 27, 2016 and March 29, 2015:

	March 27, 2016			
(amounts in thousands)	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives	Location of Gain (Loss) Reclassified from Other Comprehensive Income into Income	Amount of Gain (Loss) Reclassified From Accumulated Other Comprehensive Income into Income	Amount of Forward Points Recognized in Other Gain (Loss), net
Derivatives designated as cash flow hedges				
Foreign currency revenue forecast contracts	$ (435)	Cost of sales	$ —	$ 24

	March 29, 2015			
(amounts in thousands)	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives	Location of Gain (Loss) Reclassified from Other Comprehensive Income into Income	Amount of Gain (Loss) Reclassified From Accumulated Other Comprehensive Income into Income	Amount of Forward Points Recognized in Other Gain (Loss), net
Derivatives designated as cash flow hedges				
Foreign currency revenue forecast contracts	$ —	Cost of sales	$ —	$ —

	March 27, 2016		March 29, 2015	
(amounts in thousands)	Amount of Gain (Loss) Recognized in Income on Derivatives	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives	Location of Gain (Loss) Recognized in Income on Derivatives
Derivatives not designated as hedging instruments:				
Foreign exchange forwards and options	$ (203)	Other gain (loss), net	$ 545	Other gain (loss), net

We selectively purchase currency forward exchange contracts to reduce the risks of currency fluctuations on short-term inter-company receivables and payables. These contracts guarantee a predetermined exchange rate at the time the contract is purchased. This allows us to shift the effect of positive or negative currency fluctuations to a third party. Transaction gains or losses resulting from these contracts are recognized at the end of each reporting period. We use the fair value method of accounting, recording realized and unrealized gains and losses on these contracts. These gains and losses are included in other gain (loss), net on our Consolidated Statements of Operations. As of March 27, 2016, we had currency forward exchange contracts with notional amounts totaling approximately $15.6 million. The fair values of the forward exchange contracts were reflected as a $38 thousand asset and a $0.3 million liability included in other current assets and other current liabilities in the accompanying Consolidated Balance Sheets. The contracts are in the various local currencies covering primarily our operations in the U.S. and Western Europe. Historically, we have not purchased currency forward exchange contracts where it is not economically efficient, specifically for our operations in South America and Asia, with the exception of Japan.

Beginning in the fourth quarter of 2015, we entered into various foreign currency contracts to reduce our exposure to forecasted Euro-denominated inter-company revenues. These contracts were designated as cash flow hedges. The foreign currency contracts mature at various dates from April 2016 to March 2017. The purpose of these cash flow hedges is to reduce our exposure to the currency risk associated with Euro-denominated forecasted inter-company revenues due to changes in exchange rates. These cash flow hedging instruments are marked to market and the changes are recorded in other comprehensive income. Amounts recorded in other comprehensive income are recognized in cost of goods sold as the inventory is sold to external parties. Any hedge ineffectiveness is charged to other gain (loss), net on our Consolidated Statements of Operations. As of March 27, 2016, the fair value of these cash flow hedges was reflected as a $5 thousand asset and a $0.3 million liability and are included in other current assets and other current liabilities in the accompanying Consolidated Balance Sheets. The total notional amount of these hedges is $16.5 million (€15.0 million) and the unrealized loss recorded in other comprehensive income was $0.4 million (net of taxes of $0), of which $0.4 million is expected to be reclassified to earnings over the next twelve months. During the three months ended March 27, 2016, no benefit related to these foreign currency hedges was recorded to cost of goods sold as no inventory was sold to external parties. We did not recognize any hedge ineffectiveness during the three months ended March 27, 2016.

Note 12. PROVISION FOR RESTRUCTURING

Profit Enhancement Plan

During September 2014, we initiated the Profit Enhancement Plan focused on increasing profitability through strategic headcount reductions and the streamlining of manufacturing processes. The first phase of this plan was implemented in the third quarter of 2014 and was expanded in the fourth quarter of 2015. The remaining phases of the plan, including headcount reductions, are expected to be substantially completed by the fourth quarter of 2016.

