BEL FUSE INC /NJ
Form 10-K
March 13, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2014
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ___________ to ____________

Commission File No. 0-11676

BEL FUSE INC.
206 Van Vorst Street
Jersey City, NJ 07302
(201) 432-0463

(Address of principal executive offices and zip code)
(Registrant's telephone number, including area code)

NEW JERSEY	22-1463699
(State of incorporation)	(I.R.S. Employer Identification No.)

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

Title of Each Class	Name of Each Exchange on which Registered
Class A Common Stock ($0.10 par value)	NASDAQ Global Select Market
Class B Common Stock ($0.10 par value)	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

	Yes	No
Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.	[ ]	[X]
Indicate by checkmark if the registrant is not required to file reports to Section 13 or 15(d) of the Act.	[ ]	[X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.	Yes [X]	No [ ]
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).	Yes [X]	No [ ]
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.	[X]	

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]	Accelerated filer [X]	Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

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

The aggregate market value of the voting and non-voting common equity of the registrant held by non-affiliates (for this purpose, persons and entities other than executive officers and directors) of the registrant, as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2014) was $266.9 million based on the closing sale price as reported on the NASDAQ Global Select Market.

Title of Each Class	Number of Shares of Common Stock Outstanding as of March 1, 2015
Class A Common Stock	2,174,912
Class B Common Stock	9,680,527

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of Bel Fuse Inc.'s Definitive Proxy Statement for the 2015 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

BEL FUSE INC.

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CAUTIONARY NOTICE REGARDING FORWARD-LOOKING INFORMATION

The terms the "Company," "Bel," "we," "us," and "our" as used in this Annual Report on Form 10-K ("Form 10-K") refer to Bel Fuse Inc. and its consolidated subsidiaries unless otherwise specified.

The Company's consolidated operating results are affected by a wide variety of factors that could materially and adversely affect revenues and profitability, including the risk factors described in Item 1A of this Form 10-K. As a result of these and other factors, the Company may experience material fluctuations in future operating results on a quarterly or annual basis, which could materially and adversely affect its business, consolidated financial condition, operating results, and common stock prices. Furthermore, this document and other documents filed by the Company with the Securities and Exchange Commission ("SEC") contain certain forward-looking statements under the Private Securities Litigation Reform Act of 1995 ("Forward-Looking Statements") with respect to the business of the Company. Forward-looking statements are necessarily subject to risks and uncertainties, many of which are outside our control, that could cause actual results to differ materially from these statements. Forward-looking statements can be identified by such words as "anticipates," "believes," "plans to," "assumes," "could," "should," "estimates," "expects," "intends," "potential," "seek," "predict," "may," "will" and similar expressions. These Forward-Looking Statements are subject to certain risks and uncertainties, including those mentioned above, and those detailed in Item 1A. of this Form 10-K, which could cause actual results to differ materially from these Forward-Looking Statements. The Company undertakes no obligation to publicly release the results of any revisions to these Forward-Looking Statements which may be necessary to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Any forward-looking statement made by the Company is based only on information currently available to us and speaks only as of the date on which it is made.

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PART I

Item 1. Business

Bel Fuse Inc. designs, manufactures and markets a broad array of products that power, protect and connect electronic circuits. These products are primarily used in the networking, telecommunications, computing, military, aerospace, transportation and broadcasting industries. Bel's portfolio of products also finds application in the automotive, medical and consumer electronics markets.

With over 60 years in operation, Bel has reliably demonstrated the ability to succeed in a variety of product areas across multiple industries globally. The Company has a strong track record of technical innovation working with the engineering teams of market leaders. Bel has consistently proven itself a valuable supplier to the foremost companies in its chosen industries by developing cost-effective solutions for the challenges of new product development. By combining our strength in product design with our own specially-designed manufacturing facilities, Bel has established itself as a formidable competitor on a global basis.

The Company, which is organized under New Jersey law, operates in one industry with three reportable operating segments, North America, Asia and Europe (representing 45%, 41% and 14% of the Company's 2014 sales, respectively). Bel's principal executive offices are located at 206 Van Vorst Street, Jersey City, New Jersey 07302; (201) 432-0463. The Company operates facilities in North America, Europe and Asia and trades on the NASDAQ Global Select Market (BELFA and BELFB). For information regarding Bel's three geographic operating segments, see Note 12, Business Segment Information, of the notes to consolidated financial statements.

Acquisitions have played a critical role in the growth of Bel and the expansion of both our product portfolio and our customer base and continue to be a key element in our growth strategy. We may, from time to time, purchase equity positions in companies that are potential merger candidates. We frequently evaluate possible merger candidates that would provide an expanded product and technology base that will allow us to expand the breadth of our product offerings to our strategic customers and/or provide an opportunity to reduce overall operating expense as a percentage of revenue. We also consider whether the merger candidates are positioned to take advantage of our lower cost offshore manufacturing facilities, and whether a cultural fit will allow the acquired company to be integrated smoothly and efficiently.

2014 Acquisitions

On June 19, 2014, we completed our acquisition of the Power Solutions business of Power-One ("Power Solutions") from ABB Ltd. for $109.9 million, net of cash acquired. Power Solutions is a leading provider of high-efficiency and high-density power conversion products for server, storage and networking equipment, industrial applications and power systems. Power Solutions offers a premier line of standard, modified-standard and custom designed AC/DC, DC/DC and other specific power conversion products for a variety of technologies in data centers, telecommunications and industrial applications. The acquisition of Power Solutions brings a complementary, industry-leading power product portfolio to Bel's existing line of power solutions and protection products, expands our current customer base in the areas of server, storage and networking equipment and adds industrial and additional transportation applications to the Company's product offering.

On July 25, 2014, the Company completed its acquisition of the U.S. and U.K. entities of the Emerson Network Power Connectivity Solutions business ("CS") from Emerson Electric Co. On August 29, 2014, the China portion of the transaction closed. Collectively, the U.S., U.K. and China closings are referred to as the "CS Transaction". In connection with the CS Transaction, the Company paid a total of $98.8 million, net of cash acquired and including a working capital adjustment. CS is a leading provider of high performance RF/Microwave and Harsh Environment Optical Connectors and Assemblies for military, aerospace, wireless communications, data communications, broadcast and industrial applications. CS is headquartered in Bannockburn, Illinois, and has manufacturing facilities in North America, the U.K. and China. CS will become part of Bel's Connectivity Solutions product group under the Cinch Connector business. Management believes the acquisition of CS will enable the Company to further expand into the aerospace and military markets where long-term product reliability resulting from highly engineered solutions is critical. The addition of the CS Stratos brand with our Fibreco/Gigacom Interconnect products will also give the Company a solid position in the expanded beam fiber optic market place. The CS group will also significantly expand our existing copper based product offerings with the addition of RF/Microwave components and assemblies.

The acquisitions of Power Solutions and CS may hereafter be referred to collectively as either the "2014 Acquisitions" or the "2014 Acquired Companies".

2013 Acquisitions

On March 29, 2013, we completed our acquisition of 100% of the issued and outstanding capital stock of Transpower Technologies (HK) Limited ("Transpower") and certain other tangible and intangible assets related to the Transpower magnetics business of TE Connectivity ("TE") for $21.0 million, net of cash acquired. The operations acquired are now doing business as TRP Connector ("TRP"). Transpower is the sole shareholder of Dongguan Transpower Electronic Products Co., Ltd. in the People's Republic of China ("PRC"). The Company's purchase of the TRP magnetics business consisted of the integrated connector module ("ICM") family of products, including RJ45, 10/100 Gigabit, 10G, PoE/PoE+, MRJ21 and RJ.5, a line of modules for smart-grid applications, and discrete magnetics.

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On August 20, 2013, we completed our acquisition of Array, a manufacturer of aerospace and mil-spec connector products based in Miami, Florida, for $10.0 million in cash. The acquisition of Array expands our portfolio of connector products that can be offered to the combined customer base, and provides an opportunity to sell other products that Bel manufactures to Array's customers. Array has become part of Bel's interconnect product group under the Cinch Connectors business.

The acquisitions of TRP and Array may hereafter be referred to collectively as either the "2013 Acquisitions" or the "2013 Acquired Companies".

2012 Acquisitions

On March 9, 2012, we completed our acquisition of 100% of the issued and outstanding capital stock of GigaCom Interconnect AB ("GigaCom"). On July 31, 2012, we consummated our acquisition of 100% of the issued and outstanding capital stock of Fibreco Ltd. ("Fibreco"). On September 12, 2012, we completed our acquisition of 100% of the issued and outstanding capital stock of Powerbox Italia S.r.L ("Powerbox"). The acquisitions of GigaCom, Fibreco and Powerbox may hereafter be referred to collectively as either the "2012 Acquisitions" or the "2012 Acquired Companies".

Accordingly, as of the respective acquisition dates, all of the assets acquired and liabilities assumed were recorded at their preliminary fair values and the Company's consolidated results of operations for the three years ended December 31, 2014 include the operating results of the acquired companies from their respective acquisition dates through the respective period end dates.

The 2012 Acquisitions, the 2013 Acquisitions and the 2014 Acquisitions were funded from cash on hand and/or borrowings.

Products

Bel's three reportable operating segment, North America, Asia and Europe sell, or participate in the sale of, the following products:

Magnetic Solutions

Bel's Magnetics offers industry leading products. The Company's ICM products integrate RJ45 connectors with discrete magnetic components to provide a more robust part that allows customers to substantially reduce board space and inventory requirements. The Company's recent acquisition of the TE wire wound business broadens the ICM product line and provides access to strategically important customer programs. Power Transformers include standard and custom designs for use in industrial instrumentation, alarm and security systems, motion control, elevators, and medical products. All Power Transformers are designed to comply with international safety standards governing transformers. Bel's SMD Power Inductors include a selection of over 3,000 parts utilized in power supplies, DC-DC converters, LED lighting and other electronic applications. Discrete Components are magnetic devices that condition, filter and isolate the signal as it travels through network equipment, ensuring accurate data/voice/video transmission.

Product Line	Function	Applications	Brands Sold Under
Integrated Connector Modules (ICMs)	Condition, filter, and isolate the electronic signal to ensure accurate data/voice/video transmission and provide RJ45 and USB connectivity.	Network switches, routers, hubs, and PCs used in 10/100/1000 Gigabit Ethernet, Power over Ethernet (PoE), PoE Plus and home networking applications.	Bel, TRP, MagJack®

Magnetic

Power Transformers	Safety isolation and distribution.	Power supplies, alarm, fire detection, and security systems, HVAC, lighting and medical equipment. Class 2, three phase, chassis mount, and PC mount designs available.	Signal
SMD Power Inductors & SMPS Transformers	A passive component that stores energy in a magnetic field. Widely used in analog electronic circuitry.	Switchmode power supplies, DC-DC converters, LED lighting, automotive and consumer electronics.	Signal
Discrete Components-Telecom	Condition, filter, and isolate the electronic signal to ensure accurate data/voice/video transmission.	Network switches, routers, hubs, and PCs used in 10/100/1000 Gigabit Ethernet and Power over Ethernet (PoE).	Bel

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Power Solutions & Protection

Bel's power conversion products include AC-DC power supplies, DC-DC converters and battery charging solutions. The DC-DC product offering consists of standard and custom isolated and non-isolated DC-DC converters designed specifically to power low voltage silicon devices or provide regulated mid- bus voltages. The need for converting one DC voltage to another is growing rapidly as developers of integrated circuits commonly adjust the supply voltage as a means of optimizing device performance. The DC-DC converters are used in data networking equipment, distributed power architecture, and telecommunication devices, as well as data storage systems, computers and peripherals. Opportunities for the DC-DC products also extend into industrial applications.

With the acquisition of the Power-One Power Solutions business from ABB in 2014, Bel's power solutions product portfolio, R&D capabilities and customer base have significantly expanded. Already a leader in DC/DC board mount products, Bel now offers a sizeable portfolio of AC/DC products with industry leading efficiency and power density. The acquisition of Power Solutions has also added considerable presence in the railway market and broader industrial markets with Melcher branded products. The Melcher brand is well known for reliability and performance in demanding applications.

Bel circuit protection products include board level fuses (miniature, micro and surface mount), and Polymeric PTC (Positive Temperature Coefficient) devices, designed for the global electronic and telecommunication markets. Fuses and PTC devices prevent currents in an electrical circuit from exceeding certain predetermined levels, acting as a safety valve to protect expensive components from damage by cutting off high currents before they can generate enough heat to cause smoke or fire. Additionally, PTC devices are resettable and do not have to be replaced before normal operation of the end product can resume.

	Product Line	Function	Applications	Brands Sold Under
Power Solutions & Protection	Front-End Power Supplies	Provides the primary point of isolation between AC main line (input) and the low-voltage DC output that is used to power all electronics downstream	Servers, telecommunication, network and data storage equipment	Bel Power Solutions, Power-One
	Board-Mount Power Products	These are designed to be mounted on a circuit board. These converters take input voltage and provide localized on-board power to low-voltage electronics.	Telecom (central office switches), networking and a broad range of industrial applications	Bel Power Solutions, Power-One, Melcher
	Industrial Power Products	Converts between AC main line inputs and a wide variety of DC output voltages.	Rail, transportation, automation, test and measurement, medical, military and aerospace applications.	Bel Power Solutions, Power-One, Melcher
	Module Products	Condition, filter, and isolate the electronic signal to ensure accurate data/voice/video transmission within a highly integrated, reduced footprint.	Broadband equipment, home networking, set top boxes, and telecom equipment supporting ISDN, T1/E1 and DSL technologies. Industrial applications include Smart Meters, Smart Grid communication platforms, vehicle communications and	Bel

		traffic management.	
Circuit Protection	Protects devices by preventing current in an electrical circuit from exceeding acceptable levels.	Power supplies, cell phone chargers, consumer electronics, and battery protection.	Bel

Connectivity Solutions

Bel offers a comprehensive line of modular connectors, which serve as the connectivity device in networking equipment such as routers, hubs, switches, wall outlets and patch panels. Modular Plugs and Cable assemblies are utilized within the structured cabling system, also known as premise wiring. All Stewart Interconnect products are designed to meet all major performance standards. In January 2010, Bel completed the acquisitiion of Safran S.A.'s Cinch Connector business. The Cinch products offer reliable and high quality standard connectors. Cinch also possesses various enabling technologies and expertise with which to provide custom solutions and products. In 2012, the acquistions of Fiberco and GigaCom further enhanced the fiber optic product offering. In 2013, the acquisition of Array further broadened the product portfolio and expanded sales within the aerospace market. The acquisition of Connectivity Solutions in 2014 brings additional products and is intended to strengthen our position with strategic OEM customers in the military, aerospace and networking segments. Connectivity Solutions is a leading innovator and producer of RF coaxial connectors and cables, harsh environment optical active and passive devices, and microwave components.