For the three months ended March 27, 2016, the net charge to earnings of $0.4 million represents the current year activity related to the Profit Enhancement Plan. Total costs of the plan are $16 million through March 27, 2016. Termination benefits are planned to be paid 1 month to 24 months after termination.

Global Restructuring Plan (including LEAN)

During September 2011, we initiated the Global Restructuring Plan focused on further reducing our overall operating expenses by including manufacturing and other cost reduction initiatives, such as consolidating certain manufacturing facilities and administrative functions to improve efficiencies. This plan was further expanded in the first quarter of 2012 and again during the second quarter of 2012 to include Project LEAN. All projects in our Global Restructuring Plan including Project LEAN have been substantially completed.

For the three months ended March 27, 2016, the net charge to earnings of $30 thousand represents the current year activity related to the Global Restructuring Plan including Project LEAN. Total costs related to the plan of $60 million have been incurred through March 27, 2016. All terminations for the plan were substantially completed during the fourth quarter of 2014. Termination benefits are planned to be paid 1 month to 24 months after termination.

Restructuring expense for the three months ended March 27, 2016 and March 29, 2015 was as follows:

	Quarter (13 weeks) Ended	
(amounts in thousands)	**March 27, 2016**	**March 29, 2015**
Profit Enhancement Plan		
Severance and other employee-related charges	$ 332	$ 1,346
Other exit costs	70	47
Global Restructuring Plan (including LEAN)		
Severance and other employee-related charges	28	(89)
Other exit costs	2	—
Total	$ 432	$ 1,304

Restructuring accrual activity for the three months ended March 27, 2016 was as follows:

(amounts in thousands)	Accrual at Beginning of Year	Charged to Earnings	Charge Reversed to Earnings	Cash Payments	Exchange Rate Changes	Accrual at March 27, 2016
Profit Enhancement Plan						
Severance and other employee-related charges[2]	$ 8,142	$ 1,028	$ (696)	$ (1,242)	$ 36	$ 7,268
Other exit costs[1]	12	70	—	(82)	—	—
Global Restructuring Plan (including LEAN)						
Severance and other employee-related charges	457	28	—	(199)	6	292
Other exit costs [1]	—	2	—	(2)	—	—
SG&A Restructuring Plan						
Severance and other employee-related charges	53	—	—	—	1	54
Total	$ 8,664	$ 1,128	$ (696)	$ (1,525)	$ 43	$ 7,614

(1) During the first three months of 2016, there was a net charge to earnings of $0.1 million primarily due to legal costs and restructuring agent costs in connection with the restructuring plan.

(2) During the first three months of 2016, there was a severance charge reversed to earnings of $0.7 million primarily due to eliminations of the individuals from the plans, replacements of individuals in the plans with other individuals, resignations, and other final accrual adjustments.

Note 13. CONTINGENCIES

We are involved in certain legal and regulatory actions, all of which have arisen in the ordinary course of business, except for the matters described in the following paragraphs.

Additionally, management believes that the ultimate resolution of such matters is unlikely to have a material adverse effect on our consolidated results of operations and/or financial condition, except as described below.

Matters related to All-Tag Security S.A. and All-Tag Security Americas, Inc.

We originally filed suit on May 1, 2001, alleging that the disposable, deactivatable radio frequency security tag manufactured by All-Tag Security S.A. and All-Tag Security Americas, Inc.'s (jointly All-Tag) and sold by Sensormatic Electronics Corporation (Sensormatic) infringed on a U.S. Patent No. 4,876,555 (the 555 Patent) owned by us. On April 22, 2004, the United States District Court for the Eastern District of Pennsylvania (the Pennsylvania Court) granted summary judgment to defendants All-Tag and Sensormatic on the ground that the 555 Patent was invalid for incorrect inventorship. We appealed this decision. On June 20, 2005, we won an appeal when the United States Court of Appeals for the Federal Circuit (the Appellate Court) reversed the grant of summary judgment and remanded the case to the Pennsylvania Court for further proceedings. On January 29, 2007 the case went to trial, and on February 13, 2007, a jury found in favor of the defendants on infringement, the validity of the 555 Patent and the enforceability of the 555 Patent. On June 20, 2008, the Pennsylvania Court entered judgment in favor of defendants based on the jury's infringement and enforceability findings. On February 10, 2009, the Pennsylvania Court granted defendants' motions for attorneys' fees designating the case as an exceptional case and awarding an unspecified portion of defendants' attorneys' fees under 35 U.S.C. § 285. Defendants sought approximately $5.7 million plus interest. We recognized this amount during the fourth fiscal quarter ended December 28, 2008 in litigation settlements on the Consolidated Statement of Operations. On March 6, 2009, we filed objections to the defendants' bill of attorneys' fees. On November 2, 2011, the Pennsylvania Court finalized the decision to order us to pay the attorneys' fees and costs of the defendants in the amount of $6.6 million. The additional amount of $0.9 million was recorded in the fourth quarter ended December 25, 2011 in the Consolidated Statement of Operations. On November 15, 2011, we filed objections to and appealed the Pennsylvania Court's award of attorneys' fees to the defendants. Following the filing of briefs and the completion of oral arguments, the Appellate Court reversed the decision of the Pennsylvania Court on March 25, 2013. As a result of the final decision, we reversed the All-Tag reserve of $6.6 million in the first quarter ended March 31, 2013. The Appellate Court decision was appealed by All-Tag and Sensormatic to the U.S. Supreme Court.

While the appeal was still pending, the U.S. Supreme Court agreed to hear two cases (Octane Fitness, LLC v. ICON Health & Fitness, Inc. and Highmark, Inc. v. Allcare Health Management Systems) arguing that the governing standard for finding a case exceptional under 35 U.S.C. § 285 was too rigid. On December 30, 2013, based on the Supreme Court's willingness to re-evaluate the exceptional case standard, defendants requested that the Supreme Court also hear our case. On April 29, 2014, the Supreme Court issued its rulings in Octane Fitness and Highmark and relaxed the standard for determining when a case is exceptional. As a result, on May 5, 2014, the Supreme Court vacated the judgment of the Appellate Court in our case (reinstating the Pennsylvania Court’s exceptional case finding) and sent the case back to the Appellate Court for further consideration in light of the new standards set forth in Octane Fitness and Highmark. On June 10, 2014, defendants filed a motion in the Appellate Court asking that the Appellate Court either affirm the Pennsylvania Court’s exceptional case finding outright or send the case back to the Pennsylvania Court so that it could consider the case again under the new exceptional case standard. On June 23, 2014, we filed our opposition to the motion to remand and moved the Appellate Court to once again reverse the Pennsylvania Court’s exceptional case finding. On October 14, 2014, the Appellate Court remanded the case to the Pennsylvania Court for further proceedings.

On August 18, 2015, the Pennsylvania Court granted defendants' motions for attorney fees designating the case as an exceptional case under the new exceptional case standard. The Pennsylvania Court reinstated the original award in the amount of $6.6 million and awarded an unspecified portion of defendants' attorney fees, including appellate fees, and post-judgment interest under 35 U.S.C. § 285. On December 21, 2015, the Pennsylvania Court issued a judgment awarding the defendants $10.3 million. We have accrued the full amount of this award within other accrued expenses on the Consolidated Balance Sheet and in litigation matters on the Consolidated Statement of Operations. We filed an appeal of the Pennsylvania Court’s decision to the Appellate Court on January 4, 2016.

Matter related to Universal Surveillance Corporation EAS RF Anti-trust Litigation

Universal Surveillance Corporation (USS) filed a complaint against us in the United States Federal District Court of the Northern District of Ohio (the Ohio Court) on August 19, 2011. USS claims that, in connection with our competition in the electronic article surveillance market, we violated the federal antitrust laws (Sherman Act and Clayton Act) and state antitrust laws (Ohio Valentine Act). USS also claims that we violated the federal Lanham Act, the Ohio Deceptive Trade Practices Act, and the Ohio Trade Secrets Act, and engaged in conduct that allegedly disparaged USS and tortiously interfered with USS's business relationships and contracts. USS is seeking injunctive relief as well as approximately $65 million in claimed damages for alleged lost profits, plus treble damages and attorney's fees under the Sherman Act. On May 3, 2016, we entered into a settlement agreement with USS whereby we will pay USS $8.0 million in settlement of the outstanding litigation. The settlement is contingent upon approval of the merger by the affirmative vote of a majority of the outstanding shares of Checkpoint common stock entitled to vote thereon at a special meeting or at any adjournment or postponement thereof. As a result of the settlement agreement, we accrued $8.0 million within other accrued expenses on the Consolidated Balance Sheet and in litigation matters on the Consolidated Statement of Operations.