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	Product Line	Function	Applications	Brands Sold Under
	Expanded Beam Fiber Optic Connectors, Cable Assemblies and Active Optical Devices (transceivers and media converters)	Harsh-environment, high-reliability, flight-grade optical connectivity for high-speed communications.	Military/aerospace, oil and gas well monitoring and exploration, broadcast, communications, RADAR	Stratos, Fibreco
Connectivity Solutions	Copper-based Connectors / Cable Assemblies-FQIS	Harsh-environment, high-reliability connectivity and fuel quantity monitoring (FQIS).	Commercial aerospace, avionics, smart munitions, communications, navigations and various industrial equipment	Cinch
	RF Connectors, Cable Assemblies, Microwave Devices and Low Loss Cable	Connectors and cable assemblies designed to provide connectivity within radio frequency (RF) applications.	Military/aerospace, test and measurement, high-frequency and wireless communications	AIM-Cambridge, Johnson, Trompeter, Midwest Microwave, Semflex
	RJ Connectors and Cable Assemblies	RJ45 and RJ11 connectivity for data/voice/video transmission.	Largely Ethernet applications including network routers, hubs, switches, and patch panels.	Stewart Connector

Sales and Marketing

We sell our products to customers throughout North America, Europe and Asia. Sales are made through one of three channels: direct strategic account managers, regional sales managers working with independent sales representative organizations or authorized distributors. Bel's strategic account managers are assigned to handle major accounts requiring global coordination.

Independent sales representatives and authorized distributors are overseen by the Company's sales management personnel located throughout the world. As of December 31, 2014, we had a sales and support staff of 171 persons that supported a network of 322 sales representative organizations and non-exclusive distributors. We have written agreements with all of our sales representative organizations and most of our major distributors. These written agreements, terminable on short notice by either party, are standard in the industry.

Sales support functions have also been established and located in our international facilities to provide timely, efficient support for customers. This supplemental level of service, in addition to first-line sales support, enables us to be more responsive to customers' needs on a global level. Our marketing capabilities include product management which drives new product development, application engineering for technical support and marketing communications.

For information regarding customer concentrations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Revenue Recognition."

Research and Development ("R&D")

Our engineering groups are strategically located around the world to facilitate communication with and access to customers' engineering personnel. This collaborative approach enables partnerships with customers for technical development efforts. On occasion, we execute non-disclosure agreements with customers to help develop proprietary, next generation products destined for rapid deployment.

We also sponsor membership in technical organizations that allow our engineers to participate in developing standards for emerging technologies. It is management's opinion that this participation is critical in establishing credibility and a reputable level of expertise in the marketplace, as well as positioning the Company as an industry leader in new product development.

R&D costs are expensed as incurred and are included in cost of sales on the consolidated statements of operations. Generally, R&D is performed internally for the benefit of the Company. R&D costs include salaries, building maintenance and utilities, rents, materials, administration costs and miscellaneous other items. R&D expenses for the years ended December 31, 2014, 2013 and 2012 amounted to $21.5 million, $14.1 million and $12.4 million, respectively. The increase in R&D expense from 2013 to 2014 was primarily due to the inclusion of R&D expense related to the recently-acquired businesses of Power Solutions and Connectivity Solutions.

Competition

We operate in a variety of markets, all of which are highly competitive. There are numerous independent companies and divisions of major companies that manufacture products that are competitive with one or more of our products.

Our ability to compete is dependent upon several factors including product performance, quality, reliability, depth of product line, customer service, technological innovation, design, delivery time and price. Overall financial stability and global presence also give us a favorable position in relation to many of our competitors. Management intends to maintain a strong competitive posture in the markets we serve by continued expansion of our product lines and ongoing investment in research, development and manufacturing resources.

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Associates

As of December 31, 2014, we employed 8,210 full-time associates, an increase of approximately 1,840 full-time associates from December 31, 2013. At December 31, 2014, we employed 1,610 people at our North American facilities, 5,780 people at our Asian facilities and 820 people at our European facilities, excluding approximately 1,550 workers supplied by independent contractors. Our manufacturing facility in New York is represented by a labor union and all factory workers in the PRC, Worksop, England and Reynosa, Mexico are represented by unions. While the majority of our manufacturing associates are members of workers unions, approximately 479 associates worldwide are covered by collective bargaining agreements expiring within one year. We believe that our relations with our associates are satisfactory.

Raw Materials and Sourcing

We have multiple suppliers for most of the raw materials that we purchase. Where possible, we have contractual agreements with suppliers to assure a continuing supply of critical components.

With respect to those items which are purchased from single sources, we believe that comparable items would be available in the event that there was a termination of our existing business relationships with any such supplier. While such a termination could produce a disruption in production, we believe that the termination of business with any one of our suppliers would not have a material adverse effect on our long-term operations. Actual experience could differ materially from this belief as a result of a number of factors, including the time required to locate an alternative supplier, and the nature of the demand for our products. In the past, we have experienced shortages in certain raw materials, such as capacitors, ferrites and integrated circuits ("IC's"), when these materials were in great demand. Even though we may have more than one supplier for certain materials, it is possible that these materials may not be available to us in sufficient quantities or at the times desired by us. In the event that the current economic conditions have a negative impact on the financial condition of our suppliers, this may impact the availability and cost of our raw materials.

Backlog

We typically manufacture products against firm orders and projected usage by customers. Cancellation and return arrangements are either negotiated by us on a transactional basis or contractually determined. We estimate the value of the backlog of orders as of February 28, 2015 to be approximately $150.4 million as compared with a backlog of $87.7 million as of February 28, 2014. Management expects that substantially all of the Company's backlog as of February 28, 2015 will be shipped by December 31, 2015. Factors that could cause the Company to fail to ship all such orders by year-end include unanticipated supply difficulties, changes in customer demand and new customer designs. Due to these factors, backlog may not be a reliable indicator of the timing of future sales. See Item 1A of this Annual Report - "Risk Factors - Our backlog figures may not be reliable indicators."

Intellectual Property

We have acquired or been granted a number of patents in the U.S., Europe and Asia and have additional patent applications pending relating to our products. While we believe that the issued patents are defendable and that the pending patent applications relate to patentable inventions, there can be no assurance that a patent will be obtained from the applications or that our existing patents can be successfully defended. It is management's opinion that the successful continuation and operation of our business does not depend upon the ownership of patents or the granting of pending patent applications, but upon the innovative skills, technical competence and marketing and managerial abilities of our personnel. The patents have a life of 17 years from the date of issue or 20 years from filing of patent applications. Our existing patents expire on various dates from March 2015 to June 2031.

We utilize registered trademarks in the U.S., Europe and Asia to identify various products that we manufacture. The trademarks survive as long as they are in use and the registrations of these trademarks are renewed.

Available Information

We maintain a website at www.belfuse.com where we make available the proxy statements, press releases, registration statements and reports on Forms 3, 4, 8-K, 10-K and 10-Q that we and our insiders file with the SEC. These forms are made available as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Press releases are also issued via electronic transmission to provide access to our financial and product news, and we provide notification of and access to voice and internet broadcasts of our quarterly and annual results. Our website also includes investor presentations and corporate governance materials.

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Item 1A. Risk Factors

The risks described below should be carefully considered before making an investment decision. These are the risk factors that we consider to be the most significant risk factors, but they are not the only risk factors that should be considered in making an investment decision. This Form 10-K also contains forward-looking statements that involve risks and uncertainties. See the "Cautionary Notice Regarding Forward-Looking Statements," above. Our business, consolidated financial condition and results of operations could be materially adversely affected by any of the risk factors described below, under "Cautionary Notice Regarding Forward-Looking Statements" or with respect to specific forward-looking statements presented herein. The trading price of our securities could decline due to any of these risks, and investors in our securities may lose all or part of their investment. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also materially adversely affect our business in the future.

We conduct business in a highly competitive industry.

Our business is largely in a highly competitive worldwide industry, with relatively low barriers to competitive entry. We compete principally on the basis of product performance, quality, reliability, depth of product line, customer service, technological innovation, design, delivery time and price. The industry in which we operate has become increasingly concentrated and globalized in recent years and our major competitors, some of which are larger than Bel, have significant financial resources and technological capabilities.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. Our credit agreement restricts our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

In addition, we conduct a substantial portion of our operations through our subsidiaries, certain of which are not guarantors of our indebtedness. Accordingly, repayment of our indebtedness is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are guarantors of our indebtedness, our subsidiaries do not have any obligation to pay amounts due on indebtedness or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness. Each subsidiary is a distinct legal entity, and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While the indenture governing certain of our senior notes, these notes and the credit agreement governing the senior secured credit facilities limit the ability of certain of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our consolidated financial position and results of operations.
If we cannot make scheduled payments on our debt, we will be in default, the lenders under the credit agreement could terminate their commitments to loan money, the lenders could foreclose against the assets securing their borrowings and we could be forced into bankruptcy or liquidation.

Our high level of indebtedness could negatively impact our access to the capital markets and our ability to satisfy financial covenants under our existing credit agreement.

We have incurred substantial amounts of indebtedness to fund the acquisitions of Power Solutions and Connectivity Solutions in 2014, and we may need to incur additional indebtedness to finance operations or for other general corporate purposes. Our consolidated principal amount of outstanding indebtedness was $233.1 million at December 31, 2014, resulting in a leverage ratio of 3.51x adjusted EBITDA, as calculated in accordance with our credit agreement. Accordingly, our debt service requirements are significant in relation to our net sales and cash flow. This leverage exposes us to risk in the event of downturns in our business, in our industry or in the economy generally, and may impair our operating flexibility and our ability to compete effectively. Our current credit agreement requires us to maintain a certain covenant leverage ratio. If we do not continue to satisfy this required ratio or receive waivers from our lenders, we will be in default under the credit agreement, which could result in an accelerated maturity of our debt obligations.

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Our backlog figures may not be reliable indicators.

Many of the orders that comprise our backlog may be delayed, accelerated or canceled by customers without penalty. Customers may on occasion double order from multiple sources to ensure timely delivery when leadtimes are particularly long. Customers often cancel orders when business is weak and inventories are excessive. Therefore, we cannot be certain that the amount of our backlog equals or exceeds the level of orders that will ultimately be delivered. Our results of operations could be adversely impacted if customers cancel a material portion of orders in our backlog.

There are several factors which can cause us to lower our prices or otherwise cause our margins to suffer.

Our prices and/or margins could be substantially impacted by the following factors:

a) The average selling prices for our products tend to decrease rapidly over their life cycles, and customers are increasingly putting pressure on suppliers to lower prices even when production costs are increasing. Our profits suffer if we are not able to reduce our costs of production, introduce technological innovations as sales prices decline, or pass through cost increases to customers.

b) Any drop in demand for our products or increase in supply of competitive products could cause a dramatic drop in our average sales prices which in turn could result in a decrease in our gross margins. A shift in product mix could also have an unfavorable or favorable impact on our gross margins, depending upon the underlying raw material content and labor requirements of the associated products.

c) Increased competition from low cost suppliers around the world has put further pressures on pricing.
We continually strive to lower our costs, negotiate better pricing for components and raw materials and improve our operating efficiencies. Profit margins will be materially and adversely impacted if we are not able to reduce our costs of production or introduce technological innovations when sales prices decline.
Our annual effective income tax rate can change materially as a result of changes in our mix of U.S. and foreign earnings and other factors, including changes in tax laws and changes made by regulatory authorities.
Our overall effective income tax rate is equal to our total tax expense as a percentage of total earnings before tax. However, income tax expense and benefits are not recognized on a global basis but rather on a jurisdictional or legal entity basis. Losses in one jurisdiction may not be used to offset profits in other jurisdictions and may cause an increase in our tax rate. Income tax provision changes in statutory tax rates and laws, as well as ongoing audits by domestic and international authorities, could affect the amount of income taxes and other taxes paid by us. For example, legislative proposals to change U.S. taxation of non-U.S. earnings could increase our effective tax rate. Also, changes in the mix of earnings (or losses) between jurisdictions and assumptions used in the calculation of income taxes, among other factors, could have a significant effect on our overall effective income tax rate. In addition, our effective tax rate would increase if we were unable to generate sufficient future taxable income in certain jurisdictions, or if we were otherwise required to increase our valuation allowances against our deferred tax assets.
We are subject to taxation in multiple jurisdictions. As a result, any adverse development in the tax laws of any of these jurisdictions or any disagreement with our tax positions could have a material adverse effect on our business, consolidated financial condition or results of operations.
We are subject to taxation in, and to the tax laws and regulations of, multiple jurisdictions as a result of the international scope of our operations and our corporate and financing structure. We are also subject to transfer pricing laws with respect to our intercompany transactions, including those relating to the flow of funds among our companies. Adverse developments in these laws or regulations, or any change in position regarding the application, administration or interpretation thereof, in any applicable jurisdiction, could have a material adverse effect on our business, consolidated financial condition or results of our operations. In addition, the tax authorities in any applicable jurisdiction, including the United States, may disagree with the positions we have taken or intend to take regarding the tax treatment or characterization of any of our transactions. If any applicable tax authorities, including U.S. tax authorities, were to successfully challenge the tax treatment or characterization of any of our transactions, it could

have a material adverse effect on our business, consolidated financial condition or results of our operations.