Matter related to Meier Class Action Lawsuit

On November 11, 2015, a purported shareholder class action lawsuit was filed against us and certain of our current and former officers captioned, Meier v. Checkpoint Systems, Inc., et al., No. 1:15-cv-08007 (RBK)(KMW) (D.N.J.). The complaint alleges violations of the federal securities laws related to the restatement of the Company’s previously-issued financial statements announced on November 3, 2015. The complaint names as defendants our Chief Executive Officer and President George Babich, Jr., our Chief Financial Officer James M. Lucania, our former Chief Financial Officer Jeffrey O. Richard, and the Company. The complaint alleges that we had filed false and misleading reports with the Securities and Exchange Commission beginning on March 5, 2015 through November 3, 2015, in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the Exchange Act), 15 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. § 240.10b-5. On February 19, 2016, the Court entered an Order appointing a lead plaintiff and approving the lead plaintiff’s selection of lead counsel. On April 4, 2016, the lead plaintiff filed an amended class action complaint, which named the same defendants as the original complaint and additionally alleged that the Company’s statements about the effectiveness of its internal control over the tax function and use of EPS in evaluating quarterly financial performance were false or misleading. We, together with the individual defendants expect to file a motion to dismiss the amended complaint at the appropriate time.

Matters related to proposed merger with CCL Industries Inc.

Since the announcement of the proposed merger with CCL Industries Inc., Checkpoint and its directors have been named as defendants in complaints filed by four shareholders. On March 7, 2016 and March 8, 2016, respectively, plaintiffs Louis Levine and Shiva Stein filed complaints in the Court of Common Pleas for the Philadelphia County, First Judicial District of Pennsylvania, Civil Division (Pennsylvania State Court Consolidated Action). On March 15, 2016, the Court consolidated these actions; and on April 5, 2016, plaintiffs Levine and Stein filed a consolidated complaint. On March 14, 2016, plaintiff Feivel Gottleib Defined Benefit Pension Plan filed a complaint in the Superior Court of New Jersey, Gloucester County Chancery Division. On March 18, 2016, plaintiff Harold Litwin filed a complaint in the Court of Common Pleas for the Philadelphia County, First Judicial District of Pennsylvania, Civil Division, which the Court entered an order to discontinue without prejudice on April 6, 2016. On April 6, 2015, Litwin filed a second complaint in the United States District Court for the Eastern

District of Pennsylvania. The complaints allege that our Board breached its fiduciary duties in connection with the merger agreement and seek an injunction preventing the consummation of the merger, compensatory damages and attorneys' fees and costs. Mr. Litwin's federal complaint further alleges that our Board violated the federal securities laws in connection with our preliminary proxy statement filed on March 17, 2016. Additionally, our Board received four shareholder demands, one on March 8, 2016, one on March 9, 2016, one on March 10, 2016 and one on March 14, 2016, to investigate and take any necessary action to remedy alleged harms to Checkpoint caused by alleged breaches of fiduciary duty by the directors in connection with the merger agreement. The demands seek to cause us to investigate the alleged breaches, commence litigation against the directors, and abandon the merger agreement or renegotiate its terms. Additional lawsuits arising out of or relating to the merger agreement or the merger may be filed in the future. There can be no assurance that we or any of the other defendants will be successful in the outcome of the pending or any potential future lawsuits. An adverse judgment for monetary damages could have a material adverse effect on our operations and liquidity. A preliminary injunction could delay or jeopardize the completion of the merger, and an adverse judgment granting permanent injunctive relief could indefinitely enjoin the completion of the merger. On April 29, 2016, Checkpoint and the other defendants in the Pennsylvania State Court Consolidated Action executed a memorandum of understanding reflecting their agreement to settle all claims asserted in the Pennsylvania State Court Consolidated Action. The parties subsequently executed a memorandum of understanding reflecting their agreement. In connection with the settlement contemplated by the memorandum of understanding, Checkpoint agreed to make certain additional disclosures related to the proposed transaction with CCL, and to waive the provisions of the nondisclosure agreement with a previous bidder that could have potentially prevented that bidder from making a superior proposal. The memorandum of understanding contemplates that the parties will enter in a stipulation of settlement that will be subject to customary conditions, including approval by the Court of Common Pleas. We recorded an estimated settlement obligation of $0.1 million within other accrued expenses on the Consolidated Balance Sheet and in litigation matters on the Consolidated Statement of Operations during the first quarter of 2016.