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In the PRC, we are challenged to match availability of workers and maintain leadtimes in line with customer demand for certain of our products, which demand has been highly volatile in recent years. This volatility can materially adversely affect Bel's results.

In the PRC, the availability of labor is cyclical and is significantly affected by the migration of workers in relation to the annual Lunar New Year holiday as well as economic conditions in the PRC. In addition, we have little visibility into the ordering habits of our customers and can be subjected to large and unpredictable variations in demand for our products. Accordingly, we must continually recruit and train new workers to replace those lost to attrition each year and to address peaks in demand that may occur from time to time. These recruiting and training efforts and related inefficiencies, as well as overtime required in order to meet demand, can add volatility to the costs incurred by the Company for labor in the PRC.

We are dependent on our ability to develop new products.

Our future operating results are dependent, in part, on our ability to develop, produce and market new and more technologically advanced products. There are numerous risks inherent in this process, including the risks that we will be unable to anticipate the direction of technological change or that we will be unable to timely develop and bring to market new products and applications to meet customers' changing needs.

Our acquisitions may not produce the anticipated results.

A significant portion of our growth is from acquisitions. We cannot assure that we will identify or successfully complete transactions with suitable acquisition candidates in the future. If an acquired business fails to operate as anticipated or cannot be successfully integrated with our other businesses, our results of operations, enterprise value, market value and prospects could all be materially and adversely affected. Integration of new acquisitions into our consolidated operations may result in lower average operating results for the group as a whole, and may divert management's focus from the ongoing operations of the Company during the integration period.

Our strategy also focuses on the reduction of selling, general and administrative expenses through the integration or elimination of redundant sales facilities and administrative functions at acquired companies. The Company completed three acquisitions in 2012, two acquisitions in 2013 and two acquisitions in 2014, as previously described in Item 1 of this Form 10-K. If we are unable to achieve our expectations with respect to these or future acquisitions, such inability could have a material and adverse effect on our results of operations. In connection with the 2012 and 2013 Acquisitions, we have recorded $13.9 million of goodwill and $19.2 million of other intangible assets. In addition, we have recorded a provisional amount of goodwill and other intangible assets of $100.0 million and $73.2 million, respectively, in connection with the 2014 Acquisitions. If our acquisitions fail to perform up to our expectations, or if the value of goodwill or other intangible assets decreases as a result of weakened economic conditions, we could be required to record a loss from the impairment of these assets.

The global nature of our operations exposes us to numerous risks that could materially adversely affect our consolidated financial condition and results of operations.

We operate in 15 countries, and our products are distributed in those countries as well as in other parts of the world. A large portion of our manufacturing operations are located outside of the United States and a large portion of our net sales are generated outside of the United States. Operations outside of the United States, particularly operations in developing regions, are subject to various risks that may not be present or as significant for our U.S. operations. Economic uncertainty in some of the geographic regions in which we operate, including developing regions, could result in the disruption of commerce and negatively impact cash flows from our operations in those areas.

Risks inherent in our international operations include:

- foreign currency exchange controls and tax rates;
- foreign currency exchange rate fluctuations, including devaluations;
- the potential for changes in regional and local economic conditions, including local inflationary pressures;
- restrictive governmental actions such as those on transfer or repatriation of funds and trade protection matters, including antidumping duties, tariffs, embargoes and prohibitions or restrictions on acquisitions or joint ventures;
- changes in laws and regulations, including the laws and policies of the United States affecting trade and foreign investment;
- the difficulty of enforcing agreements and collecting receivables through certain foreign legal systems;
- variations in protection of intellectual property and other legal rights;
- more expansive legal rights of foreign unions or works councils;
- changes in labor conditions and difficulties in staffing and managing international operations;
- social plans that prohibit or increase the cost of certain restructuring actions;
- the potential for nationalization of enterprises or facilities; and
- unsettled political conditions and possible terrorist attacks against U.S. or other interests.

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In addition, there are potential tax inefficiencies and tax costs in repatriating funds from our non-U.S. subsidiaries. These and other factors may have a material adverse effect on our international operations and, consequently, on our consolidated financial condition or results of operations.

The loss of certain substantial customers could materially and adversely affect us.

During the year ended December 31, 2014, sales to one direct customer exceeded 10% of our consolidated revenue. Hon Hai Precision Industry Company Ltd., a contract manufacturer utilized by various end customers, represented 15.7% of our revenue. We believe that the loss of this customer could have a material adverse effect on our consolidated financial position and results of operations. We have experienced significant concentrations in prior years. See Note 12 of the notes to the Company's consolidated financial statements for additional disclosures related to our significant customers.

We may experience labor unrest.

As we implement transfers of certain of our operations, we may experience strikes or other types of labor unrest as a result of lay-offs or termination of employees in higher labor cost countries. Our manufacturing facilities in New York, the United Kingdom and Mexico are represented by labor unions and substantially all of our factory workers in the PRC are represented by government-sponsored unions.

We may experience labor shortages.

Government economic, social and labor policies in the PRC may cause shortages of factory labor in areas where we have some of our products manufactured. If we are required to manufacture more of these products outside of the PRC as a result of such shortages, our margins will likely be materially adversely affected.

Our results of operations may be materially and adversely impacted by environmental and other regulations.

Our manufacturing operations, products and/or product packaging are subject to environmental laws and regulations governing air emissions; wastewater discharges; the handling, disposal and remediation of hazardous substances, wastes and certain chemicals used or generated in our manufacturing processes; employee health and safety labeling or other notifications with respect to the content or other aspects of our processes, products or packaging; restrictions on the use of certain materials in or on design aspects of our products or product packaging; and, responsibility for disposal of products or product packaging. More stringent environmental regulations may be enacted in the future, and we cannot presently determine the modifications, if any, in our operations that any such future regulations might require, or the cost of compliance with these regulations.

We may face risks relating to climate change that could have an adverse impact on our business.

Greenhouse gas ("GHG") emissions have increasingly become the subject of substantial international, national, regional, state and local attention. GHG emission regulations have been promulgated in certain of the jurisdictions in which we operate, and additional GHG requirements are in various stages of development. Such measures could require us to modify existing or obtain new permits, implement additional pollution control technology, curtail operations or increase our operating costs. Any additional regulation of GHG emissions, including a cap-and-trade system, technology mandate, emissions tax, reporting requirement or other program, could materially adversely affect our business.

New regulations related to conflict minerals will cause the Company to incur additional expenses and may have other adverse consequences.

The SEC adopted inquiry, diligence and additional disclosure requirements related to certain minerals sourced from the Democratic Republic of the Congo and surrounding countries, or "conflict minerals", that are necessary to the functionality of a product manufactured, or contracted to be manufactured, by an SEC reporting company. The minerals that the rules cover are commonly referred to as "3TG" and include tin, tantalum, tungsten and gold. As a public company, Bel was required to make its first filing under these new rules on May 31, 2014. In such filing, Bel described the due diligence it had undertaken of its suppliers in an effort to determine the source of any conflict minerals used in its products or components. These due diligence requirements are ongoing, and Bel will continue to incur additional costs, which could be substantial, related to its due diligence and compliance process. In addition, the Company's supply chain is complex, and if it is not able to determine with certainty the source and chain of custody for all conflict minerals used in its products that are sourced from the Democratic Republic of the Congo and surrounding countries or determine that its products are "conflict free", then the Company may face reputational challenges with customers, investors or others. As there may be only a limited number of suppliers offering "conflict free" minerals, if the Company chooses to use only conflict minerals that are "conflict free" in its products and components, the Company cannot be sure that it will be able to obtain necessary materials from such suppliers in sufficient quantities or at competitive prices.

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Our results may vary substantially from period to period.

Our revenues and expenses may vary significantly from one accounting period to another accounting period due to a variety of factors, including customers' buying decisions, our product mix, the volatility of raw material costs, the impact of competition, the impact of the Chinese New Year and general market and economic conditions. Such variations could significantly impact our stock price.

A shortage of availability or an increase in the cost of high-quality raw materials, components and other resources may adversely impact our ability to procure these items at cost effective prices and thus may negatively impact profit margins.

Our results of operations may be materially adversely impacted by difficulties in obtaining raw materials, supplies, power, labor, natural resources and any other items needed for the production of our products, as well as by the effects of quality deviations in raw materials and the effects of significant fluctuations in the prices of existing inventories and purchase commitments for these materials. Many of these materials and components are produced by a limited number of suppliers and their availability to us may be constrained by supplier capacity.

As product life cycles shorten and during periods of market slowdowns, the risk of materials obsolescence increases and this may materially and adversely impact our financial results.

Rapid shifts in demand for various products may cause some of our inventory of raw materials, components or finished goods to become obsolete.

The life cycles and demand for our products are directly linked to the life cycles and demand for the end products into which they are designed. Rapid shifts in the life cycles or demand for these end products due to technological shifts, economic conditions or other market trends may result in material amounts of either raw materials or finished goods inventory becoming obsolete. While the Company works diligently to manage inventory levels, rapid shifts in demand may result in obsolete or excess inventory and materially adversely impact financial results.

A loss of the services of the Company's executive officers or other skilled associates could negatively impact our operations and results.

The success of the Company's operations is largely dependent upon the performance of its executive officers, managers, engineers and sales people. Many of these individuals have a significant number of years of experience within the Company and/or the industry in which we compete and would be extremely difficult to replace. The loss of the services of any of these associates may materially and adversely impact our results of operations if we are unable to replace them in a timely manner.

Our stock price, like that of many technology companies, has been and may continue to be volatile.

The market price of our common stock may fluctuate as a result of variations in our quarterly operating results and other factors beyond our control. These fluctuations may be exaggerated if the trading volume of our common stock is low. The market price of our common stock may rise and fall in response to a variety of other factors, including:

· announcements of technological or competitive developments;
· general market or economic conditions;
· market or economic conditions specific to particular geographical areas in which we operate;
· acquisitions or strategic alliances by us or our competitors;
· the gain or loss of a significant customer or order; or
·

changes in estimates of our financial performance or changes in recommendations by securities analysts regarding us or our industry

In addition, equity securities of many technology companies have experienced significant price and volume fluctuations even in periods when the capital markets generally are not distressed. These price and volume fluctuations often have been unrelated to the operating performance of the affected companies.

Our intellectual property rights may not be adequately protected under the current state of the law.

Our efforts to protect our intellectual property rights through patent, copyright, trademark and trade secret laws in the United States and in other countries may not prevent misappropriation, and our failure to protect our proprietary rights could materially adversely affect our business, financial condition, operating results and future prospects. A third party could, without authorization, copy or otherwise appropriate our proprietary information. Our agreements with employees and others who participate in development activities could be breached, we may not have adequate remedies for any breach, and our trade secrets may otherwise become known or independently developed by competitors.

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We may be sued by third parties for alleged infringement of their proprietary rights and we may incur defense costs and possibly royalty obligations or lose the right to use technology important to our business.

From time to time, we receive claims by third parties asserting that our products violate their intellectual property rights. Any intellectual property claims, with or without merit, could be time consuming and expensive to litigate or settle and could divert management attention from administering our business. A third party asserting infringement claims against us or our customers with respect to our current or future products may materially and adversely affect us by, for example, causing us to enter into costly royalty arrangements or forcing us to incur settlement or litigation costs.

As a result of protective provisions in the Company's certificate of incorporation, the voting power of certain officers, directors and principal shareholders may be increased at future meetings of the Company's shareholders.

The Company's certificate of incorporation provides that if a shareholder, other than shareholders subject to specific exceptions, acquires (after the date of the Company's 1998 recapitalization) 10% or more of the outstanding Class A common stock and does not own an equal or greater percentage of all then outstanding shares of both Class A and Class B common stock (all of which common stock must have been acquired after the date of the 1998 recapitalization), such shareholder must, within 90 days of the trigger date, purchase Class B common shares, in an amount and at a price determined in accordance with a formula described in the Company's certificate of incorporation, or forfeit its right to vote its Class A common shares. As of February 28, 2015, to the Company's knowledge, there were two shareholders of the Company's common stock with ownership in excess of 10% of Class A outstanding shares with no ownership of the Company's Class B common stock and with no basis for exception from the operation of the above-mentioned provisions. In order to vote their respective shares at Bel's next shareholders' meeting, these shareholders must either purchase the required number of Class B common shares or sell or otherwise transfer Class A common shares until their Class A holdings are under 10%. As of February 28, 2015, to the Company's knowledge, these shareholders owned 25.0% and 11.0%, respectively, of the Company's Class A common stock and had not taken steps to either purchase the required number of Class B common shares or sell or otherwise transfer Class A common shares until their Class A holdings fall below 10%. Unless and until this situation is satisfied in a manner permitted by the Company's Restated Certificate of Incorporation, the subject shareholders will not be permitted to vote their shares of common stock.

To the extent that the voting rights of particular holders of Class A common stock are suspended as of times when the Company's shareholders vote due to the above-mentioned provisions, such suspension will have the effect of increasing the voting power of those holders of Class A common shares whose voting rights are not suspended. As of February 28, 2015, Daniel Bernstein, the Company's chief executive officer, beneficially owned 353,204 Class A common shares (or 25.4%) of the outstanding Class A common shares whose voting rights were not suspended, the Estate of Elliot Bernstein beneficially owned 82,357 Class A common shares (or 5.9%) of the outstanding Class A common shares whose voting rights were not suspended and all directors and executive officers as a group (which includes Daniel Bernstein, but does not include the Estate of Elliot Bernstein) beneficially owned 501,095 Class A common shares (or 35.9%) of the outstanding Class A common shares whose voting rights were not suspended.

We are dependent on information technology and our systems and infrastructure face certain risks, including cyber security risks and data leakage risks.

We are dependent on information technology systems and infrastructure. Any significant breakdown, invasion, destruction or interruption of these systems by employees, others with authorized access to our systems, or unauthorized persons could negatively affect operations. There is also a risk that we could experience a business interruption, theft of information or reputational damage as a result of a cyber attack, such as an infiltration of a data center, or data leakage of confidential information either internally or at our third-party providers. While we have invested in the protection of our data and information technology to reduce these risks and periodically test the security of our information systems network, there can be no assurance that our efforts will prevent breakdowns or breaches in our systems that could materially adversely affect our financial condition, results of operations and liquidity.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

The Company is headquartered in Jersey City, New Jersey, where it currently owns 19,000 square feet of office and warehouse space. In addition to its facilities in Jersey City, New Jersey, the Company leases 197,000 square feet in 17 facilities and owns properties of 168,000 square feet which are used primarily for management, financial accounting, engineering, sales and administrative support.

The Company also operated 23 manufacturing facilities in 7 countries as of December 31, 2014. Approximately 19% of the 2.8 million square feet the Company occupies is owned while the remainder is leased. See Note 16 of the notes to consolidated financial statements for additional information pertaining to leases.

The following is a list of the locations of the Company's principal manufacturing facilities at December 31, 2014:

Location	Approximate Square Feet	Owned/ Leased	Percentage Used for Manufacturing	
Dongguan, People's Republic of China	646,000	Leased	33	%
Pingguo, People's Republic of China	237,000	Leased	75	%
Shanghai, People's Republic of China	31,000	Leased	70	%
Shenzhen, People's Republic of China	260,000	Leased	100	%
Zhongshan, People's Republic of China	372,000	Leased	73	%
Zhongshan, People's Republic of China	118,000	Owned	100	%
Zhongshan, People's Republic of China	78,000	Owned	100	%
Louny, Czech Republic	11,000	Owned	75	%
Dubnica nad Vahom, Slovakia	35,000	Owned	100	%
Dubnica nad Vahom, Slovakia	70,000	Leased	100	%
Worksop, England (a)	52,000	Leased	28	%
Great Dunmow, England	9,000	Leased	52	%
Chelmsford, United Kingdom	21,000	Leased	60	%
Dominican Republic	41,000	Leased	85	%
Cananea, Mexico	42,000	Leased	60	%
Reynosa, Mexico	77,000	Leased	56	%
Inwood, New York	39,000	Owned	40	%
Glen Rock, Pennsylvania	74,000	Owned	60	%
Waseca, Minnesota	124,000	Leased	83	%
McAllen, Texas	39,000	Leased	56	%
Miami, Florida	29,000	Leased	85	%
Melbourne, Florida	13,000	Leased	64	%
Mesa, Arizona	7,000	Leased	100	%
	2,425,000			

Of the space described above, 299,000 square feet is used for engineering, warehousing, sales and administrative support functions at various locations and 516,000 square feet is designated for dormitories, canteen and other employee related facilities in the PRC.

The Territory of Hong Kong became a Special Administrative Region ("SAR") of the PRC during 1997. The territory of Macao became a SAR of the PRC at the end of 1999. Management cannot presently predict what future impact, if any, this will have on the Company or how the political climate in the PRC will affect its contractual arrangements in the PRC. A significant portion of the Company's manufacturing operations and approximately 35.1% of its identifiable assets are located in Asia.

Item 3. Legal Proceedings

The information called for by this Item is incorporated herein by reference to the caption "Legal Proceedings" in Note 16, "Commitments and Contingencies" included in Part II, Item 8. "Financial Statements and Supplementary Data."

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

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

(a) Market Information

The Company's voting Class A Common Stock, par value $0.10 per share, and non-voting Class B Common Stock, par value $0.10 per share ("Class A" and "Class B," respectively), are traded on the NASDAQ Global Select Market under the symbols BELFA and BELFB. The following table sets forth the high and low sales price range (as reported by The Nasdaq Stock Market Inc.) for the Common Stock on NASDAQ for each quarter during the past two years.

	Class A		Class B	
	High	Low	High	Low
Year Ended December 31, 2014				
First Quarter	$20.04	$17.80	$22.10	$17.80
Second Quarter	27.23	19.00	27.50	19.57
Third Quarter	25.73	21.17	26.67	22.16
Fourth Quarter	26.70	20.33	29.26	22.18
Year Ended December 31, 2013				
First Quarter	$18.35	$13.80	$20.25	$15.42
Second Quarter	14.49	12.69	16.35	13.38
Third Quarter	18.26	13.52	18.42	13.59
Fourth Quarter	21.89	17.05	23.03	17.03

(b) Holders

As of February 28, 2015, there were 60 registered shareholders of the Company's Class A Common Stock and 180 registered shareholders of the Company's Class B Common Stock. As of February 28, 2015, the Company estimates that there were 659 beneficial shareholders of the Company's Class A Common Stock and 2,260 beneficial shareholders of the Company's Class B Common Stock. At February 28, 2015, to the Company's knowledge, there were two shareholders of the Company's Class A common stock whose voting rights were suspended. These two shareholders owned an aggregate of 36.0% of the Company's outstanding shares of Class A common stock. See Item 1A – Risk Factors for additional discussion.

(c) Dividends

During the years ended December 31, 2014, 2013 and 2012, the Company declared dividends on a quarterly basis at a rate of $0.06 per Class A share of common stock and $0.07 per Class B share of common stock totaling $3.2 million, $3.1 million and $3.2 million, respectively. There are no contractual restrictions on the Company's ability to pay dividends provided the Company is not in default under its credit agreements immediately before such payment and after giving effect to such payment. On January 30, 2015, the Company paid a dividend to all shareholders of record at January 15, 2015 of Class A and Class B Common Stock in the total amount of $0.1 million ($0.06 per share) and $0.6 million ($0.07 per share), respectively. On February 18, 2015, Bel's Board of Directors declared a dividend in the amount of $0.06 per Class A common share and $0.07 per Class B common share which is scheduled to be paid on May 1, 2015 to all shareholders of record at April 15, 2015. The Company currently anticipates paying dividends quarterly in the future.

(d) Issuer Purchases of Equity Securities

In July 2012, Bel's Board of Directors approved a share buyback program whereby the Company was authorized to repurchase up to $10 million of the Company's Class B common stock. In connection with the program, the Company repurchased and retired a total of 368,723 shares of the Company's Class B common stock at a total cost of $6.6 million during the year ended December 31, 2012. During the year ended December 31, 2013, the Company repurchased and retired a total of 178,643 shares of the Company's Class B common stock at a total cost of $3.4 million. This completed the $10 million buyback program.

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(e) Common Stock Performance Comparisons

The following graph shows, for the five years ended December 31, 2014, the cumulative total return on an investment of $100 assumed to have been made on December 31, 2009 in our common stock. The graph compares this return ("Bel") with that of comparable investments assumed to have been made on the same date in: (a) the NASDAQ Stock Market (U.S. Companies) and (b) a group of companies within our industry.

Total return for each assumed investment assumes the reinvestment of all dividends on December 31 of the year in which the dividends were paid.

Comparison of 5 Year Cumulative Total Return
Assumes Initial Investment of $100
December 2014

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Item 6. Selected Financial Data

The following tables set forth selected consolidated financial data as of the dates and for the periods presented. The selected consolidated balance sheet data as of December 31, 2014 and 2013 and the selected consolidated statement of operations data for the years ended December 31, 2014, 2013 and 2012 have been derived from our audited consolidated financial statements and related notes that we have included elsewhere in this Form 10-K. The selected financial data below includes the results of acquired companies discussed above from their respective acquisition dates. The selected consolidated balance sheet data as of December 31, 2012, 2011 and 2010 and the selected consolidated statement of operations data for the years ended December 31, 2011 and 2010 have been derived from audited consolidated financial statements that are not presented in this Form 10-K. The selected consolidated balance sheet data as of December 31, 2013 and 2012 and the selected consolidated statement of operations data for the years ended December 31, 2013 and 2012 have been revised to reflect measurement period adjustments related to the 2012 and 2013 Acquisitions.

For information regarding the Company's acquisitions, see Note 2, Acquisitions, of the notes to consolidated financial statements within this Form 10-K.

	Years Ended December 31,				
	2014	2013	2012	2011	2010
	(In thousands of dollars, except per share data)				
Selected Consolidated Statements of Operations Data: (a)					
Net sales	$ 487,076	$ 349,189	$ 286,594	$ 295,121	$ 302,539
Cost of sales	399,100	286,952	240,115	244,749	239,185
Selling, general and administrative expenses	72,051	45,803	39,571	39,284	40,443
Stock-based compensation	2,717	1,879	1,767	1,709	2,200
Litigation charges (b)	-	41	26	3,471	8,103
Restructuring charges (c)	1,832	1,387	5,245	314	-
Earnings before income taxes	10,391	15,165	997	7,872	15,580
Net earnings	$9,095	$15,908	$2,373	$3,764	$13,649
Reconciliation of net earnings to EBITDA (e):					
Net earnings	$9,095	$15,908	$2,373	$3,764	$13,649
Depreciation and amortization (d)	19,746	12,382	9,113	8,667	8,836
Interest expense	3,978	156	16	-	-
Income tax provision (benefit)	1,296	(743)	(1,376)	4,108	1,931
EBITDA (e)	$ 34,115	$ 27,703	$ 10,126	$ 16,539	$ 24,416
Net earnings per share:					
Class A common share - basic and diluted	0.73	1.32	0.17	0.28	1.10
Class B common share - basic and diluted	0.79	1.41	0.21	0.33	1.18
Cash dividends declared per share:					
Class A common share	0.24	0.24	0.24	0.24	0.24
Class B common share	0.28	0.28	0.28	0.28	0.28

	As of December 31,				
	2014	2013	2012	2011	2010
	(In thousands of dollars, except percentages)				

Selected Consolidated Balance Sheet Data and Ratios:

Cash and cash equivalents	$ 77,138	$ 62,123	$ 71,262	88,241	83,829
Working capital	188,854	137,174	144,530	165,264	157,296
Goodwill	117,573	18,490	13,559	4,163	4,264
Total assets	636,025	308,141	275,189	276,911	277,172
Stockholders' equity	224,751	228,702	215,362	221,080	220,333
Return on average total assets (f)	1.9 %	5.4 %	0.9 %	1.4 %	5.2 %
Return on average stockholders' equity (f)	4.0 %	7.3 %	1.1 %	1.7 %	6.4 %

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(a) See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," for a discussion of the factors that contributed to our consolidated operating results and our consolidated cash flows for the three years ended December 31, 2014.

(b) During 2011, the Company recorded litigation charges totaling $3.5 million related to the SynQor and Halo lawsuits. During 2010, the Company recorded a litigation charge in the amount of $8.1 million in connection with the SynQor lawsuit. See Note 16, Commitments and Contingencies, for further information on the SynQor lawsuit. The Halo lawsuit was resolved in 2011.

(c) See Note 3 to the accompanying consolidated financial statements. During 2011, the Company recorded restructuring costs associated with the realignment of its Cinch UK operations. In 2009, the Company incurred restructuring costs related primarily to the Westborough, Massachusetts facility lease obligation, as the Company ceased its manufacturing operations at that facility in 2008.

(d) Depreciation and amortization is included in both cost of sales and selling, general and administrative expenses on the consolidated statements of operations.

(e) EBITDA is a non GAAP measure that is not a measure of performance under accounting principles generally accepted in the United States of America ("GAAP"). EBITDA has limitations as an analytical tool and should not be considered in isolation from or as a substitute for GAAP information. It does not purport to represent any similarly titled GAAP information and is not an indicator of our performance under GAAP. EBITDA may not be comparable with similarly titled measures used by others. Investors are cautioned against placing undue reliance on this non-GAAP measure. Our management may assess our financial results both on a GAAP basis and on a non-GAAP basis. Non-GAAP financial measures provide management with additional means to understand and evaluate the core operating results and trends in our ongoing business.

(f) Returns on average total assets and stockholders' equity are computed for each year by dividing net earnings for such year by the average balances of total assets or stockholders' equity, as applicable, on the last day of each quarter during such year and on the last day of the immediately preceding year.

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

The information in this MD&A should be read in conjunction with the Company's consolidated financial statements and the notes related thereto. The discussion of results, causes and trends should not be construed to imply any conclusion that such results, causes or trends will necessarily continue in the future. See "Cautionary Notice Regarding Forward-Looking Statements" above for further information. Also, when we cross reference to a "Note," we are referring to our "Notes to Consolidated Financial Statements," unless the context indicates otherwise. All amounts and percentages are approximate due to rounding.

Overview

Our Company

We design, manufacture and market a broad array of products that power, protect and connect electronic circuits. These products are primarily used in the networking, telecommunications, computing, military, aerospace, transportation and broadcasting industries. Bel's portfolio of products also finds application in the automotive, medical and consumer electronics markets.

We operate through three geographic segments: North America, Asia and Europe. In 2014, 45% of the Company's revenues were derived from North America, 41% from Asia and 14% from its Europe operating segment. By product group, 36% of 2014 sales related to the Company's magnetic products, 33% in power solutions and protection products and 31% in connectivity solutions products.