Note 14. BUSINESS SEGMENTS

We report our financial results in three segments: Merchandise Availability Solutions (MAS), Apparel Labeling Solutions (ALS), and Retail Merchandising Solutions (RMS).

Our MAS segment, which is focused on loss prevention and Merchandise Visibility™ (RFID), includes EAS systems, EAS consumables, Alpha® high-theft solutions, RFID systems and software, and non-U.S. and Canada-based CheckView®. ALS includes the results of our radio frequency identification (RFID) labels business, coupled with our data management platform and network of service bureaus that manage the printing of variable information on apparel labels and tags. Our RMS segment includes hand-held labeling applicators and tags, promotional displays, and customer queuing systems.

(amounts in thousands)	Quarter (13 weeks) Ended March 27, 2016		March 29, 2015	
Business segment net revenue:				
Merchandise Availability Solutions	$ 74,483	(1)	$ 81,526	(2)
Apparel Labeling Solutions	36,008		37,185	
Retail Merchandising Solutions	8,823		9,831	
Total revenues	$ 119,314		$ 128,542	
Business segment gross profit:				
Merchandise Availability Solutions	$ 31,965		$ 41,285	
Apparel Labeling Solutions	9,156		11,548	
Retail Merchandising Solutions	3,207		3,704	
Total gross profit	44,328		56,537	
Operating expenses	69,091	(3)	56,871	(4)
Interest expense, net	(986)		(711)	
Other gain (loss), net	56		371	
Loss before income taxes	$ (25,693)		$ (674)	

(1) Includes net revenue from EAS systems, Alpha® and EAS consumables of $28.7 million, $21.5 million, and $20.7 million, respectively, representing more than 10% of total revenue.

(2) Includes net revenue from EAS systems, EAS consumables and Alpha® of $31.2 million, $22.1 million, and $21.2 million, respectively, representing more than 10% of total revenue.
(3) Includes $8.1 million litigation matters expense, $6.0 million in merger transaction costs and a $0.4 million restructuring charge.
(4) Includes a $1.3 million restructuring charge, a $0.8 million management transition charge, and a $0.1 million acquisition charge.

Note 15. SUBSEQUENT EVENTS

USS Settlement Agreement

On May 3, 2016, we entered into a settlement agreement with USS whereby we will pay USS $8.0 million in settlement of the outstanding litigation. The settlement is contingent upon approval of the merger by the affirmative vote of a majority of the outstanding shares of Checkpoint common stock entitled to vote thereon at a special meeting or at any adjournment or postponement thereof. As a result of the settlement agreement, we accrued $8.0 million within other accrued expenses on the Consolidated Balance Sheet and in litigation matters on the Consolidated Statement of Operations.

Matters related to proposed merger with CCL Industries Inc.

On April 29, 2016, Checkpoint and the other defendants in the Pennsylvania State Court Consolidated Action executed a memorandum of understanding reflecting their agreement to settle all claims asserted in the Pennsylvania State Court Consolidated Action. The parties subsequently executed a memorandum of understanding reflecting their agreement. In connection with the settlement contemplated by the memorandum of understanding, Checkpoint agreed to make certain additional disclosures related to the proposed transaction with CCL and to waive the provisions of the nondisclosure agreement with a previous bidder that could have potentially prevented that bidder from making a superior proposal. The memorandum of understanding contemplates that the parties will enter in a stipulation of settlement that will be subject to customary conditions, including approval by the Court of Common Pleas.