Our operating expenses are driven principally by the cost of labor where the factories that Bel uses are located, the cost of the materials that we use and our ability to effectively and efficiently manage overhead costs. As labor and material costs vary by product line and region, any significant shift in product mix can have an associated impact on our costs of sales. Costs are recorded as incurred for all products manufactured. Such amounts are determined based upon the estimated stage of production and include labor cost and fringes and related allocations of factory overhead. Our products are manufactured at various facilities in the U.S., Mexico, Dominican Republic, England, Czech Republic, Slovakia and the PRC.

In the PRC, where we generally enter into processing arrangements with several independent third-party contractors and also have our own manufacturing facilities, the availability of labor is cyclical and is significantly affected by the migration of workers in relation to the annual Lunar New Year holiday as well as economic conditions in the PRC. In addition, we have little visibility into the ordering habits of our customers and we can be subjected to large and unpredictable variations in demand for our products. Accordingly, we must continually recruit and train new workers to replace those lost to attrition each year and be able to address peaks in demand that may occur from time to time. These recruiting and training efforts and related inefficiencies, and overtime required in order to meet demand, can add volatility to the costs incurred by us for labor in the PRC.

The consolidated results included in this MD&A include the results of acquired companies discussed above from their respective acquisition dates.

Key Factors Affecting our Business

The Company believes the key factors affecting Bel's 2014 and/or future results include the following:

- Recent Acquisitions – The Company has completed four acquisitions since the first quarter of 2013. During the years ended December 31, 2014 and 2013, the acquired companies have contributed a combined $209.8 million and $68.6

million of sales, respectively, and a combined $10.8 million and $8.4 million in income from operations, respectively.

- Revenues – Excluding the revenue contributions from the 2013 and 2014 Acquisitions as described above, the Company's revenues for the year ended December 31, 2014 decreased by $3.3 million as compared to 2013. A $13.5 million increase in sales of custom modules, ICM's and passive connectors was more than offset by decreases in sales of DC/DC converters, discrete magnetics and Cinch products of $13.8 million. By segment, excluding the revenue contributions from the 2013 and 2014 Acquisitions, sales in North America decreased by $5.8 million, sales in Asia increased by $0.9 million and European sales were up by $1.7 million as compared to 2013.

- Product Mix – Material and labor costs vary by product line and any significant shift in product mix between higher- and lower-margin product lines will have a corresponding impact on the Company's gross margin percentage. As compared to the pre-2014 (legacy-Bel) business on average, the recently acquired Power Solutions business has lower margins and Connectivity Solutions has higher margins. Fluctuations in sales volume of Power Solutions or Connectivity Solutions products will have a corresponding impact on Bel's profit margins.

- Pricing and Availability of Materials – Pricing and availability of components that constitute raw materials in our manufacturing processes have been stable for most of the Company's product lines, although lead times on electrical components are still extended. Pricing of electrical components stabilized during the latter half of 2014. With regard to commodity pricing, the cost of certain commodities that are contained in components and other raw materials, such as gold and copper, were lower during 2014 as compared to 2013. Any fluctuations in component prices and other commodity prices associated with Bel's raw materials will have a corresponding impact on Bel's profit margins.

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- Restructuring – The Company continues to implement restructuring efforts in connection with integrating the 2014 Acquisitions into the legacy-Bel structure. In 2014, the Company incurred $1.8 million of restructuring charges and these efforts are expected to continue into early 2015 through facility consolidations and other streamlining actions.

- Labor Costs – Labor costs as a percentage of sales for the legacy-Bel business were 14.7% of sales in 2014 as compared to 14.5% in 2013. The influx of the 2014 Acquisitions are expected to result in a lower consolidated labor cost as a percentage of sales in future periods as labor costs for the Power Solutions business in 2014 was 4.9% of their respective sales and Connectivity Solutions' labor costs were 7.3% of their respective sales.

- Acquisition-Related Costs – The acquisitions of Power Solutions and Connectivity Solutions in 2014 gave rise to acquisition-related costs of $7.3 million during the year ended December 31, 2014, which includes professional fees for independent valuations and audits performed during 2014. In addition to these costs, a combined $5.9 million of inventory step up costs were charged to cost of sales in 2014. While the majority of the audit fees were incurred in 2014, some additional cost is expected in early 2015 related to valuation and audit work.

- Impact of Foreign Currency – Since we are a U.S. domiciled company, we translate our foreign currency-denominated financial results into U.S. dollars. Due to the changes in the value of foreign currencies relative to the U.S. dollar, translating our financial results from foreign currencies to U.S. dollars may result in a favorable or unfavorable impact to our consolidated statements of operations. See Inflation and Foreign Currency Exchange below for further details.

- Effective Tax Rate – The Company's effective tax rate will fluctuate based on the geographic segment in which our pretax profits are earned. Of the geographic segments in which we operate, the U.S. has the highest tax rates; Europe's tax rates are generally lower than U.S. tax rates; and Asia has the lowest tax rates of the Company's three geographical segments. See Note 9, Income Taxes, of the consolidated financial statements.

Since the completion of the 2014 Acquisitions, we have sought to rectify quality issues discovered post-acquisition through the implementation of quality improvement programs, particularly at the Power Solutions factories. In 2015, we expect to continue the process of rebuilding the customer relationships that suffered due to the quality issues and to pursue a variety of opportunities to further reduce costs and enhance efficiencies.

Summary by Operating Segment

Net sales to external customers by reportable operating segment for the years ended December 31, 2014, 2013 and 2012 were as follows (dollars in thousands):

	2014		2013		2012	
North America	$217,258	45 %	$116,548	33 %	$126,469	44 %
Asia	201,338	41 %	193,647	56 %	128,319	45 %
Europe	68,480	14 %	38,994	11 %	31,806	11 %
	$487,076	100%	$349,189	100%	$286,594	100%

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Net sales and income (loss) from operations by operating segment for the years ended December 31, 2014, 2013 and 2012 were as set forth in the following table (dollars in thousands). Segment net sales are attributed to individual segments based on the geographic source of the billing for such customer sales.

	2014	2013	2012
Total segment sales:			
North America	$248,007	$128,472	$138,966
Asia	275,765	225,151	167,756
Europe	114,748	40,742	33,329
Total segment sales	638,520	394,365	340,051
Reconciling item:			
Intersegment sales	(151,444)	(45,176)	(53,457)
Net sales	$487,076	$349,189	$286,594
Income (loss) from operations:			
North America	$(4,465)	$(1,560)	$1,336
Asia	13,338	15,356	(42)
Europe	5,220	1,251	369
	$14,093	$15,047	$1,663

Net sales were favorably impacted in all segments in 2014 due to the recent acquisitions. Power Solutions, acquired in June 2014, contributed 73% of its $100.8 million of total net sales to North America, 24% to Europe and 3% to Asia. Connectivity Solutions, acquired in July and August 2014, contributed 84% of its $33.5 million of total net sales to North America, 8% to Europe and 7% to Asia. There were also increases in 2014 as a result of a full year of net sales for the 2013 Acquisitions. TRP, acquired in March 2013, contributed net sales primarily in Asia and Array, acquired in August 2013, contributed to North America.

During 2013, the acquisition of TRP contributed to net sales and had a favorable impact on income from operations in Asia. Net sales in Europe were favorably impacted by the acquisitions of Fibreco and Bel Power Europe which were completed in the second half of 2012. The decrease in sales in North America primarily related to lower volumes as a result of reduced demand for Bel's module products. North America sales and income from operations were also impacted by the transition of the operations of Cinch's manufacturing facility from Vinita, Oklahoma to Reynosa, Mexico and the addition of a new manufacturing facility in McAllen, Texas. This transition resulted in reduced production levels and lower overall sales of Cinch products. In addition, various other costs associated with the Cinch reorganization further reduced our income from operations in North America. The decreases noted in North America sales were partially offset by $2.1 million of new sales volume related to the acquisition of Array in late August 2013.

See Note 12 of the notes to consolidated financial statements contained in this Annual Report on Form 10-K for details on contributions from recent acquisitions to net sales and income (loss) from operations by segment.

Net Sales

The Company's net sales by major product line for the years ended December 31, 2014, 2013 and 2012 were as follows (dollars in thousands):

	Years Ended December 31,					
	2014		2013		2012	
Magnetic solutions	$174,255	36 %	$170,166	49 %	$100,529	35 %
Power solutions and protection	159,867	33 %	67,370	19 %	76,820	27 %
Connectivity solutions	152,954	31 %	111,653	32 %	109,245	38 %

	$487,076	100%	$349,189	100%	$286,594	100%

2014 as Compared to 2013

The Company experienced increases in all product lines in 2014 as compared to 2013 due to the recent acquisitions. The increase in magnetic sales resulted from $2.1 million of incremental TRP sales (acquired in March 2013) and a higher volume of ICM sales of $3.5 million as compared to 2013. Power Solutions, acquired in June 2014, contributed $100.8 million in power solutions and protection sales, offset by an $11.3 million reduction in legacy-Bel's DC/DC sales. Connectivity Solutions, acquired in July and August 2014, accounted for $33.5 million of the increase in connectivity sales in 2014 and Array, acquired in August 2013, contributed an incremental $4.8 million to connectivity sales in 2014.

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2013 as Compared to 2012

The Company's magnetic product line, which includes Bel's MagJack and TRP ICM products, had strong sales in 2013. The acquisition of TRP in March 2013 accounted for $66.5 million of the increase from 2012. The acquisition of Array in late August 2013 contributed $2.1 million of sales to the Company's connectivity product line during 2013. Fibreco, acquired in July 2012, contributed sales of $7.5 million and $2.1 million to the Company's connectivity product line during 2013 and 2012, respectively. The increased sales volume from the Array and Fibreco acquisitions was offset by lower sales of Cinch's connectivity products early in 2013 due to the transition of Cinch's manufacturing operations. Sales of Cinch's products rebounded by the fourth quarter of 2013. Sales in the Company's power solutions and protection product line were lower in 2013 due to reduced order volume of one customer. This reduction was partially offset by higher sales of DC-DC and AC-DC module products and automation of certain fuse manufacturing processes which increased capacity and output of fuse products.

Cost of Sales

Cost of sales as a percentage of net sales for the three years ended December 31, 2014 consisted of the following:

	Years Ended December 31,		
	2014	2013	2012
Material costs	44.9%	42.5%	45.9%
Labor costs	12.1%	14.5%	14.9%
Research and development expenses	4.4 %	4.0 %	4.3 %
Other expenses	20.5%	21.2%	18.7%
Total cost of sales	81.9%	82.2%	83.8%

2014 as Compared to 2013

Material costs as a percentage of sales increased in 2014 due to the inclusion of the Power Solutions business, as those products have a higher material content (approximately 60% of sales) versus the legacy-Bel products. On a comparable basis to 2013, legacy-Bel's material costs as a percentage of sales decreased from 42.5% of sales to 41.5% of sales. This was due to the shift in sales noted above, as TRP and connectivity products carry a lower material content than Bel's DC/DC power products.

Labor costs as a percentage of sales declined with the inclusion of the 2014 Acquisitions, particularly Power Solutions, as their significant manufacturing sites are located in lower cost regions. Legacy-Bel's labor costs as a percentage of sales increased slightly from 2013. The PRC government mandated wage increases coupled with the strengthening of the Chinese currency further increased labor costs over the prior year. These increases were partially offset by the realization of cost savings in connection with the improvement in manufacturing efficiencies associated with the Cinch reorganization in 2013.

Included in cost of sales are research and development ("R&D") expenses of $21.5 million, $14.1 million and $12.4 million for the years ended December 31, 2014, 2013 and 2012, respectively. The majority of the increase over the past two years relates to the inclusion of R&D expenses of the 2013 and 2014 Acquired Companies, which have been included in Bel's results since their respective acquisition dates.

2013 as Compared to 2012

Material costs as a percentage of sales were lower in 2013 as compared to 2012, primarily due to the shift in product mix noted in "Sales" above. The reduction in sales of higher-material module products, and increase in sales of lower-material ICM and power products contributed to the decrease in material costs as a percentage of sales. These factors were partially offset by operational inefficiencies and other start-up costs at the new manufacturing facility in Texas during the first half of 2013, which resulted in high material costs at the Texas facility related to third-party purchases of machined parts at premium prices, and high volumes of scrap, rejected materials and expedited freight costs.

Labor costs as a percentage of sales were slightly lower during 2013 as compared to 2012, as we incurred excessive recruiting, training and overtime costs following the 2012 Lunar New Year holiday in Asia. These costs did not recur in 2013 as the labor return rate after the 2013 Lunar New Year holiday was in line with our manufacturing requirements to meet customer demand. The new sales volume from TRP products also contributed to the reduction in labor costs as a percentage of sales in 2013, as TRP products have a lower labor cost structure than Bel's ICM products. These factors were partially offset by mandatory wage increases in the PRC, which went into effect in May 2013.

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The increase in other expenses as a percentage of sales for 2013 as compared to 2012 primarily related to the inclusion of support labor and fringe costs of the recent acquisitions, and additional support costs related to indirect labor and travel during the transition of Cinch manufacturing operations in early 2013. There was also an increase in incentive compensation for support labor in 2013. These factors were partially offset by a reduction in support labor and fringe costs associated with the restructuring actions that took place in 2012 and 2013.

Selling, General and Administrative Expenses ("SG&A")

2014 as Compared to 2013

SG&A expense increased $26.2 million in 2014 as compared to 2013. This increase was primarily due to the following:

- the incremental impact of SG&A expenses related to the 2013 and 2014 Acquisitions of $19.1 million;
- higher acquisition-related costs of $6.5 million related to the 2014 Acquisitions; and
- an increase in salaries of $1.5 million.

These increases were partially offset by a $2.8 million reduction in incentive compensation expense in 2014 as compared to 2013 primarily due to lower profitability levels of the Company in 2014.

2013 as Compared to 2012

SG&A expense increased $6.5 million in 2013 as compared to 2012. This increase was primarily due to the following:

- the incremental impact of SG&A expenses related to the 2013 and 2012 Acquisitions of $4.8 million;
- an increase in incentive compensation of $2.9 million primarily due to higher profitability of the Company in 2013;
- foreign currency exchange losses of $0.7 million; and
- an increase in freight charges primarily due to the Cinch transition of $0.8 million.

These factors were partially offset by insurance proceeds related to Hurricane Sandy of $0.8 million, lower acquisition-related costs of $0.4 million and reductions in wage and fringe-related items of $0.7 million.

Restructuring Charges

The Company recorded restructuring charges of $1.8 million, $1.4 million and $5.2 million during the years ended December 31, 2014, 2013 and 2012, respectively, in connection with its restructuring programs, as further described in Note 3, Restructuring Activities. Included in the restructuring charges for 2012 was a $1.0 million write-off of the building and land located in Vinita, Oklahoma, as Bel donated this property to a local university in December 2012.

Impairment of Investment

During the year ended December 31, 2012, the Company recorded $0.8 million in other-than-temporary impairment charges related to its investment in Pulse Electronics Corporation ("Pulse") common stock.

Interest Expense

The Company incurred interest expense of $4.0 million during the year ended December 31, 2014 in connection with borrowings under its credit and security agreement used to fund the 2014 Acquisitions. See "Liquidity and Capital Resources" and Note 10, Debt, for further information on the Company's outstanding debt.

Income Taxes

The Company's effective tax rate will fluctuate based on the geographic segment in which the pretax profits are earned. Of the geographic segments in which the Company operates, the U.S. has the highest tax rates; Europe's tax rates are generally lower than U.S. tax rates; and Asia has the lowest tax rates of the Company's three geographical segments.

2014 as Compared to 2013

The provision (benefit) for income taxes for the year ended December 31, 2014 and 2013 was $1.3 million and ($0.7) million, respectively. The Company's earnings before income taxes for the year ended December 31, 2014 were approximately $4.8 million lower than in 2013. The Company's effective tax rate was 12.5% and (5.0%) for the year ended December 31, 2014 and 2013, respectively. The change in the effective tax rate during 2014 as compared to 2013, is primarily attributable to the increase in US taxes despite a pretax loss in the North America segment from taxes related to uncertain tax positions, valuation allowances and foreign acquired disregarded entity income, offset in part by R&E credits. In addition, there was a significant increase in the Europe segment income offset by a decrease in the Asia segment income which resulted in higher foreign taxes during 2014 compared to 2013. Additionally, for the year ended December 31, 2013, the Company recognized an additional $0.4 million in R&E credits related to the year ended December 31, 2012 which offset the increase in the effective tax rate when comparing 2013 to 2014. See Note 9 of the consolidated financial statements.

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2013 as Compared to 2012

The (benefit) for income taxes for the year ended December 31, 2013 and 2012 was ($0.7) million and ($1.4) million, respectively. The Company's earnings before income taxes for the year ended December 31, 2013 were approximately $14.2 million higher than in 2012. The Company's effective tax rate was (5.0%) and (138.0%) for the year ended December 31, 2013 and 2012, respectively. The change in the effective tax rate during 2013 is primarily attributable to a $15.5 million increase in pretax income earned in the Asia segment, with minimal tax effect. Additionally, the Company had a significantly lower net reversal of liabilities for uncertain tax positions and a pretax loss in the U.S. segment for the year ended December 31, 2013 compared to December 31, 2012. The favorable effective tax rate in 2012 was primarily attributable to the net reversal of liabilities for uncertain tax positions.

Other Matters

The Company has the majority of its products manufactured on the mainland of the PRC, and Bel is not subject to corporate income tax on manufacturing services provided by third parties in the PRC. Hong Kong has a territorial tax system which imposes corporate income tax at a rate of 16.5 percent on income from activities solely conducted in Hong Kong.

The Company holds an offshore business license from the government of Macao. With this license, a Macao offshore company named Bel Fuse (Macao Commercial Offshore) Limited has been established to handle certain of the Company's sales to third-party customers in Asia. Sales by this company consist of legacy-Bel products manufactured in the PRC. This company is not subject to Macao corporate profit taxes which are imposed at a tax rate of 12%. Additionally, the Company established TRP International, a China Business Trust ("CBT"), when it acquired the TRP group, previously discussed. Sales by the CBT consists of TRP products manufactured in the PRC and sold to third party customers inside and outside Asia. The CBT is not subject to income taxes in the PRC, which are generally imposed at a tax rate of 25%.

It is the Company's intention to repatriate substantially all net income from its wholly owned PRC subsidiary, Dongguan Transpower Electric Products Co., Ltd, a Chinese Limited Liability Company, to its direct Hong Kong parent Transpower Technologies (Hong Kong) Ltd. Applicable income and dividend withholding taxes have been reflected in the accompanying consolidated statements of operations for the year ended December 31, 2014. However, U.S. deferred taxes need not be provided as there is no intention to repatriate such amounts to the U.S. Management's intention is to permanently reinvest the majority of the remaining earnings of foreign subsidiaries in the expansion of its foreign operations. Unrepatriated earnings, upon which U.S. income taxes have not been accrued, are approximately $126.6 million at December 31, 2014. Such unrepatriated earnings are deemed by management to be permanently reinvested. At December 31, 2014, the estimated federal income tax liability (net of estimated foreign tax credits) related to unrepatriated foreign earnings is $32.4 million under the current tax law.

The Company's policy is to recognize interest and penalties related to uncertain tax positions as a component of the current provision for income taxes. During the years ended December 31, 2014 and 2013, the Company recognized $1.6 million and an immaterial amount, respectively, in interest and penalties in the consolidated statements of operations. During the year ended December 31, 2014, the Company recognized a benefit of $0.2 million for the reversal of such interest and penalties. The Company has approximately $1.6 million and $0.2 million accrued for the payment of interest and penalties at December 31, 2014 and 2013, respectively, which is included in both income taxes payable and liability for uncertain tax positions in the consolidated balance sheets.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. The Company is no longer subject to U.S. federal examinations by tax authorities for years before 2011 and for state examinations before 2008. Regarding foreign subsidiaries, the Company is no longer subject to examination by tax authorities for years before 2003 in Asia and generally 2007 in Europe.

As a result of the expiration of the statute of limitations for specific jurisdictions, it is reasonably possible that the related unrecognized benefits for tax positions taken regarding previously filed tax returns may change materially from those recorded as liabilities for uncertain tax positions in the Company's consolidated financial statements at December 31, 2014. A total of $0.2 million of previously recorded liabilities for uncertain tax positions relates principally to the 2011 tax year. The statute of limitations related to these liabilities is scheduled to expire on September 15, 2015. Additionally, a total of $0.8 million of previously recorded liabilities for uncertain tax positions relating to the 2010 tax year were reversed during the year ended December 31, 2014. This was offset in part by an increase to the liability for uncertain tax positions in the amount of $2.7 million, of which $1.2 million relates to interest and penalties on the uncertain tax positions acquired from Power Solutions, which is included in the consolidated statement of operations during the year ended December 31, 2014. A total of $0.5 million of previously recorded liabilities for uncertain tax positions relating to 2006 and 2009 tax years were reversed during the year ended December 31, 2013.

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Upon completion of the acquisitions of Power Solutions and Connectivity Solutions, there were net deferred tax assets of $7.1 million and $1.2 million, respectively, arising from various temporary differences and net operating loss carry forward acquired, which are included in the consolidated balance sheet at December 31, 2014. In connection with the 2014 Acquisitions, the Company was required to complete a fair market value report of property, plant and equipment and intangibles. As a result of that preliminary report, the Company established deferred tax liabilities at the date of acquisition in the amount of $3.1 million and $16.4 million respectively for the Power Solutions and Connectivity Solutions acquisitions. At December 31, 2014, a net deferred tax liability of $8.3 million remains on the consolidated balance sheet for the 2014 Acquisitions.

The Company intends to make elections to step up the tax basis to fair value under IRC Section 338(g) for the Power Solutions acquisition and for certain jurisdictions with respect to the Connectivity Solutions acquisition. The elections made under Section 338(g) only affect U.S. income taxes (not those of the foreign country where the acquired entities were incorporated).

Upon the acquisition of TRP, TRP had a deferred tax asset in the amount of $2.2 million arising from various timing differences related to depreciation and accrued expenses. Upon the acquisition of Array, Array had a deferred tax liability of $0.7 million arising from timing differences related to depreciation and a deferred tax asset of $2.1 million arising from the NOL acquired. In connection with the 2013 Acquisitions, the Company was required to complete a fair market value report of property, plant and equipment and intangibles. As a result of that report, the Company established deferred tax liabilities at the date of acquisition in the amount of $0.6 million and $1.0 million respectively for the TRP and Array acquisitions. At December 31, 2014, a net deferred tax liability of $0.3 million remains on the consolidated balance sheet.

The Company does not intend to make any election to step up the tax basis of the 2013 acquisitions to fair value under IRC Section 338(g).

Upon the acquisition of Fibreco, Fibreco had a deferred tax liability in the amount of $0.1 million arising from various timing differences. In connection with the 2012 Acquisitions, the Company was required to complete a fair market value report of property, plant and equipment and intangibles. As a result of that report, the Company established deferred tax liabilities at the date of acquisition in the amount of $1.7 million, $0.6 million and $0.4 million, respectively for the Fibreco, GigaCom and Powerbox acquisitions. At December 31, 2014, a deferred tax liability of $2.1 million remains on the consolidated balance sheet.

The Company has made elections under Internal Revenue Code ("IRC") Section 338(g) to step up the tax basis of the 2012 Acquisitions to fair value. The elections made under Section 338(g) only affect U.S. income taxes (not those of the foreign country where the acquired entities were incorporated).

On December 31, 2013, under the "American Taxpayer Relief Act" ("ATRA"), the Research and Experimentation credit ("R&E") expired. On December 16, 2014, the R&E credit was extended back to January 1, 2014 and the Company recognized $0.3 million in R&E credits during the fourth quarter of 2014. During the first quarter of 2013, the Company recognized a $0.4 million R&E credit from 2012 as an increase in the March 31, 2013 quarterly benefit for income taxes.

The Company continues to monitor proposed legislation affecting the taxation of transfers of U.S. intangible property and other potential tax law changes.

Inflation and Foreign Currency Exchange

During the past three years, the effect of inflation on our consolidated financial position and results of operations was not material. We are exposed to market risk primarily from changes in foreign currency exchange rates. Historically, fluctuations of the U.S. dollar against other major currencies have not significantly affected our foreign operations as most sales have been denominated in U.S. dollars or currencies directly or indirectly linked to the U.S. dollar. Most significant expenses, including raw materials, labor and manufacturing expenses, are incurred primarily in U.S. dollars or the Chinese renminbi, and to a lesser extent in British pounds and Mexican pesos. The Chinese renminbi appreciated by approximately 0.8% in 2014 as compared to 2013. Future appreciation of the renminbi would result in the Company's incurring higher costs for all expenses incurred in the PRC. The Company's European entities, whose functional currencies are euros, British pounds and Czech korunas, enter into transactions which include sales which are denominated principally in euros, British pounds and various other European currencies, and purchases that are denominated principally in U.S. dollars and British pounds. Such transactions resulted in net realized and unrealized currency exchange gains (losses) of $4.3 million, ($0.6) million and $0.6 million for the years ended December 31, 2014, 2013 and 2012, respectively, which were included in SG&A expenses on the consolidated statements of operations. Translation of subsidiaries' foreign currency financial statements into U.S. dollars resulted in translation adjustments of ($11.3) million, $1.0 million and $0.3 million for the years ended December 31, 2014, 2013 and 2012, respectively, which are included in accumulated other comprehensive income (loss) on the consolidated balance sheets.

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Liquidity and Capital Resources

Our primary sources of cash are the collection of trade receivables generated from the sales of our products and services to our customers and amounts available under our existing lines of credit, including our credit facility. Our primary uses of cash are payments for operating expenses, investments in working capital, capital expenditures, interest, taxes, dividends, debt obligations and other long-term liabilities. We believe that our current liquidity position and future cash flows from operations will enable us to fund our operations, including all of the items mentioned above in the next twelve months.

At December 31, 2014 and 2013, $67.2 million and $38.1 million, respectively (or 87% and 61%, respectively), of cash and cash equivalents was held by foreign subsidiaries of the Company. Management's intention is to permanently reinvest the majority of these funds outside the U.S. and there are no current plans that would indicate a need to repatriate them to fund the Company's U.S. operations. In the event these funds were needed for Bel's U.S. operations, the Company would be required to accrue and pay U.S. taxes to repatriate these funds. See "Income Taxes" above for further details.

On June 19, 2014, the Company entered into a senior Credit and Security Agreement ("CSA") (see Note 10, Debt, for additional details). The CSA contains customary representations and warranties, covenants and events of default and financial covenants that measure (i) the ratio of the Company's total funded indebtedness, on a consolidated basis, to the amount of the Company's consolidated EBITDA, as defined ("Leverage Ratio"), and (ii) the ratio of the amount of the Company's consolidated EBITDA to the Company's consolidated fixed charges ("Fixed Charge Coverage Ratio"). If an event of default occurs, the lenders under the CSA would be entitled to take various actions, including the acceleration of amounts due thereunder and all actions permitted to be taken by a secured creditor. At December 31, 2014, the Company was in compliance with its debt covenants, including its most restrictive covenant, the Leverage Ratio. The unused credit available under the credit facility at December 31, 2014 was $27.0 million, of which we had the ability to borrow $16.2 million without violating our Leverage Ratio covenant based on the Company's existing consolidated EBITDA.
In connection with its acquisitions of Power Solutions and Connectivity Solutions (see Note 2, Acquisitions), the Company borrowed $235.0 million under the CSA during 2014. Scheduled principal payments of the long-term debt outstanding are included in "Contractual Obligations" below and in Note 10, "Debt".
For information regarding further commitments under the Company's operating leases, see Note 16 of the notes to the Company's consolidated financial statements.

Cash Flows

During the year ended December 31, 2014, the Company's cash and cash equivalents increased by $15.0 million. This resulted primarily from $22.5 million provided by operating activities, $215.0 million of proceeds from long-term debt and $23.0 million of proceeds from borrowing under the revolver, partially offset by, among other items, payments totaling $208.7 million, net of cash acquired, for the acquisitions of Power Solutions and Connectivity Solutions, $12.0 million of repayments under the revolving credit line, $5.4 million of repayments of long-term debt, $5.8 million paid in deferred financing costs, $9.0 million paid for the purchase of property, plant and equipment and $3.2 million for payments of dividends. As compared to 2013, cash provided by operating activities increased by $11.9 million, partially due to a $7.4 million increase in depreciation and amortization related to the inclusion of expense from the 2014 Acquisitions and additional depreciation and amortization on the fair value adjustments to tangible and intangible assets.

During the year ended December 31, 2013, the Company's cash and cash equivalents decreased by $9.1 million. This resulted primarily from $31.0 million of net cash payments for the acquisitions of TRP and Array, $6.9 million paid for the purchase of property, plant and equipment, $3.1 million for payments of dividends, $3.4 million for the repurchase of 178,643 shares of the Company's Class B common stock, and $1.3 million for the purchase of an intangible asset associated with the Radiall agreement (as further described in Note 4 to the consolidated financial statements contained in this Annual Report), partially offset by, among other items, an increase in short-term borrowings of $12.0 million, a $13.0 million transfer out of restricted cash and $10.6 million provided by operating activities. As compared with 2012, cash provided by operating activities decreased by $1.0 million. During 2013, increased accounts receivable resulted in an operating cash outflow of $8.0 million. The increase in post-acquisition third-party receivables at TRP, which replaced receivables collected from TRP's pre-acquisition affiliates, accounted for $4.0 million of this increase, while receivables in the legacy-Bel portion of the Asia segment increased by $6.1 million. These increases were partially offset by lower receivables in North America and Europe. TRP's third-party receivables were $4.0 million higher than receivables from its former TE affiliates primarily due to higher gross margin and longer payment terms on third-party sales. The longer payment terms in TRP customer contracts acquired from the seller led to an increase of 3 days in overall days sales outstanding (DSO). The increase in legacy-Bel Asia receivables was largely due to a return to normal payment terms in 2013, following a period of shorter payment terms in connection with a new inventory stocking program that was implemented in 2012. Inventories increased by $6.5 million during 2013 primarily due to the expansion of a new stocking program in Asia, whereby certain customers now have quicker access to commonly-ordered parts.

During the year ended December 31, 2012, the Company's cash and cash equivalents decreased by $17.0 million. This resulted primarily from a $13.7 million payment for the acquisition of Fibreco, a $3.0 million payment for the acquisition of Powerbox, a $2.7 million payment for the acquisition of GigaCom, $4.7 million paid for the purchase of property, plant and equipment, $3.2 million for payments of dividends and $6.6 million for the repurchase of 368,723 shares of the Company's Class B common stock, offset by, among other items, $11.6 million provided by operating activities. As compared with 2011, cash provided by operating activities decreased by $18.7 million. Accounts receivable decreased by $0.3 million in 2012 as compared to a decrease in accounts receivable of $14.2 million during 2011, due to lower sales volume in the fourth quarter of 2011. In addition, the Company experienced a $0.3 million increase in inventory levels during 2012, as compared to a decrease in inventory of $3.6 million during 2011.

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Cash and cash equivalents, marketable securities and accounts receivable comprised approximately 27.8% and 40.9% of the Company's total assets at December 31, 2014 and December 31, 2013, respectively. The Company's current ratio (i.e., the ratio of current assets to current liabilities) was 2.6 to 1 and 3.0 to 1 at December 31, 2014 and December 31, 2013, respectively.

Accounts receivable, net of allowances, were $99.6 million at December 31, 2014, as compared with $63.8 million at December 31, 2013, reflecting $40.6 million of accounts receivable of the 2014 Acquired Companies. There was also a slight decrease in the Company's days sales outstanding (DSO) from 63 days at December 31, 2013 to 62 days at December 31, 2014. Inventories were $113.6 million at December 31, 2014, as compared with $70.0 million at December 31, 2013, reflecting $42.3 million of inventories of the 2014 Acquired Companies.

Contractual Obligations

The following table sets forth at December 31, 2014 the amounts of payments due under specific types of contractual obligations, aggregated by category of contractual obligation, for the time periods described below. This table excludes $40.0 million of unrecognized tax benefits as of December 31, 2014, as we are unable to make reasonably reliable estimates of the future period or periods of cash settlements, if any, with the respective taxing authorities.

	Payments due by period (dollars in thousands)				
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt obligations	$232,625	$13,438	$34,937	$184,250	$-
Interest payments due on long-term debt(1)	25,035	6,555	11,562	6,918	-
Capital expenditure obligations	3,679	3,679	-	-	-
Operating leases	26,868	8,295	10,444	4,104	4,025
Raw material purchase obligations	50,364	50,075	289	-	-
Cash dividend declared	810	810	-	-	-
Total	$339,381	$82,852	$57,232	$195,272	$4,025

(1) Includes interest payments required under our CSA related to our term loans and revolver balance. The interest rate in place under our CSA on December 31, 2014 was utilized and this calculation assumes obligations are repaid when due.

The Company is required to pay SERP obligations at the occurrence of certain events. As of December 31, 2014, $14.2 million is included in long-term liabilities as an unfunded pension obligation on the Company's consolidated balance sheet. Included in other assets at December 31, 2014 is the cash surrender value of company-owned life insurance and marketable securities held in a rabbi trust with an aggregate value of $12.3 million, which has been designated by the Company to be utilized to fund the Company's SERP obligations.

Critical Accounting Policies and Other Matters

The Company's consolidated financial statements include certain amounts that are based on management's best estimates and judgments. Estimates are used when accounting for amounts recorded in connection with mergers and acquisitions, including determination of the fair value of assets and liabilities. Additionally, estimates are used in determining such items as current fair values of goodwill and other intangible assets, as well as provisions related to product returns, bad debts, inventories, intangible assets, investments, SERP expense, income taxes and contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions, including in some cases future projections, that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The following accounting policies require accounting estimates that have the potential for significantly impacting Bel's financial statements.

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Accounts Receivable and Allowance for Doubtful Accounts

In the normal course of business, we extend credit to our customers if they satisfy pre-defined credit criteria. We maintain an accounts receivable allowance for estimated losses resulting from the likelihood of failure of our customers to make required payments. An additional allowance may be required if the financial condition of our customers deteriorates. The allowance for doubtful accounts is maintained at a level that management assesses to be appropriate to absorb estimated losses in the accounts receivable portfolio. The allowance for doubtful accounts is reviewed at a minimum quarterly, and changes to the allowance are made through the provision for bad debts, which is included in SG&A expenses on our consolidated statements of operations. These changes may reflect changes in economic, business and market conditions. The allowance is increased by the provision for bad debts and decreased by the amount of charge-offs, net of recoveries.

The provision for bad debts charged against operating results is based on several factors including, but not limited to, a regular assessment of the collectability of specific customer balances, the length of time a receivable is past due and our historical experience with our customers. In circumstances where a specific customer's inability to meet its financial obligations is known, we record a specific provision for bad debt against amounts due, thereby reducing the receivable to the amount we reasonably assess will be collected. If circumstances change, such as higher than expected defaults or an unexpected material adverse change in a major customer's ability to pay, our estimates of recoverability could be reduced by a material amount. At December 31, 2014 and 2013, the Company had allowance for doubtful accounts of $2.0 million and $0.9 million, respectively.

Inventory

The Company makes purchasing and manufacturing decisions principally based upon firm sales orders from customers, projected customer requirements and the availability and pricing of raw materials. Future events that could adversely affect these decisions and result in significant charges to the Company's operations include miscalculating customer requirements, technology changes which render certain raw materials and finished goods obsolete, loss of customers and/or cancellation of sales orders, stock rotation with distributors and termination of distribution agreements. The Company reduces the carrying value of its inventory by a reserve for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based on the aforementioned assumptions. When such inventory is subsequently used in the manufacturing process, the lower adjusted cost of the material is charged to cost of sales and the improved gross profit is recognized at the time the completed product is shipped and the sale is recorded. As of December 31, 2014 and 2013, the Company had reserves for excess or obsolete inventory of $6.8 million and $3.9 million, respectively. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill is reviewed for possible impairment at least annually on a reporting unit level during the fourth quarter of each year. A review of goodwill may be initiated before or after conducting the annual analysis if events or changes in circumstances indicate the carrying value of goodwill may no longer be recoverable.

A reporting unit is the operating segment unless, at businesses one level below that operating segment — the "component" level — discrete financial information is prepared and regularly reviewed by management, and the component has economic characteristics that are different from the economic characteristics of the other components of the operating segment, in which case the component is the reporting unit.

While we are permitted to conduct a qualitative assessment to determine whether it is necessary to perform a two-step quantitative goodwill impairment test, for our annual goodwill impairment test in the fourth quarter of 2014 and in 2013, we performed a quantitative test for all of our reporting units.

The assets and liabilities of acquired businesses are recorded under the purchase method of accounting at their estimated fair values at the dates of acquisition. Goodwill represents the amount of consideration transferred in excess of fair values assigned to the underlying net assets of acquired businesses.

The goodwill impairment test involves a two-step process. In step one, we compare the fair value of each of our reporting units with goodwill to its carrying value, including the goodwill allocated to the reporting unit. If the fair value of the reporting unit exceeds its carrying value, there is no indication of impairment and no further testing is required. If the fair value of the reporting unit is less than the carrying value, we must perform step two of the impairment test to measure the amount of impairment loss, if any. In step two, the reporting unit's fair value is allocated to all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that calculates the implied fair value of goodwill in the same manner as if the reporting unit were being acquired in a business combination. If the implied fair value of the reporting unit's goodwill is less than the carrying value, the difference is recorded as an impairment loss.

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We use a fair value approach to test goodwill for impairment. We must recognize a non-cash impairment charge for the amount, if any, by which the carrying amount of goodwill exceeds its implied fair value. We derive an estimate of fair values for each of our reporting units using a combination of an income approach and an appropriate market approach, each based on an applicable weighting. We assess the applicable weighting based on such factors as current market conditions and the quality and reliability of the data. Absent an indication of fair value from a potential buyer or similar specific transactions, we believe that the use of these methods provides a reasonable estimate of a reporting unit's fair value.
Fair value computed by these methods is arrived at using a number of factors, including projected future operating results, anticipated future cash flows, effective income tax rates, comparable marketplace data within a consistent industry grouping, and the cost of capital. There are inherent uncertainties, however, related to these factors and to our judgment in applying them to this analysis. Nonetheless, we believe that the combination of these methods provides a reasonable approach to estimate the fair value of our reporting units. Assumptions for sales, net earnings and cash flows for each reporting unit were consistent among these methods.

Income Approach Used to Determine Fair Values

The income approach is based upon the present value of expected cash flows. Expected cash flows are converted to present value using factors that consider the timing and risk of the future cash flows. The estimate of cash flows used is prepared on an unleveraged debt-free basis. We use a discount rate that reflects a market-derived weighted average cost of capital. We believe that this approach is appropriate because it provides a fair value estimate based upon the reporting unit's expected long-term operating and cash flow performance. The projections are based upon our best estimates of projected economic and market conditions over the related period including growth rates, estimates of future expected changes in operating margins and cash expenditures. Other significant estimates and assumptions include terminal value long-term growth rates, provisions for income taxes, future capital expenditures and changes in future cashless, debt-free working capital.

2014 Annual Goodwill Impairment Test

Critical assumptions that the Company used in performing the income approach for its reporting units in its 2014 annual goodwill impairment test included the following:

- Applying a compounded annual growth rate for forecasted sales in our projected cash flows through 2019.

Reporting Unit	Compounded Annual Growth Rate	
North America	3.5	%
Asia	4.5	%
Europe	4.0	%

- Applying a terminal value growth rate of 2% to 3% for our reporting units to reflect our estimate of stable and perpetual growth.
- Determining an appropriate discount rate to apply to our projected cash flow results. This discount rate reflects, among other things, certain risks due to the uncertainties of achieving the cash flow results and the growth rates assigned. The discount rates applied were as follows:

Reporting Unit	Discount Rate	
North America	11	%
Asia	18	%
Europe	16	%

· A weighting of the results of the income approach of 75% of our overall fair value calculation for each reporting unit.

Changes in any of these assumptions could materially impact the estimated fair value of our reporting units. Our forecasts take into account the near and long-term expected business performance, considering the long-term market conditions and business trends within the reporting units. For further discussion of the factors that could result in a change in our assumptions, see "Risk Factors" in this Form 10-K and our other filings with the SEC.

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Market Approach Used to Determine Fair Values
The market approach estimates the fair value of the reporting unit by applying multiples of operating performance measures to the reporting unit's operating performance (the "Public Company Method"). These multiples are derived from comparable publicly-traded companies with similar investment characteristics to the reporting unit, and such comparables are reviewed and updated as needed annually. We believe that this approach is appropriate because it provides a fair value estimate using multiples from entities with operations and economic characteristics comparable to our reporting units and the Company.
The key estimates and assumptions that are used to determine fair value under this market approach includes trailing and future 12-month operating performance results and the selection of the relevant multiples to be applied. Under the Public Company Method, a control premium, or an amount that a buyer is usually willing to pay over the current market price of a publicly traded company, is applied to the calculated equity values to adjust the public trading value upward for a 100% ownership interest, where applicable.
In order to assess the reasonableness of the calculated fair values of our reporting units, we also compare the sum of the reporting units' fair values to our market capitalization and calculate an implied control premium (the excess of the sum of the reporting units' fair values over the market capitalization). We evaluate the control premium by comparing it to control premiums of recent comparable market transactions. If the implied control premium is not reasonable in light of these recent transactions, we will reevaluate our fair value estimates of the reporting units by adjusting the discount rates and/or other assumptions.
We applied a combined weighting of 25% to the market approach when determining the fair value of these reporting units.
If our assumptions and related estimates change in the future, or if we change our reporting unit structure or other events and circumstances change (such as a sustained decrease in the price of our common stock, a decline in current market multiples, a significant adverse change in legal factors or business climates, an adverse action or assessment by a regulator, heightened competition, strategic decisions made in response to economic or competitive conditions or a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or disposed of), we may be required to record impairment charges in future periods. Any impairment charges that we may take in the future could be material to our consolidated results of operations and financial condition.

See Note 4, "Goodwill and Other Intangible Assets," for details of our goodwill balance and the goodwill review performed in 2014.

Indefinite-Lived Intangible Assets

The Company annually tests indefinite-lived intangible assets for impairment on October 1, using a fair value approach, the relief-from-royalty method (a form of the income approach). No impairment was recognized as a result of the October 1, 2014 testing. At December 31, 2014, the Company's indefinite-lived intangible assets related solely to trademarks. Management has concluded that the fair value of its trademarks exceeds the associated carrying values at December 31, 2014 and that no impairment exists as of that date.

Long-Lived Assets and Other Intangible Assets

Property, plant and equipment represents an important component of the Company's total assets. The Company depreciates its property, plant and equipment on a straight-line basis over the estimated useful lives of the assets. Intangible assets with a finite useful life are amortized on a straight-line basis over the estimated useful lives of the assets. Management reviews long-lived assets and other intangible assets for potential impairment whenever significant events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment exists when the estimated undiscounted cash flows expected to result from the use of an asset and its eventual disposition are less than its carrying amount. If an impairment exists, the resulting write-down would be the difference between the fair market value of the long-lived asset and the related net book value. No impairments related to long-lived assets or amortized intangible assets were recorded during the years ended December 31, 2014 or 2013. During 2012, the Company recorded a total of $1.7 million in write-downs related to property, plant and equipment. Of this amount, $1.4 million related to the closure of the Vinita, Oklahoma facility and is classified as restructuring costs in the accompanying statement of operations, and $0.3 million related to property, plant and equipment damaged as a result of Hurricane Sandy at our Jersey City, New Jersey and Inwood, New York facilities.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as measured by enacted tax rates that are expected to be in effect in the periods when the deferred tax assets and liabilities are expected to be settled or realized. Significant judgment is required in determining the worldwide provisions for income taxes. Valuation allowances are provided for deferred tax assets where it is considered more likely than not that the Company will not realize the benefit of such asset. In the ordinary course of a global business, the ultimate tax outcome is uncertain for many transactions. It is the Company's policy not to recognize tax benefits arising from uncertain tax positions that may not be realized in future years as a result of an examination by tax authorities. The Company establishes the provisions based upon management's assessment of exposure associated with permanent tax differences and tax credits applied to temporary difference adjustments. The tax provisions are analyzed periodically (at least quarterly) and adjustments are made as events occur that warrant adjustments to those provisions. The accounting literature requires significant judgment in determining what constitutes an individual tax position as well as assessing the outcome of each tax position. Changes in judgment as to recognition or measurement of tax positions can materially affect the estimate of the effective tax rate and, consequently, affect our operating results.

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Revenue Recognition

Revenue is recognized when the product has been delivered and title and risk of loss have passed to the customer, collection of the resulting receivable is deemed reasonably assured by management, persuasive evidence of an arrangement exists and the sale price is fixed and determinable.

Historically the Company has been successful in mitigating the risks associated with its revenue. Such risks include product warranty, creditworthiness of customers and concentration of sales among a few major customers.

The Company is not contractually obligated to accept returns from non-distributor customers except for defective products or in instances where the product does not meet the Company's quality specifications. If these conditions exist, the Company would be obligated to repair or replace the defective product or make a cash settlement with the customer. Distributors generally have the right to return up to 5% of their purchases depending on the products line for a specified period of time and are obligated to purchase an amount at least equal to the return. If the Company terminates a relationship with a distributor, the Company is obligated to accept as a return all of the distributor's inventory from the Company. The Company accrues an estimate for anticipated returns based on historical experience at the time revenue is recognized and adjusts such estimate as specific anticipated returns are identified. If a distributor terminates its relationship with the Company, the Company is not obligated to accept any inventory returns.

During the year ended December 31, 2014, the Company had one customer with sales in excess of 10% of Bel's consolidated revenue. Management believes that the loss of this individual customer could have a material adverse effect on our consolidated financial position and results of operations. During the year ended December 31, 2014, the Company had sales of $76.4 million to Hon Hai Precision Industry Company Ltd., representing 15.7% of Bel's consolidated revenue. Sales to this customer are primarily in the Company's Asia operating segment.

Commitments and Contingencies — Litigation

On an ongoing basis, we assess the potential liabilities and costs related to any lawsuits or claims brought against us. We accrue a liability when we believe a loss is probable and when the amount of loss can be reasonably estimated. Litigation proceedings are evaluated on a case-by-case basis considering the available information, including that received from internal and outside legal counsel, to assess potential outcomes. While it is typically very difficult to determine the timing and ultimate outcome of these actions, we use our best judgment to determine if it is probable that we will incur an expense related to the settlement or final adjudication of these matters and whether a reasonable estimation of the probable loss, if any, can be made. In assessing probable losses, we consider insurance recoveries, if any. We expense legal costs, including those legal costs expected to be incurred in connection with a loss contingency, as incurred. We have in the past adjusted existing accruals as proceedings have continued, been settled or otherwise provided further information on which we could review the likelihood of outflows of resources and their measurability, and we expect to do so in future periods. Due to the inherent uncertainties related to the eventual outcome of litigation and potential insurance recovery, it is possible that disputed matters may be resolved for amounts materially different from any provisions or disclosures that we have previously made.

Other Matters

The Company believes that it has sufficient cash reserves to fund its foreseeable working capital needs. It may, however, seek to expand such resources through bank borrowings, at favorable lending rates, from time to time. If the Company were to undertake another substantial acquisition for cash, the acquisition would either be funded with cash on hand or would be financed in part through cash on hand and in part through bank borrowings or the issuance of public or private debt or equity. If the Company borrows additional money to finance acquisitions, this would further decrease the Company's ratio of earnings to fixed charges, and could further impact the Company's material restrictive covenants, depending on the size of the borrowing and the nature of the target company. Under its existing credit facility, the Company is required to obtain its lender's consent for certain additional debt financing and to comply with other covenants, including the application of specific financial ratios, and may be restricted from paying cash dividends on its common stock. Depending on the nature of the transaction, the Company cannot assure investors that the necessary acquisition financing would be available to it on acceptable terms, or at all, when required. If the Company issues a substantial amount of stock either as consideration in an acquisition or to finance an acquisition, such issuance may dilute existing stockholders and may take the form of capital stock having preferences over its existing common stock.

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New Financial Accounting Standards

The discussion of new financial accounting standards applicable to the Company is incorporated herein by reference to Note 1. "Description of Business and Summary of Significant Accounting Policies" included in Part II, Item 8. "Financial Statements and Supplementary Data."

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Fair Value of Financial Instruments — The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. See Note 1 to the Company's consolidated financial statements.

The Company has not entered into, and does not expect to enter into, financial instruments for trading or hedging purposes. The Company does not currently anticipate entering into interest rate swaps and/or similar instruments.

The Company's carrying values of cash, cash equivalents, marketable securities, accounts receivable, restricted cash, accounts payable, accrued expenses and notes payable are a reasonable approximation of their fair value.

The Company enters into transactions denominated in U.S. Dollars, Hong Kong Dollars, the Chinese Renminbi, Euros, British Pounds, Mexican Pesos, the Czech Koruna, the Swiss Franc and other European currencies. Fluctuations in the U.S. dollar exchange rate against these currencies could significantly impact the Company's consolidated results of operations.

The Company believes that a change in interest rates of 1% or 2% would not have a material effect on the Company's consolidated statement of operations or balance sheet.

Item 8. Financial Statements and Supplementary Data

See the consolidated financial statements listed in the accompanying Index to Consolidated Financial Statements for the information required by this item.

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BEL FUSE INC.
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Board of Directors and Stockholders of Bel Fuse Inc.
Jersey City, New Jersey
We have audited the accompanying consolidated balance sheets of Bel Fuse Inc. and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive (loss) income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15. We also have audited the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Power Solutions and Connectivity Solutions (collectively the "2014 Acquired Companies"), which were acquired during the year ended December 31, 2014 and whose financial statements constitute 53% of total assets and 28% of net sales of the consolidated financial statement amounts as of and for the year ended December 31, 2014. Accordingly, our audit did not include the internal control over financial reporting of the 2014 Acquired Companies. The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

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

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bel Fuse Inc. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule of Bel Fuse Inc. and subsidiaries, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.
/s/ DELOITTE & TOUCHE LLP
New York, New York
March 13, 2015

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BEL FUSE INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except share and per share data)

	December 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$77,138	$62,123
Accounts receivable - less allowance for doubtful accounts of $1,989 and $941 at December 31, 2014 and 2013, respectively	99,605	63,849
Inventories, net	113,630	70,019
Other current assets	20,283	8,164
Total current assets	310,656	204,155
Property, plant and equipment, net	70,661	40,896
Intangible assets, net	95,502	29,472
Goodwill	117,573	18,490
Deferred income taxes	7,933	1,680
Other assets	33,700	13,448
Total assets	$636,025	$308,141
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$61,926	$29,518
Accrued expenses	42,588	22,442
Current maturities of long-term debt	13,438	-
Short-term borrowings under revolving credit line	-	12,000
Other current liabilities	3,850	3,021
Total current liabilities	121,802	66,981
Long-term liabilities:		
Long-term debt, noncurrent	219,187	-
Liability for uncertain tax positions	39,767	1,218
Minimum pension obligation and unfunded pension liability	14,205	10,830
Deferred income taxes	15,865	-
Other long-term liabilities	448	410
Total liabilities	411,274	79,439
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, no par value, 1,000,000 shares authorized; none issued	-	-
Class A common stock, par value $.10 per share, 10,000,000 shares authorized; 2,174,912 shares outstanding at each date (net of 1,072,769 treasury shares)	217	217
Class B common stock, par value $.10 per share, 30,000,000 shares authorized; 9,686,777 and 9,335,677 shares outstanding, respectively		

(net of 3,218,307 treasury shares)	969	933
Additional paid-in capital	21,626	18,914
Retained earnings	213,901	207,993
Accumulated other comprehensive (loss) income	(11,962)	645
Total stockholders' equity	224,751	228,702
Total liabilities and stockholders' equity	$ 636,025	$ 308,141

See accompanying notes to consolidated financial statements.

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BEL FUSE INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands, except per share data)

	Year Ended December 31,		
	2014	2013	2012
Net sales	$487,076	$349,189	$286,594
Cost of sales	399,100	286,952	240,115
Selling, general and administrative expenses	72,051	45,803	39,571
Restructuring charges	1,832	1,387	5,245
Income from operations	14,093	15,047	1,663
Impairment of investment	-	-	(775)
Interest expense	(3,978)	(156)	(16)
Interest income and other, net	276	274	125
Earnings before provision (benefit) for income taxes	10,391	15,165	997
Provision (benefit) for income taxes	1,296	(743)	(1,376)
Net earnings available to common shareholders	$9,095	$15,908	$2,373
Net earnings per common share:			
Class A common shares - basic and diluted	$0.73	$1.32	$0.17
Class B common shares - basic and diluted	$0.79	$1.41	$0.21
Weighted-average shares outstanding:			
Class A common shares - basic and diluted	2,175	2,175	2,175
Class B common shares - basic and diluted	9,491	9,240	9,625
Dividends paid per common share:			
Class A common shares	$0.24	$0.24	$0.24
Class B common shares	$0.28	$0.28	$0.28

See accompanying notes to consolidated financial statements.

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BEL FUSE INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(dollars in thousands)

	Year Ended December 31,		
	2014	2013	2012
Net earnings	$9,095	$15,908	$2,373
Other comprehensive (loss) income:			
Currency translation adjustment, net of taxes of ($219), $77 and $0	(11,269)	977	281
Reclassification adjustment for gain (loss) on sale of marketable securities included in net earnings, net of tax of $0, ($37) and $348	-	(61)	569
Unrealized holding gains (losses) on marketable securities arising during the period, net of taxes of $90, $45 and $(154)	147	87	(251)
Change in unfunded SERP liability, net of taxes of ($631), $457 and $(210), respectively	(1,485)	1,069	(476)
Other comprehensive (loss) income	(12,607)	2,072	123
Comprehensive (loss) income	$(3,512)	$17,980	$2,496